

Governance lessons from Nord Stream

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The Nord Stream companies offer lessons for the governance of international joint ventures with state-linked shareholders. The first lesson concerns the concentration of political risk: a company whose sole asset is an infrastructure project in a politically contested field can lose its business overnight when the political environment changes. The legal structure, however well designed, does not protect against that risk. The second lesson concerns the boards. Boards composed of persons with close ties to one government may be effective in normal times, yet they become a liability when that government becomes the target of sanctions.

The third lesson concerns the seat. The choice of Zug gave the Nord Stream companies a neutral legal home, a favourable tax regime and access to Swiss professional services, although it did not give them immunity from the sanctions of other states. The American sanctions of 2019 and 2022 reached the companies through their dependence on dollars, Western banks and Western contractors. The Swiss seat also made the Zug court the forum for the insolvency proceedings. A canton that attracts such companies must be prepared to deal with the consequences when their business fails.

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