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Managing the Energy Price Crisis in Lithuania: From Operational Responses to Policy Change

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Abstract. The paper examines government responses to the recent energy price crisis in the context of the polycrisis in Lithuania. It adopts a framework which links these responses to the response paradigm followed by the government comprised of two layers: the crisis management paradigm, and the policy paradigm specific to a policy field. The paper explores how these two layers evolved in the energy sector given the polycrisis and historical contexts, and how they interacted in shaping the operational and strategic policy responses to the energy crisis. The paper shows that, to manage the crisis, the government adopted a paradigm based on activist state intervention and principles of fast and simple horizontal relief measures for households and businesses, which is an approach that proved effective during the earlier coronavirus pandemic. In addition, the crisis management paradigm had a clear strategic component in the form of price and investment incentives for the more aggressive expansion of domestic renewable energy sources-based energy generation capacities. While favourable conditions for this strategic component came from EU-wide attempts to cope with the climate crisis, the paper also links it to an energy crisis-provoked shift in the energy policy paradigm among Lithuanian political leaders, which altered the way energy security is perceived. If, prior to the crisis, energy security was mainly perceived as a redirection of energy flows from Russia to the EU, during and after the crisis it started to be increasingly viewed as full energy independence, achieved through the technological transformation of the whole energy system.
Keywords: energy security, energy price crisis, polycrisis, energy transition, policy change, crisis management, Lithuania.

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Valdant energijos išteklių kainų krizę: nuo operacinio atsako prie politikos kaitos

Santrauka. Straipsnyje analizuojamas Lietuvos vyriausybės atsakas į pastarųjų metų energijos išteklių kainų krizę daugialypės krizės kontekste. Jame pasitelkiamas koncepcinis modelis susieja šį atsaką su vyriausybės pasirinkta atsako paradigma, sudaryta iš dviejų lygmenų: krizės valdymo paradigmos ir konkrečiai politikos sričiai būdingos politikos paradigmos. Straipsnyje analizuojama, kaip šie du lygmenys formavosi energetikos sektoriuje, atsižvelgiant į daugialypės krizės ir istorinį kontekstus, taip pat kaip jų sąveika formavo operacinį ir strateginį politikos atsaką į energetikos išteklių kainų krizę. Tyrimas atskleidžia, kad vyriausybė, siekdama suvaldyti krizę, vadovavosi aktyvistine valstybės intervencijos paradigma, pagrįsta greito veikimo ir lengvai įgyvendinamomis horizontaliomis paramos namų ūkiams ir verslui priemonėmis, pasiteisinusiomis ankstesnės COVID-19 pandemijos metu. Tačiau krizės valdymo paradigma turėjo ir aiškų strateginį komponentą, pasireiškusį kaip paskatos investicijoms į spartesnę energijos gamybos iš vietinių atsinaujinančių energijos išteklių plėtra. Nors šiam komponentui palankias sąlygas sudarė visos Europos Sąjungos pastangos spręsti klimato kaitos krizę, straipsnyje jis taip pat siejamas su energijos išteklių kainų krizės išprovokuotu Lietuvos energetikos politikos paradigmos pokyčiu, pakeitusiu energetinio saugumo suvokimą: iki krizės energetinis saugumas daugiausia buvo traktuojamas kaip energijos srautų iš Rusijos pakeitimas srautais iš Europos Sąjungos, o krizės metu ir po jos jis vis dažniau imtas suprasti kaip visiška energetinė nepriklausomybė, pasiekiama visos energetikos sistemos technologinės transformacijos būdu.

Reikšminiai žodžiai: energetinis saugumas, energijos išteklių kainų krizė, daugialypė krizė, energetikos transformacija, politikos kaita, krizės valdymas, Lietuva.

Introduction

In many Central East European (CEE) countries, given their geographical proximity to Russia and historically heavy reliance on energy supplies from it, energy security has been among the top strategic policy priorities since the 1990s. This has placed CEE countries in a rather stark contrast to parts of the EU further to the West and South, where energy security has only become a major policy issue since 2020. In this context, Lithuania is an extreme case of long-standing energy security concerns, where, for three decades, energy security has been explicitly perceived as energy independence from Russia through integration into the energy systems and markets of the European Union (EU).

However, due to a complex set of geopolitical and domestic political conditions and policies, such as threats of manipulation of the

energy supply by Russia, de-nuclearisation, politicisation of the attempts to re-nuclearise, as well as delays in integration into regional and European energy networks and other large-scale projects, by the early 2020s, energy security in Lithuania was still a sensitive issue. While the diversification of energy imports has been much smoother, the development of domestic energy generation capacities and the replacement of imported fossil fuel-based energy sources with *Renewable Energy Sources* (RES) has been much more limited. As a result, in 2020, Lithuania had one of the highest energy dependency rates and energy import dependency rates in the EU, with around 70% of its energy consumption coming from imports, and 96% of these imports still coming from Russia[1].

A major shock to the Lithuanian energy system and the underlying policies was caused recently by Russia's weaponised aggression against Ukraine and the energy price crisis provoked by it. As a result, major energy security gaps in the energy system emerged, such as surges in energy prices for businesses and households due to high reliance on energy imports from Russia, and later, from the EU energy markets. Lithuania addressed these gaps both operationally and strategically. At the operational level, the government implemented a set of policy measures that mitigated the adverse impact on households and businesses. Yet, at the strategic level, the response was even stronger. The energy price crisis altered the existing energy security paradigm towards full energy independence, through the more extensive use of RESs, and brought about more opportunities for its realisation. The key to such opportunities was the higher availability and affordability of RES technical equipment, such as solar batteries and windmills, thanks to the EU's earlier strategic goals of fighting the slow-moving climate crisis. Consequently, Lithuania recovered from the polycrisis with strong progress in its RES-based energy generation capacities, and is much closer to full energy independence.

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1 Tomas Janeliūnas, "Lithuania." *Energy without Russia: How Europe has Reacted to the Supply Crisis after the Attack on Ukraine*, ed. Ernst Hillebrand (Friedrich-Ebert-Stiftung, 2023), doi:10.13140/RG.2.2.15090.07365.

The role of crises in changes to policy and governance has been extensively explored in the literature on public policy, public administration and the political economy. At the macro level, it has been linked to disruptions in institutional equilibria that allow new avenues for institutional or policy change[2]. Meanwhile, at the mezo and micro levels, crises illuminate the failure of existing policies, promote the formulation of new policies and governance alternatives, and offer opportunities to learn and innovate. The current paper makes several contributions to this literature. First, it localises a crisis-induced change in policy and governance in the field of energy policy, which might be perceived as less prone to changes due to high infrastructural costs. Second, the paper presents a more granular view of how such a change is mediated by the paradigm of the response to the crisis comprised of two distinct interacting levels: the crisis management paradigm, which shapes operational responses to the crisis, and the policy paradigm, which shapes long-term strategic decisions in a particular policy field, such as energy policy, as in the current case. Third, an important contribution of the paper is the demonstration of how a policy change can be provoked by a crisis which is part of a broader polycrisis comprised of several crises interconnected in time and space. Finally, in all these respects, the paper further advances the scholarship on energy security in Lithuania[3] by exploring the

[2] Colin Hay, "Narrating Crisis: The Discursive Construction of the "Winter of Discontent"," *Sociology* 30(2) (1996): 253–77, doi:10.1177/0038038596030002004; Carter A. Wilson, "Policy Regimes and Policy Change," *Journal of Public Policy* 20(3) (2000): 247–274; Wolfgang Streeck, Kathleen Thelen, "Introduction: Institutional Change in Advanced Political Economies," *Beyond Continuity: Institutional Change in Advanced Political Economies*, ed. Wolfgang Streeck, Kathleen Thelen (Oxford University Press, 2005).

[3] For example, Vylius Leonavičius, Justinas Juozaitis, Dainius Genys, "Energetinio saugumo valdysena Lietuvoje: visuomenės požiūrio ir politikos analizės palyginimas," *Energetika* 65(1) (2019): 103–112, doi:10.6001/energetika.v65i1.3979; Jakub M. Godzimirski, Ramūnas Vilpišauskas, Romas Švedas, *Energy Security in the Baltic Sea Region: Regional Coordination and Management of Interdependencies* (Vilnius University Press, 2015); Giedrius Česnakas, "Energy Security Challenges, Concepts and the Controversy of Energy Nationalism in Lithuanian Energy Politics," *Baltic Journal of Law and Politics* 6(1) (2013): 140–162, doi:10.2478/bjlp-2013-0006; Arūnas Molis, "Building Methodology, Assessing the Risks: The Case of Energy Se-

most recent shifts in its perception and solutions towards strengthening it under conditions when full energy security should seemingly have already been achieved due to extensive earlier policy efforts to diversify the energy sources.

In short, the paper asks how the Lithuanian government's response to the energy price crisis was shaped by the polycrisis environment on the one hand, and by changing the energy policy paradigm on the other hand. To answer this question, the paper adopts the theoretical framework on the impact of a polycrisis on policy and institutional change developed in the introductory paper in this special issue. As its dependent variable, the paper traces the formulation and implementation of operational policy responses and strategic decisions in the domain of energy policy by linking them to a specific crisis management regime, which, in turn, is shaped by the pre-existing governance capacity, the dominant crisis response paradigm of the government, the politicisation of certain issues, and the spillover and learning effects between individual crises within the polycrisis, but also to favourable developments in energy technologies and a major change in the energy policy priorities at the EU level.

Empirically, the paper focuses on the management of the energy price crisis in Lithuania between 2021 and 2025, and on policy responses with regard to energy security in the environment of the polycrisis. Part of this polycrisis was Russia's military aggression against Ukraine, which provoked a series of economic sanctions imposed on Russia by the EU and the US, and which, together with Russia's weaponisation of trade in energy resources as early as in the autumn of 2021, resulted in gas and electricity price surges across the EU. The paper looks at the operational policy responses and strategic decisions that emerged during the management of this crisis, reflected the dissatisfaction with the functioning of the international energy

curity in the Baltic States," *Baltic Journal of Economics* 11(2) (2014): 59–80, doi:10.1080/1406099X.2011.10840501; Arūnas Molis, Giedrius Česnakas, Justinas Juozaitis, "Rusijos geoenergetika ir Baltijos šalių atsakas: integracijos ir bendradarbiavimo iniciatyvų reikšmė," *Politologija* 3(91) (2018): 3–47.

markets, and led to a reformulation of Lithuania's long-term energy security strategy.

More specifically, the paper argues that although Lithuania placed energy security at the core of its energy policy several decades ago, and much earlier than the EU, one of the strongest impulses for its major reconsideration occurred during the energy price crisis of 2021–2023. The paper links these impulses to the crisis management regime and the strategic decisions and operational responses that emerged from it. Specifically, the paper finds that the crisis provoked a change in the energy policy paradigm by altering the interpretative framework through which energy security is perceived. If, in the 2000s and 2010s, energy security was mainly perceived as a redirection of energy flows from Russia to the EU, after the polycrisis, it was increasingly viewed as a technological transformation of the whole energy system, leading to the adoption of a strategic goal of self-sufficiency in terms of domestic generation. Consequently, this shift in the perception of energy security led to the modification of policy goals, instruments and governance capacities accordingly.

The paper adopts the design of a small-N case study[4], and uses publicly available quantitative and qualitative data. Interviews are conducted with political and administrative actors who were active participants in managing the energy and related crises in Lithuania. A full list of interviews is presented in Appendix 1. The interviews include a government politician, a senior civil servant at the Ministry of Energy, two senior business managers at a large state-owned energy operator, and two public sector managers at government agencies responsible for the implementation of the energy policy. The paper uses these data for a minimalist version of the theory-testing process tracing for exploring causal mechanisms behind the main events and decisions that led Lithuania through the energy price crisis during 2021–2025, and, more generally, for testing the general mechanisms

[4] Jason Seawright, John Gerring, "Case Selection Techniques in Case Study Research: A Menu of Qualitative and Quantitative Options," *Political Research Quarterly* 61(2) (2008): 294–308, doi:10.1177/1065912907313077.

of polycrisis management as theorised in the introductory article to this special issue[5].

The paper proceeds as follows. The first section introduces the key concepts, and analyses energy crisis the management paradigms which emerged at the European level. The second section looks specifically at the management of the energy price crisis in Lithuania by focusing on the nature of the response adopted here, as well as on the origins of measures implemented for coping with the crisis. The focus of the third section is the causes of the policy change that occurred during the energy price crisis and led to a modification of the strategic energy policy goals towards full energy independence. The fourth section complements the main argument of the paper by specifically looking at the interconnectedness of the energy price crisis with other simultaneous or close-in-time crises. The final section discusses the results and concludes the research.

1. Crisis and its dominant response paradigms

How do crises affect a policy? In our framework (see the introductory article), the government responds to a crisis through the response paradigm which serves as a framework for the formulation of the policy goals and leads to operational responses and strategic decisions that the government introduces in a particular policy field in order to manage the crisis. Thus, it is our main independent variable. The way how the response paradigm is affected by a crisis is of key importance. Analytically, the response paradigm can be divided into two components: the crisis management paradigm, and the policy paradigm specific to a certain policy field. The first component relates to prevalent ideas about the role of the state and the available instruments for managing the crisis in a particular policy field. As for the second component, the government can respond to the crisis

5 Derek Beach, Rasmus Brun Pedersen, *Process-Tracing Methods: Foundations and Guidelines*, *Process-Tracing Methods: Foundations and Guidelines* (University of Michigan Press Ann Arbor, 2013), doi:10.1177/0094306115599351g.

within the prevailing policy paradigm, in which case, it will adopt operational responses and strategic decisions fully aligned with it, but – maybe – with some modifications in terms of the design, function and scale. But, also, a crisis can reveal major weaknesses in the existing policy paradigm. In this case, the existing policy is likely to undergo changes driven by shifts in the policy paradigm and policy goals, which, in turn, will lead to operational responses and strategic decisions that are new to the policy field.

This section contextualises the analytical framework to a specific policy area, which, in this particular case, is *energy*. It first looks at the European-level energy policy paradigm and its recent shifts. This serves as a context for a further analysis of crisis management paradigms at the EU level. A good way to look at the energy policy paradigm is through the energy 'triangle', or 'trilemma', as it is commonly perceived, in order to imply that all three of its components seldom come together. The 'triangle' groups energy-related policies into three categories: energy security, energy competitiveness, and energy sustainability. Energy security relates to an uninterrupted supply of energy, but also, as stressed in the *World Energy Trilemma Report 2024* by the *World Energy Council*, it increasingly includes the reliability of renewables, the availability of critical minerals, and resilience to physical and cyber threats to energy systems[6]. Whereas, energy competitiveness is the affordability of energy prices for both households and businesses, which forms an essential part of social welfare and economic competitiveness. Meanwhile, sustainability relates to the reduction of the negative effects on the environment of energy extraction, production and consumption.

Since the primary objective of the paper is policy responses to the energy crisis, which was caused by the weaponisation of energy supplies to the EU by Russia, the energy security component of the energy 'trilemma' deserves special attention. The *International Energy Agency* defines 'energy security' as the uninterrupted availability of energy

[6] World Energy Council, *World Energy Trilemma 2024: Evolving with Resilience and Justice*, 2024.

sources at an affordable price, and distinguishes between *long-term* energy security, which mainly deals with timely investment to supply energy in line with economic development and sustainable environmental needs, and *short-term* energy security, which focuses on the ability of the energy system to react promptly to sudden changes in the supply-demand balance[7]. The literature generally agrees that energy security depends mainly on two factors: on the diversity of the energy sources and origins of supply, and on the political risks at these origins of supply[8]. This implies that energy security is greater if there is a diversified portfolio of energy sources and suppliers in the energy mix[9]. On the other hand, growing political risks at the origins of supply weaken energy security[10]. While dealing with political risks in energy supplier countries has always been a part of countries' efforts in increasing their energy security, this necessity has been changing recently somewhat because of the growing opportunities to diversify energy sources. These opportunities mainly come with an increasing shift towards electricity in the final energy consumption and a growing share of electricity produced from RESs, which suggests that more countries can engage in electricity generation and export, and, in such a way, play a role in increasing the energy security of their partner countries[11].

Related to energy security is energy independence, which focuses on reducing the share of imported energy in the national energy mix[12]. Energy independence can contribute to energy security; how-

7 IAE, *Energy Supply Security: Energy Response of IAE Countries*, 2014, doi:10.1787/9789264040045-en.

8 Chloé Le Coq, Elena Paltseva, "Measuring the Security of External Energy Supply in the European Union," *Energy Policy* 37(11) (2009): 4474–4481, doi:https://doi.org/10.1016/j.enpol.2009.05.069.

9 Gail Cohen, Frederick Joutz, Prakash Loungani, "Measuring Energy Security: Trends in the Diversification of Oil and Natural Gas Supplies," *Energy Policy* 39(9) (2011): 4860–4869, doi:https://doi.org/10.1016/j.enpol.2011.06.034.

10 Jaden Kim, Augustus J. Panton, Gregor Schwerhoff, *Energy Security and The Green Transition*, *IMF Working Papers*, 2024, xxiv, doi:10.5089/9798400263743.001.

11 IEA, *Overcoming the Energy Trilemma: Secure and Inclusive Transitions. IEA Report to G7 Leaders*, 2023.

12 Cohen, Joutz, Loungani, "Measuring Energy Security: Trends in the Diversification of Oil and Natural Gas Supplies."

ever, it may involve a trade-off. If energy independence is achieved through investment in domestic fossil fuel extraction, this can contribute to energy security and energy affordability, but get in conflict with energy sustainability and net zero goals[13]. On the other hand, if energy independence is achieved through investment in RESs, it may increase both energy sustainability[14] and energy security[15], although there is also a possibility of a negative impact on the latter through political risks in the supply chains of renewable energy generation equipment and the risk of incurring higher prices[16].

When it comes to the policy paradigm, a crisis may provoke a change in how the government perceives and interprets the components of the energy 'trilemma', for example, what exactly energy security or affordability means to that government. This may cause a modification of the existing policy goals or an introduction of new ones, and lead to the adoption of new policy instruments, as well as to altering the existing governance capacities in order to meet new policy goals and instruments better. If changes in the policy paradigm, including the policy goals and policy instruments, are great, it is likely to result in an energy transition, which, according to Grubler et al.[17], is "a change in the state of an energy system as opposed to a change in an individual energy technology or fuel source" (p. 18).

The recent shift in the EU's energy policy is a good example of such an energy transition. Two major shifts have occurred over the last five years. With the Green Deal initiative introduced in 2019,

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13 Kim, Panton, Schwerhoff. *Energy Security and the Green Transition*, xxiv.

14 Christoph Arndt, "Climate Change vs Energy Security? The Conditional Support for Energy Sources among Western Europeans," *Energy Policy* 174 (June 2022) (2023): 113471, doi:10.1016/j.enpol.2023.113471.

15 Serhan Cevik, "Climate Change and Energy Security: The Dilemma or Opportunity of the Century?" *IMF Working Papers* 174 (2022): 1, doi:10.5089/9798400218347.001.

16 Paula Kivimaa et al., "A Socio-Technical Lens on Security in Sustainability Transitions: Future Expectations for Positive and Negative Security," *Futures* 141 (June 2022): 102971, doi:10.1016/j.futures.2022.102971.

17 "Apples, Oranges, and Consistent Comparisons of the Temporal Dynamics of Energy Transitions," *Energy Research & Social Science* 22 (2016): 18–25, doi:10.1016/j.erss.2016.08.015.

the EU aimed at a major reduction of its greenhouse gas emissions so that to become climate-neutral by 2050. Among other things, this plan sets a path towards a cleaner but economically competitive energy sector through more integrated, efficient and circular energy systems. Thus, the Green Deal places a relatively higher importance on environmental issues within the energy trilemma, while the security of the energy supply and, to some extent, the energy prices, given unlimited cheap gas supplies from Russia, have not been its primary focus.

Russia's invasion of Ukraine in 2022, however, exposed Europe's strong energy dependency and provoked another shift in the focus of the EU energy policy, this time towards geopolitical energy supply security, which, as the best solution at the strategic level, prioritised an accelerated phasing-out of fossil-based energy sources and expanding RESs[18]. This was reflected in the *REPowerEU* plan, introduced in 2022, which set goals to phase out gas imports from Russia by 2027, diversify energy supplies, improve energy saving, promote electrification and the use of renewable and low carbon energy sources, and adopt new industrial processes[19]. While climate change was the main driver of these developments before the war, energy security issues have now become an important driver too. Some scholars have even spoken of the war in Ukraine as a defining moment for the European energy transition because of the uncertainty it has created around the natural gas supply[20]. However, there are also those arguing that this might still comprise a trade-off, as it will simply change the dependency on fossil fuels to a supply-chain dependency on other

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18 Caroline Kuzemko et al., "Russia's War on Ukraine, European Energy Policy Responses & Implications for Sustainable Transformations," *Energy Research & Social Science* 93 (September) (2022): 102842, doi:10.1016/j.erss.2022.102842.

19 European Commission, "REPowerEU Plan – COM(2022) 230 Final," *Publications Office of the European Union* (2022): 21, <https://ec.europa.eu/commission/presscorner/detail/es/ip_22_3131>

20 Jan Osička, Filip Černoch, "European Energy Politics after Ukraine: The Road Ahead," *Energy Research and Social Science* 91 (August) (2022), doi:10.1016/j.erss.2022.102757.

raw materials, such as rare earth elements and components such as photovoltaics[21].

The policy paradigm shapes, at least partially, the way the government immediately responds to the crisis, which is the crisis management paradigm. The energy crisis management paradigm that emerged at the EU level had three distinct components, clearly related to the policy paradigm shift towards higher energy security. At the strategic level, these components included resisting Russian pressure by reducing energy supplies from it, and by diversifying energy supplies towards other sources, while, at the operational level, it was subsidising the consumption of households and businesses so that to compensate for the increased prices. The rest of this section analyses these components of the crisis management paradigm across the EU in more detail.

Already in the summer of 2021, Russia's Gazprom reduced gas supplies to European customers. While the immediate replacement of gas was not possible, the first two sanction packages, which the EU passed as early as in February 2022, immediately after Russia invaded Ukraine, already included energy-related goals, such as a ban on exports to Russia of oil refining technologies, and restrictions on related services. Russia retaliated, but also to slow down the depreciation of its currency, by making rouble payments for natural gas purchases compulsory as of March 2022. Some member states, such as Poland and Bulgaria, refused to do this, and therefore gas flows to these countries stopped immediately. Similarly, Lithuania banned all natural gas imports from Russia as of April 2022. A little later, in June 2022, with its sixth sanctions package, the EU banned Russian oil imports from December 2022 for crude oil, and, from February 2023 for oil products. August 2022 also saw the EU ban on Russian coal enter into force. Underwater explosions in September 2022 damaged the Nord Stream 1 and Nord Stream 2 pipelines, and thus significantly reduced the technical capabilities of the gas supply to the EU. Consequently, as a result of these and many other policies

[21] Kivimaa et al., "A Socio-Technical Lens on Security in Sustainability Transitions: Future Expectations for Positive and Negative Security."

and events, but also thanks to the strength of the EU internal market, the EU reduced imports of Russian fossil fuels from 16 billion US dollars per month in early 2022 to one billion US dollars by the end of 2023[22]. Nevertheless, Russian gas imports in the form of *liquefied natural gas* (LNG) started to increase from 2024[23].

After fossil fuel supplies from Russia shrank, the EU had to meet its needs from other sources. While crude oil did not pose any major issues, of which, imports from Russia before the war accounted for only 25%, and which was soon replaced by larger imports from the US, Norway and a pool of other countries, or with coal, of which, consumption had already been on a steady decline across the EU, the situation was more dramatic with gas, of which, imports from Russia comprised around half the total EU gas imports in 2021[24]. Nevertheless, the EU successfully countered falling Russian gas imports by increasing LNG imports, and by reducing its demand for gas. The share of LNG in the total gas imports doubled from 20% in 2019 to 40% in 2023, driven largely by a five-fold growth in imports from the US, but also from Egypt, Oman, and Angola[25]. As a result, the share of gas imports from Russia dropped to 15% in 2023[26]. The EU was also successful in reducing its demand for natural gas by 12% in 2022 and by 20% in 2023, compared with the 2019–2021 average[27].

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22 Ben McWilliams et al., *The European Union-Russia Energy Divorce: State of Play*, 2024, <https://www.bruegel.org/analysis/european-union-russia-energy-divorce-state-play>; B. McWilliams et al., *A Grand Bargain to Steer through the European Union's Energy Crisis*, *Bruegel Policy Contribution*, 2022, XIV.

23 Gabriel Gavin, Giovanna Coi, "EU Devours Russian Gas at Record Speed despite Cutoff," *Politico*, 16 January 2025, <https://www.politico.eu/article/eu-devouring-russian-gas-at-record-speed-despite-cut-off-sanctions-war-ukraine/>; Malte Humpert, "EU Imports More Russian LNG in 2024 Than ever before, mostly from Arctic," *High North News*, 6 January 2025, <https://www.highnorthnews.com/en/eu-imports-more-russian-lng-2024-ever-mostly-arctic>

24 McWilliams et al., *The European Union-Russia Energy Divorce: State of Play*.

25 McWilliams et al., *The European Union-Russia Energy Divorce: State of Play*.

26 Agata Łoskot-Strachota, Ugnė Keliauskaitė, Georg Zachmann, *Future European Union Gas Imports: Balancing Different Objectives*, 2024, <https://www.bruegel.org/analysis/future-european-union-gas-imports-balancing-different-objectives>

27 Ben McWilliams, Georg Zachmann, *European Natural Gas Demand Tracker*, 2024, <https://www.bruegel.org/dataset/european-natural-gas-demand-tracker>

The manipulation of the gas supply by Russia led to a spike in gas prices across the EU from €15/MWh pre-crisis to an all-time record of €330/MWh in August 2022[28]. However, the gas price increases differed considerably between the EU countries and consumer groups, depending on differences in contract structures, and national retail markets and their regulation. For example, for households, the increase in H1 of 2022, if compared to the average of H1 in 2019–2020, varied from more than 400% in Latvia to around 200% in Germany, to less than 50% in Slovakia. Unsurprisingly, given its pro-Russian policy stance, Hungary managed a slight gas price decrease[29]. Higher gas prices led to higher electricity prices, largely because of the gas used to produce large amounts of electricity, but also because of unlucky coincidences, such as many nuclear plants in France shutting down due to corrosion problems, and reduced hydropower generation due to a severe drought[30].

In addition to the ban on certain fossil fuel-based energy imports from Russia, only a few measures to relieve the consequences of the energy price crisis were taken at the EU level. The most significant measure was the already-mentioned *REPowerEU* plan, based on the *Recovery and Resilience Facility* (RRF) instrument, and mainly aimed at replacing fossil-fuel energy sources with RESs. However, the plan also included some initiatives aimed at solving specific energy price-related problems, for example, by setting the EU Energy Platform for the voluntary common purchase of gas, LNG and hydrogen[31], in order for the member states to benefit from lower prices. Another EU-level measure was the introduction of windfall profit taxes to enable governments to raise additional revenue for the management of the crisis and to prevent energy sector enterprises from

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28 McWilliams et al., *The European Union-Russia Energy Divorce: State of Play*.

29 McWilliams et al., *A Grand Bargain to Steer through the European Union's Energy Crisis*, xiv.

30 McWilliams et al., *A Grand Bargain to Steer through the European Union's Energy Crisis*, xiv.

31 European Commission, "REPowerEU Plan – COM(2022) 230 Final."

benefitting excessively from high energy prices. This was set in October 2022 in the "*Council Regulation on an Emergency Intervention to Address High Energy Prices*" document, which included the introduction of windfall profit taxes of up to 90% on electricity generators' revenues from market prices exceeding 180 EUR per MWh, and at least 33% on the fossil fuel sector's profits exceeding 120% of the reference period[32].

Nevertheless, as joint European-level responses were somewhat slow, and the crisis was evolving, member states, especially those that were hit the hardest, moved ahead with national responses by introducing additional measures for shielding households and businesses from the energy price surges. As member states were affected differently, the extent of measures also varied, with the most affected countries spending the most. For example, support as a percentage of GDP allocated by governments between September 2021 and July 2022 ranged from over 3.5% in Greece and Lithuania to just over 1.5% in Germany and Romania, to below 0.2% in Ireland and Denmark[33]. Nevertheless, despite these differences, governments in all countries followed an active policy stance. The most common interventions included reductions of the value added tax on energy, retail energy price regulation, targeted transfers to vulnerable groups, taxing the windfall profits of energy enterprises, and business support measures[34].

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32 Katharina Nicolay et al., *The Effectiveness and Distributional Consequences of Excess Profit Taxes or Windfall Taxes in Light of the Commission's Recommendation to Member States*, 2023; Council of the European Union, *Council Regulation (EU) 2022/1854, on an Emergency Intervention to Adress High Energy Prices*, *Official Journal of the European Union*, 2022, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32022R1854>

33 McWilliams et al., *A Grand Bargain to Steer through the European Union's Energy Crisis*, XIV.

34 Giovanni Sgaravatti et al., *National Fiscal Policy Responses to the Energy Crisis*, 2023, <https://www.bruegel.org/dataset/national-policies-shield-consumers-rising-energy-prices?utm_source=chatgpt.com>

2. Managing the energy crisis

This section traces the process of managing the energy crisis in Lithuania in 2022–2024. As it has been demonstrated in the previous section, Lithuania felt one of the harshest consequences of the crisis, and responded to it with one of the largest fiscal packages in the EU. The fact that, at the moment when the country was hit by the crisis it was being highly dependent on energy imports from Russia, comprising as many as 96% of all energy imports, and having one of the highest energy dependency rates in the EU, at almost 70%, suggests that despite the recent progress, domestic production capacities were still limited[35]. Despite this, in April 2022, two months after the beginning of Russia's military aggression against Ukraine, Lithuanian political leaders, motivated by solidarity with Ukraine and by the aim to stop financing the Russian war machine, made a strategic decision implemented in May 2022 to fully terminate the natural gas, crude oil and electricity imports from Russia[36].

While this decision coincided with the energy price surges, it was safe and well-grounded in terms of the energy supply security, thereby making the crisis primarily a crisis of energy prices, but not a crisis of energy supply. To determine the potential threats to the energy supply, the decision to stop buying energy from Russia was grounded on a thorough assessment of the security of the Lithuanian energy system ordered by the Ministry of Energy of the Republic of Lithuania. The assessment included modelling the capacities of energy systems in Lithuania and across the surrounding region, such as the capacities of the already existing LNG terminals, inland gas storage, and pipe connections[37]. Since no critical threats were found, energy supplies were quickly and successfully redirected to other sources,

35 Janeliūnas, "Lithuania."

36 LR energetikos ministerija, "Lietuvoje nuo sekmadienio nebelieka rusiškos naftos, dujų ir elektros importo," 2022, <https://enmin.lrv.lt/lt/naujienos/lietuvoje-nuo-sekmadienio-nebelieka-rusiskos-naftos-duju-ir-elektros-importo/>, accessed 19 September 2024.

37 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania.

thanks to the majority of the needed infrastructure, such as electricity connections to Latvia, Poland and Sweden, and Baltic Sea terminals for crude oil and liquified gas, being already in place. Furthermore, all the largest cities and towns, except for the capital city Vilnius, already had the technical capacity to replace gas with biofuel for heating, and thus, in 2022–2023, compared to 2019–2021, the average gas consumption was successfully reduced by 30%[38].

While gas and electricity prices increased almost everywhere in the EU, Lithuania nevertheless had one of the highest increases. In the second half of 2022, the average weighted price of imported gas was 2.8 times higher than in the second half of 2021[39]. For households, this comprised the second highest increase in the EU[40]. For non-household consumers, according to Eurostat, gas prices were four times higher in 2022 than in 2021. Similarly, in the second half of 2022, compared with the second half of 2021, electricity prices jumped by around two times for households, and more than two-and-a-half times for non-household consumers[41].

High energy prices were one of the key factors for the subsequent inflation surge and risk of an economic recession. In September 2022, inflation peaked at 22.5% compared to September 2021, becoming one of highest peaks in the EU, and persistently staying in two-figure values until mid-2023[42]. According to the Bank of Lithuania forecasts published in September 2022, in the worst-case scenario, which was the full termination of EU energy imports from Russia, in 2022

38 McWilliams, Zachmann, *European Natural Gas Demand Tracker*.

39 VERT, "VERT skelbia 2022 metų II pusmečio gamtinių dujų rinkos stebėsenos ataskaitą," 2023, <https://www.regula.lt/Puslapiai/naujienos/2023-metai/2023-04-19/vert-skelbia-2022-metu-ii-pusmecio-gamtiniu-duju-rinkos-stebesenos-ataskaita.aspx>, accessed 19 September 2024.

40 McWilliams et al., *The European Union-Russia Energy Divorce: State of Play*.

41 VERT, "Visuomeninės elektros kainos viršutinės ribos 2022 m. II pusmečiui," 2022, <https://www.regula.lt/elektra/Puslapiai/tarifai/visuomenines-elektros-kainos-virsutines-ribos-2022-m--II-pusmeciui.aspx>, accessed 19 September 2024.

42 Eurostat, "HICP – Monthly Data (Annual Rate of Change)," 2024, <https://ec.europa.eu/eurostat/databrowser/view/prc_hicp_manr__custom_12935193/default/table?lang=en>, accessed 19 September 2024.

and 2023, the economic growth in Lithuania was estimated to be lower by 0.4% and 3.8%, and the inflation was estimated to be higher by 0.8% and 5.1%, respectively, than in the main scenario[43].

Given this context of the effects of the energy crisis in Lithuania, not surprisingly, a response to price increases became a great necessity and a priority for the government. While the government was willing to rely on both EU-level and domestically designed measures, the reality showed that domestic measures based on the active role of the government were better aligned with the crisis requirements, and more effective at that. As experienced by the policy makers interviewed, the European measures had a great administrative complexity and were a burden on the member states, and, for these reasons, they were of little use for crisis management[44]. This was especially the case with the RRF, which was a large pool of money, and which built positive expectations of the available resources, but, in fact, due to complex implementation requirements and reform implementation-linked performance-based accountability, was too bureaucratic, inflexible and slow to be useful[45]. Similarly, the instrument for common purchase of gas and LNG was perceived as hardly successful because it only attempted to coordinate, and did not take into account many specificities of the member states, such as public procurement requirements[46]. And finally, the government also attempted to negotiate windfall taxes from electricity suppliers, but it did not result in any substantial gains. Since Lithuania received the largest shares of electricity from Sweden and Finland, the main reason for this was the unsuccessful attempts by the Lithuanian government to negotiate a suitable formula with the governments of these two countries for calculating windfall taxes on international electricity flows. While

43 Lietuvos bankas, *Lietuvos ekonomikos apžvalga*, 2022, <https://www.lb.lt/uploads/publications/docs/38813_9b7324848a43c61dbfa8c7287de5445f.pdf>

44 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania, and interview with Politician 3, 9 January 2025, Vilnius, Lithuania.

45 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania.

46 Ibid.

the EC was asked to mediate the negotiations, the dispute, however, remained unsolved[47].

Thus, the government relied mostly on domestically designed measures, which, while being largely in line with the crisis management paradigm in other member states, also relied extensively on past experience, as well as following the specific properties of the crisis, such as its extreme size, and long-term policy goals. The recent COVID-19 pandemic, which had been managed by the same government, was obviously the main source of past experiences. It showed that decisions with complicated implementation mechanisms were slower to implement. This was especially the case with targeted measures for businesses based on certain eligibility criteria that had to be set, checked and approved, consuming time and creating long delays[48]. Thus, in general, during the energy price crisis, the priority was placed on solutions that were simpler, faster, and which would have an immediate effect. Horizontal measures were exactly of this kind.

The government responded with two large groups of measures which were designed with the involvement of the largest energy operators[49], and which were included in the revised budget for the year 2022, and which were further foreseen to be included in the new budget for 2023[50]. The first group of measures aimed at mitigating the impact of energy price increases both for households and businesses. As early as in June 2022, the government introduced a subsidy mechanism to subsidise by up to nine cents per kWh of electricity price

47 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania.

48 Interview with Politician 3, 9 January 2025, Vilnius, Lithuania.

49 Interview with Business Managers 1 and 2, 8 January 2025, Vilnius, Lithuania.

50 LR finansų ministerija, *Energetikos paketas verslui*, 2022, <https://finmin.lrv.lt/uploads/finmin/documents/files/Prezentacija_PAGALBOS VERSLUI PAKETAS_1007_PDF.pdf>; LR finansų ministerija, "Seimas pritarė Finansų ministerijos siūlymui gyventojams kompensuoti PVM tarifą centralizuotai teikiamai šilumai," 2022, <https://finmin.lrv.lt/lt/naujienos/seimas-pritare-finansu-ministerijos-siulymui-gyventojams-kompensuoti-pvm-tarifa-centralizuotai-teikiamai-silumai/>, accessed 19 September 2024; LR finansų ministerija, *2023 m. biudžetas glaustai*, 2022, <https://finmin.lrv.lt/uploads/finmin/documents/files/2023_Biudzetas glaustai_PATVIRTINTAS.pdf>

increases above a threshold of 24 cents per kWh for all households[51]. The mechanism came into force immediately, from 1 July 2022. Later, at the beginning of September, the government introduced several additional instruments aimed at mitigating the energy price increases for households[52]. These instruments included a reduction in the VAT rate to zero for supplied central heating, measures to replace natural gas with biofuels faster in the heating sector, and expanded eligibility criteria for households to apply for heating subsidies.

In October 2022, the Ministry of Finance introduced the energy price mitigation package for business, which was worth 2.5 billion euros. The fact that the package came several months after the relief measures to households was not accidental. Initially, the government, like many other governments across the EU, was cautious in subsidising businesses, because of the high costs. But, after France and Germany introduced their business relief packages, Lithuania had to follow so that to sustain its business competitiveness[53].

The business relief package included two main groups of immediate energy price mitigation instruments[54]. The possibility to postpone taxes for energy-intensive enterprises comprised half the value of the package. The second large group of instruments, which was worth more than 0.4 billion euros horizontally, aimed at subsidies of 50% of electricity price increases above a certain threshold for all enterprises. In addition, the package included subsidies to energy-intense enterprises, and the extension until mid-2023 of a reduced rate VAT for catering services and cultural activities which had been introduced as a temporary measure during the COVID-19 pandemic.

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51 Ignitis, "9 svarbiausi atsakymai apie elektros kainų kompensavimą," 2022, <https://ignitis.lt/lt/naujienos/9-svarbiausi-atsakymai-apie-elektros-kainu-kompensavima>, accessed 19 September 2024.

52 LR finansų ministerija, "Seimas pritarė Finansų ministerijos siūlymui gyventojams kompensuoti PVM tarifą centralizuotai teikiamai šilumai"; LR finansų ministerija, "Vyriausybė teikia papildomus sprendimus mažinant energijos brangimo naštą gyventojams," 2022, <https://finmin.lrv.lt/lt/naujienos/vyriausybe-teikia-papildomus-sprendimus-mazinant-energijos-brangimo-nasta-gyventojams/>, accessed 19 September 2024.

53 Interview with Politician 3, 9 January 2025, Vilnius, Lithuania.

54 LR finansų ministerija, *Energetikos paketas verslui*.

The design of measures of financial support was based on several key arguments. One argument was the broad horizontal coverage of anyone affected, so that everyone would have an opportunity to withstand higher energy prices[55]. This argument also had a national security dimension, because the government was aware and cautious that if the energy price relief for households was too low and too slow, it could have triggered social unrest. This threat was taken especially seriously given the highly aggressive actions from Russia in Ukraine and its extensive information campaigns to provoke such unrest across the region, but also the still-fresh experience of a riot outside the Parliament in August 2021[56].

Another argument was that all the measures had to be simple, fast, horizontal, and with an automatic phase-in and phase-out. The simplicity argument was rooted in the design of the subsidy mechanism, whereby the government would compensate the price differences to electricity and gas suppliers directly, so that households would have to do nothing. The horizontality argument, in addition to the broad coverage requirement, and despite the large political opposition due to the large fiscal burden implied, was a sort of inevitability, as large-scale targeted measures in the energy sector were hardly possible technically, because the energy operators' billing systems were not suitable for that purpose, whereas their upgrades would have been prohibitively expensive and would have taken too long[57]. Similarly, the government saw automatic measures of phase-in and phase-out based on objective external conditions, such as gas and electricity prices, as better alternatives to tax exemptions, because discontinuing them would be easier. Thus, for households, this resulted in automatic subsidies of gas and electricity prices if the market prices would exceed certain thresholds. For energy-intensive businesses, this mechanism was tied to a certain share of energy costs in the total operational costs[58].

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55 Interview with Politician 3, 9 January 2025, Vilnius, Lithuania.

56 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania.

57 Ibid.

58 Interview with Politician 3, 9 January 2025, Vilnius, Lithuania, and interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania.

The third argument that grounded the design of the crisis relief measures was that if the government-subsidised energy price was to increase above a certain threshold, this threshold would have had to move up, in reality up to 40%, in certain time intervals, so that to provide households and businesses with a signal that the prices were growing, and, through this, to incentivise them to invest in energy saving and RESs[59]. however, this certain rate of energy price growth was also designed as a safeguard in case the energy price crisis was more persistent and if it would start to exert excessive fiscal pressure[60].

All in all, the selection and design of the horizontal fiscal measures represented a coherent crisis management paradigm adapted to the perceived technical and political opportunities and constraints. While a key feature of this paradigm was the active stance of the government, operationally it was guided by the agile governance approach. By targeting horizontally all households, and by removing as much as possible of the administrative burden when receiving the subsidies, the government was able to speed up the process, and to avoid technical and eligibility issues inherent in more targeted measures. This, in turn, probably helped to prevent potential social and political turmoil. But also, the crisis management paradigm had a clear strategic component in the form of price incentives for energy saving and RESs coming from the energy policy paradigm, which prioritised full energy independence.

A strong reliance on horizontal measures, however, does not mean that the government fully ignored targeted measures. On the contrary, in addition to the horizontal measures, and, wherever needed, especially for those groups that were more affected, targeted measures were proposed, albeit simplified as much as possible by reducing bureaucratic requirements, such as complex application processes and data requirements. For example, for low-income households to be el-

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59 Interview with Politician 3, 9 January 2025, Vilnius, Lithuania, and interview with Business Managers 1 and 2, 8 January 2025, Vilnius, Lithuania.

60 Interview with Politician 3, 9 January 2025, Vilnius, Lithuania, and interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania.

igible for heating subsidies, certain eligibility criteria, such as wealth thresholds, were removed[61].

The second group of actions, which was consistent with the long-term strategic priorities of the government, as it shall be discussed in more detail in the next section, was the immediate attempts to increase the domestic electricity production capacity through the more extensive installation of solar and wind generation. While the government's financial incentives for businesses and households to install their own solar and wind capacities had already existed since 2015, and, since then, the numbers of producing consumers had increased substantially, 2022 saw an unprecedented growth compared to 2021. The numbers of electricity-producing households and non-households grew by 2.3 and 2.4 times, respectively[62]. The largest part of this increase can be explained by the high electricity prices, which worked favourably towards increasing demand[63]. Another important factor was the ability of the government to meet this demand by allocating substantial amounts of subsidies, in many cases covering around 30% to 40% per cent of the costs involved.

Programmes aimed at facilitating the expansion of solar generation in the household sector is a good example of the increased demand and the government's attempts to meet it. As data from the *Environmental Project Management Agency* (EPMA) explicitly demonstrate, if calls from 2019 and 2020 attracted applications for a total amount of subsidies of between 6 and 20 million EUR, 2021 and 2022 saw increases of up to 40 and 47 million EUR respectively, with around 15,000 applicants in 2022 alone. To meet this demand, the government had to increase the allocated amounts by several times, compared to those initially planned, while relying mainly on EU structural funds, and later on the RRF[64].

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61 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania.

62 VERT, *Elektros energijos rinkos stebėsenos ataskaita už 2022 m. I ir II pusmečius*, 2022, <https://www.regula.lt/SiteAssets/elektra/Elektros energijos rinkos stebėsena 2022_I ir II pusm. 2024-01-02-galutine-apibendrinta.pdf>

63 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania.

64 Interview with Public Sector Manager 3, 17 December 2024, online.

Meeting the increased demand for the RES infrastructure from households and businesses required improving the administrative capacities of the public agencies responsible for administering the subsidy mechanisms. This was mainly achieved not through expansion but through upgrading, such as investment in IT systems, and optimisation and standardisation of the internal processes. The EPMA is a good example here, which, since 2022 has been investing heavily in digitalising and robotising the application assessment processes, in some cases with 60% to 70% of processes becoming fully automated, and by integrating its systems with registers so that the data requirements for applicants would become simpler. This resulted in substantial improvements in the reaction time, as, for some instruments, the time from the design stage to the call announcement stage shrank to as little as one week[65].

In addition to the fiscal measures, the government implemented several non-fiscal measures. This is another example of agile governance. One kind of these measures was energy saving measures. Under the leadership of the *Lithuanian Energy Agency*, these measures covered a broad range of initiatives; they targeted households, as well as public sector organisations and enterprises[66]. While these initiatives were intended to be of a voluntary nature to households and businesses, they became 'almost mandatory' in public sector organisations[67] as part of the public sector cost saving, and resulted in the more extensive use of remote work and temperature controls[68].

To prepare for extreme and unexpected situations, the Ministry of Energy of the Republic of Lithuania and the main energy operators implemented several security-related initiatives. Plans and procedures in strategic state-owned enterprises and public sector organisations on the management of extreme energy-related situations were reviewed. Gas and electricity risk management plans and plans for

65 Ibid.

66 Lietuvos energetikos agentūra, *Energijos taupymo gairės*, 2022.

67 Janeliūnas, "Lithuania."

68 Interview with Public Sector Manager 2, 28 November 2024, Vilnius, Lithuania.

state oil reserves were updated[69]. Desk exercises, together with experts from NATO, on the security of maritime objects, as well as of the forthcoming power grid synchronisation with continental Europe, were held[70]. The physical security of strategic objects was enhanced, whereas satellite communication equipment was installed in key institutions and enterprises[71].

The implementation of all fiscal and non-fiscal measures relied mostly on already existing operational-level institutional arrangements. But the management of the crisis required better communication between organisations involved in the management of the crisis. For this, regular weekly meetings between leaders at the Ministry of Energy, key energy operators, and public servants from the Prime Minister's Office were held in order to discuss issues such as the performance of the energy system, changes in energy prices, and the new legislation needed. The involvement of senior political figures was an important part of such communication sharing and decision-making[72]. Furthermore, this helped to continue implementing strategic projects such as the synchronisation of the electricity grid with the continent[73]. However, organisationally, the crisis management was based largely on personal leadership, trust, and creative *ad hoc* decisions, and less so on dedicated coordinating institutions[74]. On the one hand, this granted relatively smooth cooperation and communication, as access to the staff of the ministries involved became easier, and the ministries themselves were more willing to include their agencies in the planning process[75]. In other words, a more horizontal structure

69 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania, interview with Business Managers 1 and 2, 8 January 2025, Vilnius, Lithuania, and interview with Public Sector Manager 2, 2 November 2024, Vilnius, Lithuania.

70 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania, and interview with Public Sector Manager 2, 28 November 2024, Vilnius, Lithuania.

71 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania.

72 Interview with Business Managers 1 and 2, 8 January 2025, Vilnius, Lithuania.

73 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania.

74 Interview with Business Managers 1 and 2, 8 January 2025, Vilnius, Lithuania.

75 Interview with Public Sector Manager 2, 28 November 2024, Vilnius, Lithuania, and interview with Public Sector Manager 3, 17 December 2024, online.

allowed for the greater involvement of professionals. But, on the other hand, a lack of inter-institutional coordination and cooperation, as well as a lack of institutionalised responsibility sharing, was still being felt[76]. One example here is from the design and implementation of various financial instruments aimed at the expansion of RESs. As demand for these measures had increased, and since the availability of green transition-based European funding was strong, ministries started designing their own measures without wider coordination with each other, resulting in some instruments being very similar and competing[77]. Another example relates to the decision-making process. As some decisions had to be made in an environment of uncertainty, and having incomplete information on how the crisis, especially the energy prices, was going to evolve, some political tendencies to revise or question these decisions *post-hoc* were observed[78].

While most of the measures were implemented successfully, the political environment for their implementation was challenging. The greatest challenge, and additional complexity for managing the crisis, came from the unintentional coupling in time with the second round of the electricity market liberalisation policy, which targeted most households with the requirement to choose independent energy suppliers. The policy that was planned and decided by an earlier government, and which represented the effort to implement EU legislation on liberalising the electricity market, started its implementation in June 2022, and coincided with the largest electricity price hikes. This coincidence shaped the popular view that the prices increased because of the liberalisation, and the government was unable to convince the public that this was not the case[79]. Based on this, the parliamentary opposition organised the interpellation of the Minister of Energy of that time, but unsuccessfully[80].

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76 Interview with Public Sector Manager 2, 28 November 2024, Vilnius, Lithuania.

77 Interview with Public Sector Manager 3, 17 December 2024, online.

78 Interview with Business Managers 1 and 2, 8 January 2025, Vilnius, Lithuania.

79 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania, and interview with Business Managers 1 and 2, 8 January 2025, Vilnius, Lithuania.

80 https://www.lrt.lt/naujienos/verslas/4/1857485/energetika-metu-sanduroje-nesuvaldytas-liberalizavimas-ir-horizonte-regimas-jurinis-vejas

The inability to convince the public that the electricity market liberalisation policy had nothing to do with the energy price hikes showed that communication was a weak link in the crisis management. To fill this gap, the *Lithuanian Energy Agency* started publicly publishing all relevant energy price information, which was being updated on a weekly basis, such as the electricity prices of independent suppliers, heating prices, and petrol prices, and, most importantly, provided explanations for the price changes. Furthermore, the crisis strengthened the view that proper communication is important in designing and implementing energy policies. As a result, dedicated provisions were included in the latest version of the *National Energy Independence Strategy*[81].

3. Policy reaction to the crisis

This section analyses the policy reactions and strategic decisions of the government that the energy crisis provoked. To understand the policy background and the prevalent energy policy paradigms, the section starts with the historical perspective. Following the regained independence in 1990, Lithuania inherited an extensive energy sector characterised by the large and inefficient consumption of energy, and oriented towards exports of electricity and oil products[82]. This did not meet the new social and economic demands, or the political conditions of the time. Economically, because of the economic recession and deindustrialisation, both domestically and in export partner countries, Lithuania was left with surplus capacity in electricity production and oil refinement. For example, in the 1990s, electricity production capacity exceeded the domestic demand by almost three times, of which, 80% to 85% was met by the *Ignalina Nuclear Power Plant* (INPP) alone[83]. Meanwhile, politically, Lithuania remained

81 Interview with Public Sector Manager 2, 28 November 2024, Vilnius, Lithuania.

82 LR Seimas, *Nacionalinė energetikos strategija*, 2002, <http://www.nber.org/papers/w16019>

83 LR Seimas, *Nacionalinė energetikos strategija* (1999): 1–23.

dependent on Russia as a single source of gas and oil, as well as nuclear fuel for the INPP. Furthermore, the vision of EU membership induced political leaders to think early about opportunities to address issues of greater diversification of energy sources and the risks associated with a possible premature shut-down of the INPP.

Given such complexity, not surprisingly, energy-related issues entered the political agenda early. Lithuania approved its first national energy strategy as early as in 1994, which was followed by updates in 1999, 2002 and 2007, and led to larger modifications in 2012, 2018, and 2024. The first four strategies were entitled the "National Energy Strategy"[84], while the titles of the last three, the "National Energy Independence Strategy", explicitly emphasised energy security[85]. To show the evolution of the Lithuanian energy policy paradigm, a brief chronological analysis of these strategies, with a focus on energy security, follows.

In the strategies of 1999 and 2002, energy security was largely perceived as a technical issue of improving the reliability of supply and demand by enhancing technical and reserve capacities[86]. This is clear from the 1999 strategy[87], which perceived energy security in relation to the reliability of both supply and demand. The reliability of supply was a relevant issue for gas, which, at that time, was considered the most promising organic energy source, with unlimited potential supply, a good existing transport infrastructure, and envi-

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84 LR Seimas, *Nacionalinė energetikos strategija*; LR Seimas, *Nacionalinė energetikos strategija*; LR Seimas, *Nacionalinė energetikos strategija*, 2007, <http://www.nber.org/papers/w16019>

85 LR Seimas, *Nacionalinė energetinės nepriklausomybės strategija*, 2012, <https://www.e-ir.info/2018/01/14/securitisation-theory-an-introduction/>; LR Seimas, *Nacionalinė energetinės nepriklausomybės strategija*, 2018; LR energetikos ministerija, *Nacionalinė energetinės nepriklausomybės strategija*, 2024.

86 The focus of the earlier energy strategies on the rather technical reliability of supply and demand is not to suggest that discussions and conflicts over energy security issues were absent at the political level. The origin of the capital in the privatisation of *Mažeikių nafta*, a major oil refinery, and other state-owned energy companies, was in no way free of politicisation and energy security considerations.

87 LR Seimas, *Nacionalinė energetikos strategija*.

ronmental requirements. Thus, for reliability and the security of the gas supply, diversification via the expansion of gas transit through Lithuanian territory was foreseen, while building a domestic storage capacity and also connecting to Polish and Finnish gas pipelines. On the other hand, the reliability of demand was important for electricity, of which, the generation capacities, mostly from the INPP, exceeded the domestic demand by several times. Thus, one of the strategic goals was to integrate into Western electricity networks, and, through this, to increase the reliability of electricity demand, and thus to increase the utilisation of capacity and improve the cost efficiency.

An important shift in the Lithuanian energy security paradigm occurred with the strategy of 2007[88]. In contrast to the earlier iterations, it explicitly admitted that energy security issues were becoming more salient, less technical, and more geopolitical, due to the growing energy demand, depleting oil and gas reserves, increasing world energy prices, the shut-down of the INPP[89], which was to leave Lithuania short of domestic supply of electricity and more dependent on gas imports, stricter environmental requirements, the importance of gas in the primary energy mix in terms of both effectiveness and the environment, and, importantly, the fact that oil- and gas-exporting countries are mainly undemocratic and politically unstable, and that they use energy for political purposes. Based on this, energy security is perceived as a part of the national security, and refers to a predictable, reliable, economically grounded, and environmentally friendly supply of energy. To achieve energy security, Lithuania should rely on a diversity of energy sources (both traditional and renewable), and supply channels. Integration into the EU energy systems is necessary to pursue this objective. This would also create opportunities for the export of energy to the West, while at the same time retaining opportunities to trade with the Eastern energy systems. The strategy also

88 LR Seimas, *Nacionalinė energetikos strategija*.

89 The first reactor at the INPP was closed down in 2005, while the shutdown of the second reactor was planned for 2009.

foresaw the growth of domestic electricity production capacity from a new *Nuclear Power Plant* (NPP), estimated to be built by 2015.

The strategy of 2012[90] was the first since the complete shutdown of the INPP. The shutdown caused domestic energy production to shrink from 44% to 14% of the primary energy mix, and, most importantly, led to an increase in energy dependency on Russia as the only supplier from 56% to 80% of the primary energy mix. In this context, energy security was seen as the largest energy policy priority to be achieved by 2020, while other components of the energy triangle were given less priority. Perceived as energy independence from Russia, energy security was planned to be achieved via two subsequent instruments. First, a significant part of energy dependency on Russia had to be removed by joining the EU energy markets by 2016, which were to ensure sufficient supply, competitive prices and investment, and which were expected to create opportunities to export an energy surplus. Second, domestic energy production had to be restored and quadrupled to 52% of the primary energy mix, with the help of a new NPP, at that time estimated to open by 2020, and more extensive use of RESs, mainly biofuels. This would reduce dependency on Russia to 35% by 2020.

Meanwhile, the strategy of 2018[91] was a continuation of the 2012 strategy, in the sense that it saw further integration into the EU energy markets as a key to achieving energy security. However, the strategy of 2018 also formed a more explicit and more ambitious strategic vision of energy competitiveness and energy independence. According to it, Lithuania would achieve the lowest energy prices in CEE for industry by 2030, and would fully meet the demand for electricity from domestic production by 2050. Two points are important to emphasise in relation to the latter ambition. First, the strategy did not envision major changes in the final energy consumption structure, in which electricity would comprise only around 20%. Second, it was based purely on RESs, and did not envision building a new NPP any more,

[90] LR Seimas, *Nacionalinė energetinės nepriklausomybės strategija*.

[91] Ibid.

as the idea had been abandoned earlier for political reasons, when the largest opposition party successfully mobilised its voters against the NPP in a referendum.

The latest strategy in 2024[92] introduced a major shift in the energy security paradigm compared to the 2012 and 2018 iterations, as it equalled energy independence to energy security, by implying that Lithuania can achieve energy security only if it has achieved full energy independence. The strategy explicitly states that, while successfully implemented, energy import diversification initiatives in the past enabled Lithuania to fully cut energy imports from Russia after its aggression against Ukraine, yet, dependency on energy imports still poses major challenges with regard to price fluctuations and geopolitical risks. Thus, Lithuania must aim to produce all of its needed energy domestically. To achieve this, it must shift its energy consumption structure from fossil fuels to RES-based energy, especially electricity.

To summarise this brief analysis of the energy strategies, but also to complement it with insights received from interviews with political leaders, over two decades, Lithuania's energy security paradigm has undergone several major changes. While perceived as a largely technical issue at the beginning, it later evolved, by virtue of being driven by two partially complementary and partially conflicting perspectives. One perspective was that of diversification, which linked energy security to the diversification of energy imports and integration into the EU energy markets. Another perspective was that of energy independence and domestic production. For many years, the diversification perspective prevailed over the domestic production perspective, as it was politically more feasible and less polarising. However, although Lithuania arrived at the energy crisis after having already sufficiently diversified its energy import opportunities, and, because of this, Lithuania experienced no energy shortages, the energy crisis also revealed, in the eyes of the political leaders of the time,

92 LR energetikos ministerija, *Nacionalinė energetinės nepriklausomybės strategija*.

important limitations to the diversification paradigm, and opened doors for yet another major shift. In this shift, energy security is fully equalled to energy independence, and diversification is seen as serving the purpose not of supply security, but rather of demand security, through an opportunity to diversify energy exports.

This policy paradigm shift can be easily tracked discursively. The idea that Lithuania must become fully energy independent was not part of the government's programme approved in late 2020[93]. While the programme expressed attempts to "further increase Lithuania's energy independence", references to full energy independence were absent from it. The decisive moment, evidently, came with the energy crisis. The full termination of gas, oil and electricity imports from Russia in May 2022 was already part of it. The then-Minister of Energy Dainius Kreivys, in a Ministry press release from the time, called the ban an important landmark in Lithuania's path to energy independence[94]. In the same press release, he also listed further necessary steps for Lithuania to achieve "*full* energy independence" (emphasis added), which included the electricity grid's synchronisation with the EU, and fully meeting demand for electricity from domestic green production. Furthermore, the Minister emphasised the prospect of Lithuania becoming an electricity-exporting country. In an interview one month later, Kreivys stressed that the necessity for Lithuania to import electricity is its "Achilles heel", responsible for the high prices[95].

In more substantial terms, the energy crisis proved that many strategic decisions towards higher diversification, such as building an LNT terminal, establishing gas and electricity links with the neighbouring countries, and actively promoting and subsidising invest-

93 LR Seimas, *Aštuonioliktosios Lietuvos Respublikos Vyriausybės programa*, 2020, <file:///C:/Users/Admin/Downloads/XIV-72.pdf>

94 LR energetikos ministerija, "Lietuvoje nuo sekmadienio nebelieka rusiškos naftos, dujų ir elektros importo."

95 Augustinas Šemelis, Edvardas Špokas, "Energetinei nepriklausomybei iki 2030 metų – milijardas eurų," *lrt.Lt*, 15 June 2022, <https://www.lrt.lt/naujienos/verslas/4/1719918/energetinei-nepriklausomybei-iki-2030-metu-milijardas-euru>

ment in RESs, which had been made and implemented earlier, were good and fully paid off[96]. This was not so obvious, however, before the crisis. The fact that Lithuania entered the energy price crisis with 96% of its energy imports sourced from Russia[97], however, suggests that the existing diversification possibilities were not fully utilised, most likely because of the lower prices of energy imported from Russia than from other sources. Not surprisingly, many of these decisions towards diversification, during their implementation, were being met with substantial political opposition on the grounds of need and costs. The crisis helped to silence this opposition, and granted the government and its political supporters more confidence and support to advance further by aiming at full energy independence[98].

Several factors were key to proving to political leaders that this was a good aim. One factor was the evidence revealed by the crisis that, without domestic generation, Lithuania was vulnerable to extreme price fluctuations, while, at the same time, countries with larger domestic RES-based generation had lower electricity prices[99]. Later events further strengthened this view by demonstrating physically that electricity links can be sabotaged with negative consequences to both the energy supply security and the energy price[100]. A good illustration of the basis for such thinking was on 27 December 2024, when a ship damaged the *Estlink 2* underwater power cable running between Finland and Estonia[101]. On the same day, after the event, on the *Nord Pool* exchange, the average price per electricity MWh in Lithuania peaked from 33.23 EUR to 142.17 EUR, being

96 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania, interview with Business Managers 1 and 2, 8 January 2025, Vilnius, Lithuania, and interview with Public Sector Manager 2, 28 November 2024, Vilnius, Lithuania.

97 Janeliūnas, "Lithuania."

98 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania, and interview with Business Managers 1 and 2, 8 January 2025, Vilnius, Lithuania.

99 Interview with Public Sector Manager 2, 28 November 2024, Vilnius, Lithuania.

100 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania.

101 https://www.theguardian.com/world/2024/dec/27/estonia-begins-naval-patrols-to-protect-cable-after-suspected-sabotage-finland

the highest in Northern Europe[102]. All in all, the policy approach that crystallised during the crisis was that having full domestic generation capacity was the key to the stability of supply and the entire energy system, while relying only on supply through electricity links may fail to fully satisfy the domestic demand, given that it was forecast to grow several times until 2050, due to decarbonisation and increased electrification[103].

To advance towards the goal of full energy independence, the government made several strategic decisions. In late 2023, the national RRF plan was modified to more than double the financial support to energy projects, by reaching almost one billion EUR for investment until 2026[104]. As discussed in more detail in the previous section, most of this investment was aimed at further attempts to increase the number of electricity-producing consumers, but also at installing energy storage facilities, as well as the preparatory work for building two sea wind parks. Also, attempts were made to cut off from BRELL and synchronise with the continental grid quicker, which was eventually successfully renegotiated with Estonia and Latvia to take place at the beginning of 2025, instead of the initial plan to do so by the end of 2025[105].

Such large-scale support, coupled with favourable equipment prices and high energy prices, bore fruit[106]. Between 2022 and 2024, the number of electricity-producing consumers doubled, and reached 92,000, constituting a share of 5.5% of the total number of electricity consumers; the number is further expected to reach 300,000 by

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102 https://data.nordpoolgroup.com/auction/day-ahead/prices?deliveryDate=2024-12-27&currency=EUR&aggregation=DeliveryPeriod&deliveryAreas=EE,LT,LV,AT,BE,FR,GER,NL,PL,DK1,DK2,FI,NO1,NO2,NO3,NO4,NO5,SE1,SE2,SE3,SE4,SYS

103 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania.

104 LR finansų ministerija, *Naujos kartos Lietuva*, 2023, <https://finmin.lrv.lt/lt/es-ir-kitos-investicijos/naujos-kartos-lietuva/>, accessed 22 September 2024.

105 Government of the Republic of Lithuania, "Baltic Countries Successfully Connected to Continental European Electricity Grids," 2025, <https://lrv.lt/en/news/baltic-countries-successfully-connected-to-continental-european-electricity-grids/>

106 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania, and interview with Public Sector Manager 3, 17 December 2024, online.

2030[107]. Recent publications in the media show that the Ministry of Energy sees the implementation of the strategy of 2024 as successful, and foresees its prospects optimistically. In March 2024, it symbolically announced that 11 March, the Day of Restoration of Independence, was the first day in 15 years since the INPP's full shutdown when Lithuania generated more electricity than it needed, despite the lower demand for electricity on holidays[108]. The then-Minister Kreivys also announced that he now foresaw an earlier date, 2028 instead of 2030, when Lithuania would be able to fully meet all of its electricity needs[109].

4. The complexities of the polycrisis and its spillover effects

This section explores interlinkages of the energy crisis with other crises, hence resulting in a polycrisis. As the introductory article suggests, depending on the nature of the crises within a polycrisis, and their temporal relationships, these interlinkages can have effects ranging from the magnification of each other's impacts through increasing complexity and uncertainty, to facilitating more effective responses through social learning and shared crisis management paradigms.

A good starting point for such an analysis is the relationship between the energy crisis and the geopolitical security crisis caused by Russia's large-scale weaponised aggression against Ukraine at the beginning of 2022. To manage the geopolitical security crisis, the EU

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107 Lietuvos Respublikos Seimas, *Nacionalinė darbotvarkė „Nacionalinė energetinės nepriklausomybės strategija"*, 2024.

108 VZ.lt, "Ministerija: pirmą kartą per 15 metų Lietuva pagamino daugiau elektros nei jai reikia," *VZ.Lt*, 12 March 2024, <https://www.vz.lt/pramone/energetika/2024/03/12/ministerija-pirma-karta-per-15-metu-lietuva-pagamino-daugiau-elektros-nei-jai-reikia>

109 Miglė Valionytė, "Kreivys: visiškai savarankiškai apsirūpinti elektra Lietuva galės 2028 m.," *lrt.Lt*, 19 September 2024, <https://www.lrt.lt/naujienos/verslas/4/2363450/kreivys-visiskai-savarankiskai-apsirupinti-elektra-lietuva-gales-2028-m>

responded with economic sanctions on Russia, which retaliated by manipulating gas supplies to the EU, and later by requiring payments for it in roubles, which produced some major causes of the energy crisis. The EU's ability to withstand the energy crisis was an important precondition for it to continue further pressuring Russia with sanctions. Thus, both Russia's aggression against Ukraine and the energy crisis in the EU were interconnected, not only at the level of their origins, but also at the level of their management by the EU and its member states. The size of the negative effects of the energy crisis was conditional on the results of the management of the geopolitical security crisis between the EU and Russia. This inevitably added to the complexity and uncertainty of the management of the energy crisis. But also, if the management of the energy crisis was successful, the EU could have more room for managing the geopolitical security crisis.

The case of Lithuania presents some evidence of such an interlinkage of the two crises at their management level. The second package of the EU sanctions on Russia, introduced on 25 February 2022, was targeted at Russia's political leaders, and included President Vladimir Putin[110]. As the sanctions ordered the freezing of the assets of the sanctioned persons, *Lithuania's Financial Crimes Investigation Service*, based on the links to Putin, froze the assets of *Inter RAO Lietuva*, an importer of Russian electricity to Lithuania[111]. This enabled the removal of Russian electricity from the *Nord Pool* electricity exchange[112], and played an important role in creating favourable conditions for the Ministry of Energy to make the decision

[110] Council of the EU, "Timeline – Packages of Sanctions against Russia since February 2022," <https://www.consilium.europa.eu/en/policies/sanctions-against-russia/timeline-packages-sanctions-since-february-2022/>, accessed 20 February 2025.

[111] Financial Crimes Investigation Service, "A List of Legal Entities or Other Bodies Not Having the Status of a Legal Entity Which Are Owned or Controlled by the Sanctioned Subject," <https://fntt.lrv.lt/en/international-financial-sanctions/a-list-of-sanctioned-subjects/>, accessed 20 February 2025.

[112] Ministry of Energy, "No More Russian Oil, Gas and Electricity Imports in Lithuania from Sunday," 2022, <https://enmin.lrv.lt/en/news/no-more-russian-oil-gas-and-electricity-imports-in-lithuania-from-sunday/>, accessed 20 February 2025.

to fully terminate electricity, gas and oil imports from Russia on 22 May 2022[113]. Thus, this is a demonstration of how the sanctions enabled certain responses to the energy crisis. However, also, reverse causality can be observed. Fully cutting energy imports from Russia, thanks not only to sanctions but also to the well-diversified access to imports from other countries, enabled the government to become a more persistent advocate within the EU of even heftier sanctions on Russia[114].

Another channel through which simultaneously occurring crises can be interconnected is the availability of fiscal resources. It can be assumed that managing two or more crises requires more fiscal resources than managing a single crisis, and therefore fiscal strains should be more pronounced. However, as revealed by political leaders in the interviews, this was not a crucial issue in managing the energy crisis, although, as demonstrated in Section 2, it was highly fiscally intensive. Loosening the fiscal discipline requirements by the European Commission, as well as opening up more opportunities for borrowing, was a key factor for this[115]. Better opportunities for borrowing allowed the government to allocate even greater fiscal resources for energy price subsidies, and thus to be prepared for a longer duration of the crisis than was actually needed without draining the resources needed for managing other crises[116].

While the energy crisis and the geopolitical security crisis were interconnected, both through their simultaneous occurrence and common origins, this is not the only way spillover effects can travel between crises. While the COVID-19 pandemic preceded the energy crisis in time, and these two crises were hardly connected in terms of impact, they can still be treated as interconnected at the level of response. In response to COVID-19, the European Commission, and governments across the EU, took an active policy stance, and im-

113 Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania.

114 Ibid.

115 Interview with Politician 3, 9 January 2025, Vilnius, Lithuania.

116 Ibid.

plemented a range of fiscal policy measures, such as fiscal stimuli, employment support schemes, and long-term economic recovery plans[117]. This was in strong contrast to the austerity-driven responses to the 2009 global financial crisis. A similar active fiscal policy stance, as was argued in Section 1, dominated national crisis management paradigms to the energy price crisis as well[118]. This suggests that political leaders across the EU, for managing the energy price crisis, relied extensively on experiences learned from managing COVID-19.

One notable example of this is the modification to the EU-wide RRF plan, which was originally developed to cope with the consequences of the pandemic, for purposes to better meet the needs of RES expansion for coping with the energy price crisis. As another example, specifically in Lithuania, COVID-19 proved that horizontal measures were more effective, in terms of administrative simplicity, speed and coverage, than targeted measures based on certain eligibility criteria and requiring a thorough assessment; therefore, the government relied on this type of measure extensively[119]. Furthermore, some other measures, such as a reduced VAT for catering services, originally designed for relieving the consequences of COVID-19, were simply extended into the energy price crisis, even though later events showed that their phasing out was not easy for political reasons.

Finally, not only fast-moving crises, such as the energy price crisis and the COVID-19 pandemic, can be interconnected. Some crises are slow-moving; nevertheless, they can exert an influence on other crises. The climate crisis is one example of a slow-moving crisis, which substantially shaped the response paradigm to the energy price crisis across the EU, and in Lithuania specifically. Being a ma-

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117 Cinzia Alcidi, Francesco Corti, "The EU Response to Covid-19: Breaking Old Taboos?" *Social Policy in the European Union: State of Play*, eds. Bart Vanhercke, Slavina Spasova (ETUI aisbl), 2021, pp. 39–60.

118 Sgaravatti et al., *National Fiscal Policy Responses to the Energy Crisis*.

119 Interview with Politician 3, 9 January 2025, Vilnius, Lithuania.

jor driver of the decarbonisation attempts set in the EU Green Deal, low-carbon energy sources also became a major focus in the *Next Generation EU* and *REPowerEU* plans, aimed directly at building long-term solutions to the energy price crisis and energy dependency on Russia. The policy change that enabled speeding up the energy transition in Lithuania towards the more extensive deployment of RESs, and, through this, aiming at full energy independence, would not have been possible without the EU-wide attempts to cope with the climate crisis.

Conclusion

The energy price crisis was an extreme shock in Lithuania. Having limited domestic generation capacities, and importing almost all its energy from Russia, Lithuania entered the crisis highly dependent and vulnerable. Nevertheless, it was able to cut energy imports from Russia from the beginning of the crisis by successfully diversifying its energy imports from other countries through energy links it had built over the previous few decades. This prevented threats of manipulation of the energy supply, and limited the impact of the crisis to the price only. While the price impact was among the worst in the EU, the government was successful at relieving it with two complementary groups of fiscal measures. Mostly horizontal financial support measures subsidised large parts of energy price increases for households and businesses, but, at the same time, signalled that prices were going to increase, and, through this, provided incentives for energy saving and investment in RESs. In parallel, large financial allocations and administrative improvements were made for the larger and more effective expansion of RES capacities.

Great complementarity between the energy price relief instruments within the crisis management paradigm, however, was not incidental, but actually moderated by the energy policy paradigm of full energy independence that emerged and was consolidated at that time. While being able to diversify energy imports from other coun-

tries so that to avoid threats to the energy supply security proved to the government and the opposition that major investment in electricity and gas links paid off, the crisis also became a convincing demonstration that these links alone were not sufficient, because of high energy price fluctuations, and, later, the risk of sabotage. This conviction became a major driver behind a shift in the dominant energy policy paradigm from energy security through diversified imports to full energy independence through domestic generation and exports.

The energy price crisis was not an isolated individual crisis, but rather a crisis within a polycrisis, with national security threats from Russia and Belarus occurring simultaneously, COVID-19 experiences being still fresh, and the slow-moving climate crisis being more and more noticeable. Coping with all these crises required policy responses, which interconnected at various levels, whether adding more complexity and uncertainty, or the opposite, offering proven solutions and new opportunities. Several of these interconnections played a key role in managing the energy price crisis. The ability to fully cut off energy imports from Russia at the beginning of the crisis became possible, at least partially, because of the EU sanctions imposed on Russia as a response to Russia's aggression against Ukraine. However, being able to fully cut off energy imports from Russia also enabled Lithuania to become a weightier and more vocal supporter of further sanctions against it.

The energy price crisis was a fast-moving crisis with immediate impacts on households and businesses, which required prompt large-scale responses. So was the COVID-19 pandemic, which preceded the energy price crisis. Being the second in a sequence was an advantage. The crisis management paradigm based on active intervention by the state and principles of fast simple horizontal relief measures that proved effective during the pandemic was borrowed and successfully adopted for the energy price crisis, which, while different in terms of the policy field, had many similarities in terms of a broad impact on the wellbeing of the population. But also, positive spill-

over effects were observed between the energy price crisis and the slow-moving climate crisis, with the latter substantially shaping the paradigm of the response to the energy price crisis. The shift in the energy policy paradigm towards full energy independence through the more extensive deployment of RES-based domestic generation would not have been possible, at least in its current form, without the EU-wide attempts to cope with the climate crisis.

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Appendix 1. List of interviews

Interview with Politician 3, 9 January 2025, Vilnius, Lithuania
Interview with Public Sector Manager 2, 28 November 2024, Vilnius, Lithuania
Interview with Public Sector Manager 3, 17 December 2024, online
Interview with Business Managers 1 and 2, 8 January 2025, Vilnius, Lithuania
Interview with Civil Servant 12, 4 February 2025, Vilnius, Lithuania