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Operational and strategic responses to a polycrisis: the case of energy independence in Lithuania

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Polycrisis

Polycrisis is characterised by:

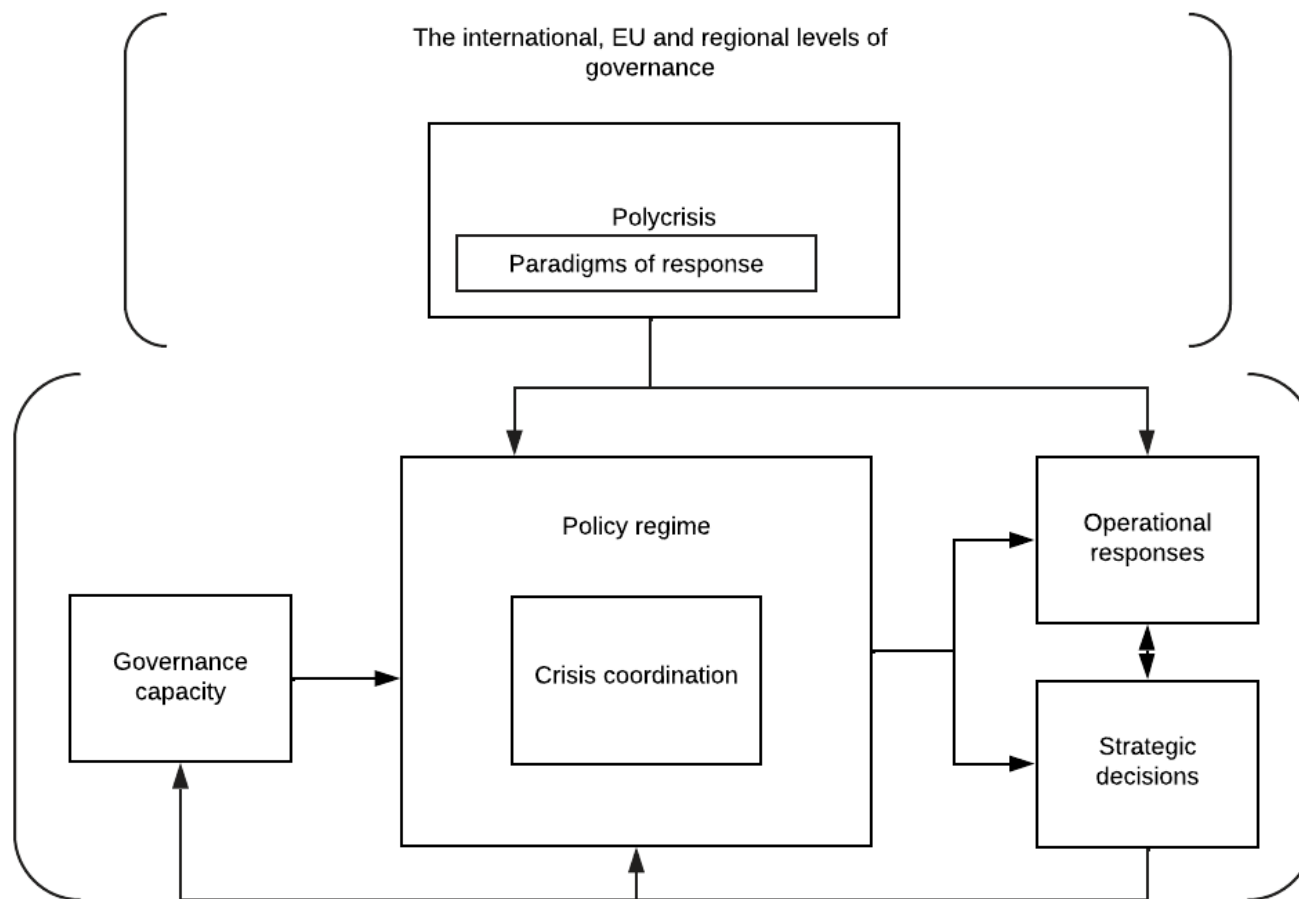
- the simultaneous occurrence of several crisis events in different policy fields
- the interconnected nature of individual crises within a polycrisis
- spillover effects across different crises or policy fields
- uncertainty and complexity due to having many interconnected parts and involving multiple stakeholders.

Still a stronger conceptual focus on the level of global shock (e. g., Lawrence et al., 2024) rather than on the level of national response (e. g., Dinan et al., 2024).

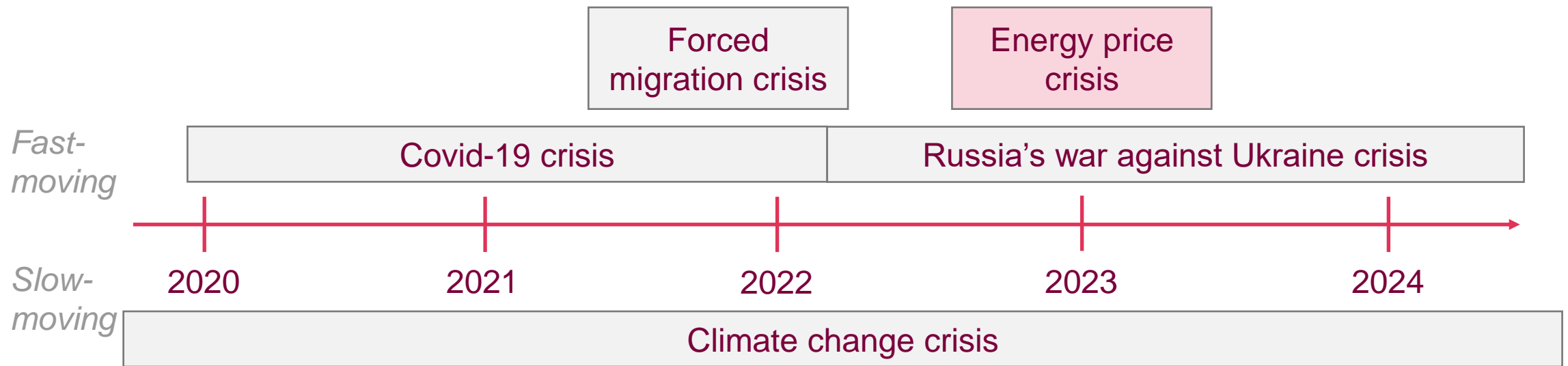
The aim

- The knowledge about multiple overlapping crises remains shallow (Homer-Dixon et al., 2022; Anghel and Jones, 2023)
- Despite some previous research on dual crises, we lack compelling explanations how managing two or more crises at the same time conceptually differs from dealing with one crisis
- Existing studies mainly focus on the phases of preparedness and immediate response (Wolbers et al., 2021)
- **The research question** – how does a polycrisis shape policy responses to individual crises?
- The focus of this presentation is policy responses to energy price crisis in Lithuania in 2022-2023.

The framework

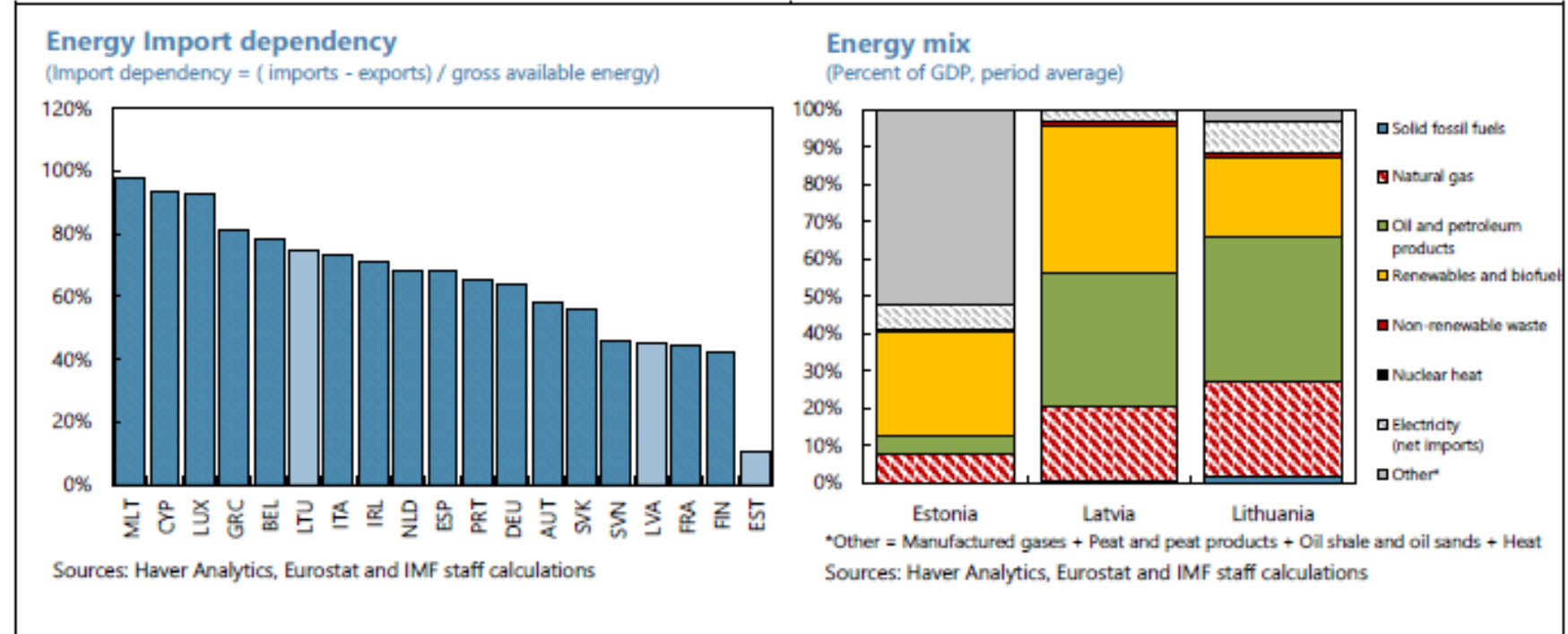


The polycrisis in Lithuania



Depth of the energy price crisis and its causes

- Gas price surge by almost 3 times followed by electricity price increases.
- Inflation above 20 per cent.
- Largest deterioration of terms-of-trade in EA.



Responses to the energy price crisis

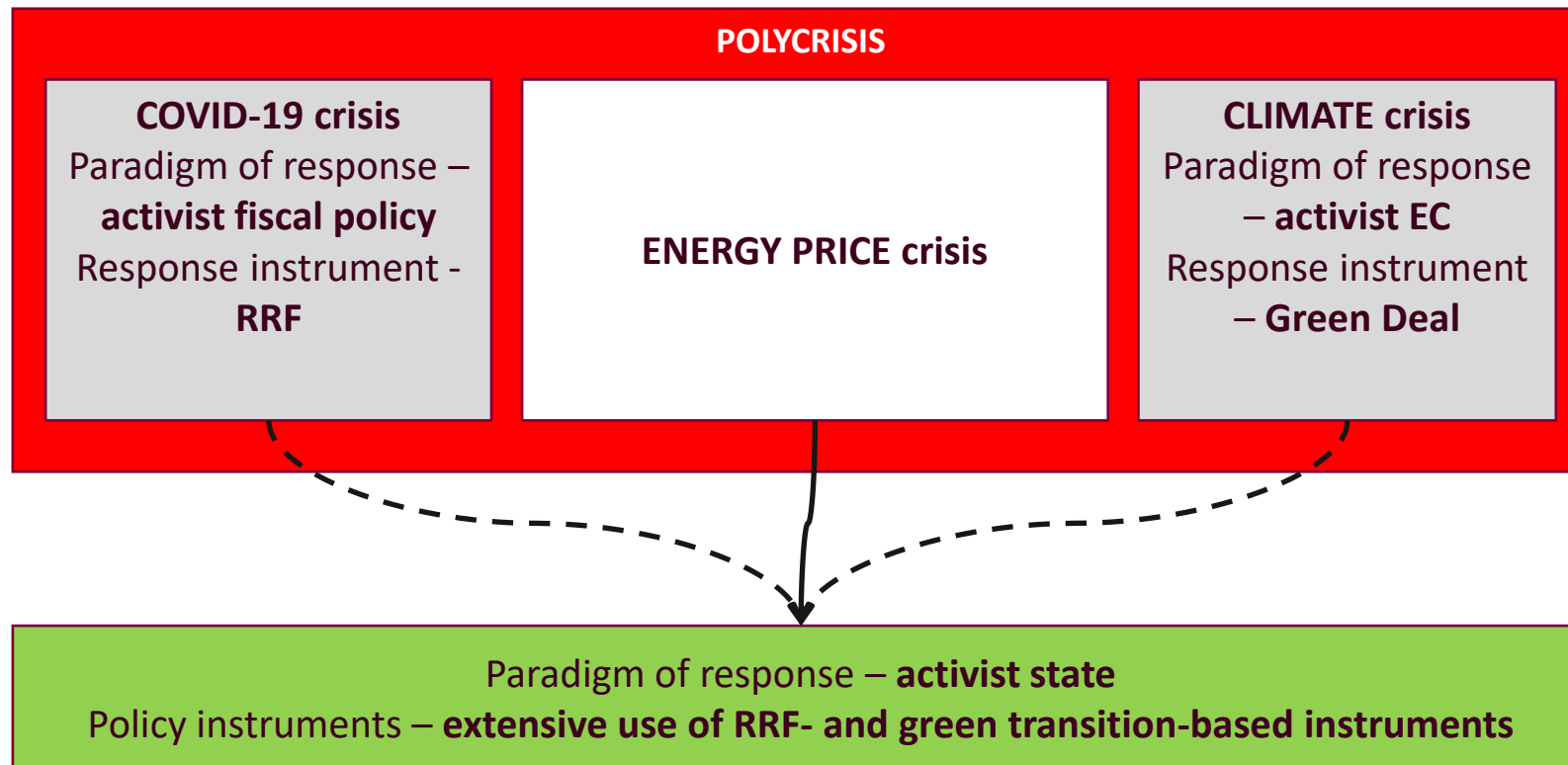
Strategic decisions:

- Full termination of gas, oil and electricity imports from Russia (from April 2022).
- Long-term strategy of energy self-sufficiency (finalized in 2024).
 - Expansion of domestic electricity generation capacities via solar and wind (and nuclear).
 - Transition to electricity as the main energy source.

Operational responses:

- Energy price compensations to households.
- Subsidies to electricity producing consumers.
- Enterprises:
 - Energy price compensations.
 - Subsidies in energy-intense sectors.
 - Tax postponements.
 - Extension of reduced VAT rate.
 - Subsidies and preferential credit as well as regulatory incentives to enterprises for solar plants and energy saving technologies.

The polycrisis effect 1



The polycrisis effect 2

Energy policy paradigm change via changes in:

- 1) Interpretative framework – **new perception of energy independence.**
- 2) Policy goals – **energy self-sufficiency.**
- 3) Policy instruments – **strong promotion of domestic energy production**

Old policy paradigm – **energy independence via diversification of imports**

Explicit in National Energy Independence Strategy 2012 and 2018

New policy paradigm – **energy independence via full domestic production capacity**

Explicit in National Energy Independence Strategy 2024

Preliminary conclusions

- Polycrisis has an explanatory power, which is unique from a single crisis.
- In Lithuania, government's responses to the energy price crisis were shaped by the polycrisis environment:
 - Borrowing from the COVID-19 crisis of the paradigm of response.
 - Relying extensively on policy instruments developed to manage other crises.
 - Provoking a change of the energy policy paradigm.
- Next steps



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THANK YOU.