

Another reform in the Lithuanian electric energy sector

On 4 May, the government adopted a concept for amending the law regulating the electric energy sector and a sector reform for the implementation of the EU's third energy package. A reshuffle among the key companies in the electric energy sector is expected. The reform is a formal implementation of the EU directive. However, it seems that the government's goal is to keep control over the entire sector via the Ministry of Energy headed by Arvydas Sekmokas, a close associate of Prime Minister Andrius Kubilius.

As regards the companies specified in the law, they are either controlled by the state or the government holds majority stakes in them. So far they have been part of the monopoly structure named LEO LT, controlled by both the government and private capital. By December 2010, they will be divided into the following groups: production (all types of power plants), transmission (two companies which operate the national power grids will be merged into one), sales (the company Litgrid will be the operator) and sector service (various small companies).

This subsequent reform of the sector (the first one was carried out in an atmosphere of scandal in 2007 by the Social Democrats, who merged the key companies and thus created LEO LT) is raising controversies again. Similar to their predecessors, the present Conservative/Christian Democratic government is making changes without consulting business circles interested in the privatisation of the sector. Furthermore the changes are contrary to the business circles' proposals. Regardless of the government's previous promises that after the breakup of LEO LT the sector would be liberalised in line with the EU directive, the ministry is again creating a structure which it controls and which is formally internally divided and complies with EU guidelines. Additionally, the government has the power to appoint the directors and boards which supervise individual groups, thus raising fears that the bureaucracy linked to the government team will expand.

The final direction of the recently initiated changes is unclear. The government has made some of the plans regarding the sector classified. It is evident at this stage of the reform that the government is determined to keep control over the energy sector, including planned interconnectors to Sweden and Poland as well as a new nuclear power plant, if they decide to build one. <jhyn>