

## **Is it all about the price? How “degrees of freedom” in the Natural Gas Directives can explain liberalization policies in Lithuania and Romania**

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The idea to create a single European market, where goods and services would flow across borders, is older than the European Union (EU) itself. However, the progress in the energy markets proved to be slow. The EU Member States react quite diversely to internal energy market Directives. Some not only transposed the Directives fully, but also made steps beyond the EU requirements to liberalize their energy markets. In other cases, the governments delayed transposition. This happened against the backdrop of a similar environment: the general EU regulatory framework, as well as the degree of external ‘threat’ such as issues of supply security.

The paper provides a detailed account of the literature on differentiated integration and its possible causes. Then the paper proceeds with analyzing causes and effects of the heterogeneity of liberalization in natural gas markets in two EU countries, Lithuania and Romania, in light of differential integration. The current state of affair is presented in terms of transposing and implementing the Third Natural Gas Directive to those countries. The impact of issue salience, timing of elections, external economic shocks, and external initiatives is examined.