

GME'S NEWSLETTER – New issue now on line

Rome, 7 August 2009 - The new issue of the Newsletter of Gestore del Mercato Elettrico (GME) is now on line, downloadable from www.mercatoelettrico.org.

The newsletter opens with a contribution by **Andrea Clavarino**, President of Assocarboni (Association of Coal Operators). Mr. Clavarino thoroughly analyses the strategic impact of the technology of carbon dioxide capture and geological storage (CCS - Carbon Capture & Storage) on the industry, starting with the Italian situation. Indeed, Italy is the only country in Europe *“which, while not yet relying on nuclear energy, has an extremely low percentage of coal use: 12% vs. 33% on average in Europe and 39% in the world. However, Italy was one of the first countries to acquire awareness of the potential of CCS, of the industrial competitive advantages that this technology might yield and, in general, of the importance of deploying Clean Coal Technologies in its coal-fired power plants”*.

In the opinion of Clavarino, *“demand for and production of coal are sharply rising, even at this time of crisis, because this fuel has numerous advantages. Coal will thus predictably retain its dominant role in energy production even in the future and we will therefore have to find a way to mitigate the impact of its combustion on climate”*. Nevertheless, the most important issue to be solved in the utilisation of coal is the production of carbon dioxide. Clavarino explains that *“CO₂, while not hazardous per se, is one of the gases responsible for global warming and thus needs to be monitored. CCS technologies can give a major contribution, by attenuating the harmful effects of greenhouse gas emissions. Indeed, this technology involves carbon dioxide sequestration, transport and injection into geological formations, thereby zeroing its effect on the environment”*.

“To facilitate the huge investments that the industry requires to develop CCS systems” - adds Clavarino - “the European Union, as part of its new Directive on geological storage of carbon dioxide, provided for incentives based on the European Emission Trading Scheme (ETS), authorising the use of the funds obtained from the auction sale of ETS allowances for co-funding CCS demonstration plants. So far, about € 5.55 billion of funds have been allocated”. And Italy *“confirmed to be a worldwide leader in the technology of carbon capture, transport and geological storage, thanks - inter alia - to the recently signed Eni-Enel agreement on construction of a first carbon capture plant, which will go into operation by 2010.*

In conclusion, recalls Clavarino, *“CCS might be a big opportunity to adapt our long-term energy policy and enable our industrial system to compete on the global market without the handicaps due to a mix of energy sources that is unbalanced towards gas.*

As has become customary, issue no. 19 of GME's publication reports the **summary data of the electricity market for the month of July** and the **fuel market section**,

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which analyses oil and fossil fuel price trends in the international market. The new issue also comes with the usual technical commentaries on national and European power exchanges and environmental markets, as well as with an analysis of renewable technologies and of their “anti-cyclical” impact on the industry by **Annalisa D’Orazio (IEFE)**. The contribution focuses on investment forecasts, on the “weight” of the individual technologies at worldwide level and on the Italian situation with its issues.

“The low-carbon technology industry” - stresses D’Orazio - “continues to be anti-cyclical in the currently negative economic cycle for the manufacturing sector. In 2008, investments in the world reached \$ 200 billion. Forecasts suggest growing investments in the coming years, though slowed down by the adverse economic cycle. The yearly average investment is estimated to amount to \$ 450 billion in the 2012-2020 period, rising to \$ 600 billion in the 2020-2030 one”.

In contrast, *“Italy appears to be fairly weak in the international scenario, even if positive aspects are emerging. The analysis of renewable energy growth scenarios points to strong opportunities of investment in development of technologies and construction of power plants in the near future. With the approval of the Climate-Energy Package in April 2009, European policies push Italy to take on the responsibility of pursuing the target through specific actions. However, some factors - concludes D’Orazio - may limit the growth: first of all, an unstable and uncertain regulatory framework. An additional critical element is the structure of the power system and the difficulties of managing power flows. Removing barriers is a prerequisite for meeting our country’s commitments at European level.*

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