



GME'S NEWSLETTER – New issue now on line

Rome, 13 December 2010 - The new issue of the newsletter of “Gestore dei Mercati Energetici” (GME) is now downloadable from www.mercatoelettrico.org

The newsletter opens with an in-depth contribution on shale gas and on its supply in the medium term by Claudia Checchi and Riccardo Galletta from REF. In the opinion of the analysts, *it is a fact that production of shale gas at worldwide level is proceeding at a sustained pace, not even thinkable until 3-4 years ago. This is particularly evident in the US.* However - explain Checchi and Galletta - *estimates of existing reserves are continuously evolving and comprehensive ones are still lacking.* Whatever the abundance or scarcity of the resource - point out the analysts from REF - *the future of shale gas revolves around the cost of extraction and the market price of gas.* Indeed, although the extraction of non-conventional gas *is complicated and involves several risks to the environment, technological developments and investments in the US - stress Checchi and Galletta - have made it more efficient, effective and relatively low cost, so that a price of gas of 13-16 €cent/m³ on average may be estimated to be sufficient to repay the investment.* Nevertheless - emphasise the experts from REF - some analysts feel that the non-cost-effective extraction of shale gas is to be ascribed to financial considerations and, in particular, to *huge capital investments in leasing: companies need to extract and sell in order to recover the upfront bonus that they paid upon acquisition of the licence.* It follows that, *since 2012, the production of shale gas might sharply decrease on the occasion of the concurrent expiration of most of the “hold by production” clauses.* From the standpoint of Europe, instead, the development of shale gas poses a number of issues, not only environmental and regulatory but also related to a *certain technological lag* and to the fact that the infrastructure network is



not connected to the new gas fields. Hence - conclude Checchi and Galletta - *shale gas is expected to have a direct impact on Europe only in 2020 and to much lesser extent than in the US now.*

The new issue of the newsletter comes with the usual technical commentaries on European and national power exchanges and environmental markets, the section dedicated to the analysis of the Italian gas market trends and the one focused on the trends of the main European commodity markets.

As has become customary, GME's new publication reports the summary data of the electricity market for the month of November.

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