

NEWSLETTER GME – New issue now online

Rome 14 June 2018 –The new issue of the newsletter of Gestore dei Mercati Energetici (Gme) is online and can be downloaded from the website www.mercatoelettrico.org.

The newsletter opens with an intervention by Agata Gugliotta from the RIE on the key role played by LNG in transforming the United States from importers to gas exporters.

"Starting from 2008, the combination of some factors has allowed the United States to reduce the volumes of gas imported from abroad and then, gradually, to increase the quantity sold beyond its national borders until becoming net exporters of gas in 2017. This position should be kept in 2018 and 2019, according to estimates by the US Department of Energy (EIA DOE)". According to Gugliotta, there are several variables that allowed this transition such as an exponential growth in domestic gas production, especially shale gas, a decrease in imports from Canada and an increase in exports both by pipe and ship, in the form of liquefied natural gas (LNG). In particular, as for the LNG, *"just over 40% of cargo left for Asia"* last year and *"in the first quarter of 2018 exports to the Asian continent increased significantly, absorbing, according to Platts data, 52 cargoes covering about 54% of the US LNG production recorded in the same period of time"*. Then we find South America, which absorbs about 35% of the cargoes, and the Middle East, Egypt and Europe, with about 10% of the volumes exported. The expert for the RIE points out that for the next few years, the forecasts show *"a further increase in volumes exported abroad, due to the gradual entry into operation of new liquefaction capacity, which in 2019 is expected to reach around 95 billion cubic meters (compared to the current 35 billion). Should the plans be confirmed, and all the projects currently under construction be completed on schedule, EIA DOE expects the USA to become the third most important exporter of LNG in the world by 2020, behind Qatar and Australia"*. Gugliotta states that this theory is supported by several factors, such as *"the abundance of internal gas and the prospect of growth in domestic production, investments in new liquefaction infrastructures and geographic strategicity"*. But also *"the renewed competitiveness of American gas prices compared to long-term contracts indexed to crude oil, the ability of US exporters to respond to the need for new, more flexible contractual formulas and the support of the political world"*. *"Thanks to a consolidated expertise and the possibility to count on a growing production and infrastructure system, the United States has all the credentials to compete with the main*



international LNG producers. The shale revolution, due to the strength and speed with which it has invaded the country, wiping out its energy system, is a process that is now underway and here to stay. Currently there is abundance of gas to meet both the domestic and international markets. Of course, although we see the very first signs of change in the global supply demand balance, the gas market continues to remain well stocked and the oversupply of LNG contributes to influence, with a downward trend, the price forecasts of the entire gas trade. Gugliotta concludes by pointing out that "the coming years will be crucial to understand the direction taken by the market, but in the meantime it is essential to continue to invest and support production and export activity, which could provide the key to success".

The new issue also includes the usual technical commentaries on the markets and the national and European electricity and environment exchanges, the section devoted to the analysis of the trends of the Italian gas market and the section with an analysis on European trends, which delves into trends in key European commodities markets.

The GME's new publication also reports, as customary, the summary data of the electricity market for May 2018.

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