

NEWSLETTER GME – New issue now online

Rome 10 August 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 Chiara Proietti Silvestri from the RIE on global energy dynamics and on the innovation promoting lithium and cobalt, at the base of the production of batteries for electric cars, as part of the energy statistics starting with the new Statistical Review of World Energy by BP.

The RIE analyst underlines that *"in 2017, the world's energy demand grew by 2.2% compared to 2016, the highest level since 2013; a sharp increase compared to the annual average increase of 1.7% recorded in the last decade. In absolute terms, the growth was 252.7 million tonnes of oil equivalent (million tep) - roughly the entire consumption of France - thus reaching a total consumption of 13.5 billion tep"*. However, by comparing the current situation with that recorded ten years ago, *"the progressive erosion of the overall market share of fossil fuels in relation to the progress of renewables in the global energy mix is now becoming visible"*, however, *"the current consumption distribution shows that this process, although structural, is marked by a slow evolution: over 85% of global energy demand is still covered by fossil fuels, whose weight records a drop of just 3% compared to ten years ago"*. The RIE analyst points out that in this scenario *"the role of natural gas is increasing compared to the decrease recorded for oil and coal. The importance of renewables, driven by wind and solar energy, is clearly increasing, even if the overall share is still small and amounts to 3.6% of the total, considering its comparison with the 1% recorded ten years ago"*. Electricity also keeps its central role, *"absorbing over 40% of global primary demand. An expected dynamic, encouraged by the ongoing electrification process, able to respond to the demands of the energy transition to increase the role of renewables in the world energy mix"*, Proietti Silvestri adds, specifying that in spite of this, *"carbon dioxide emissions, after several years of substantial stagnation, have begun to grow at a faster rate than in the past decade (+1.6% vs. 1.3%), in contrast with the provisions of the Paris Agreement"*. However, a real news of the BP Statistical Review 2018, is the first introduction of an overview of some minerals and metals that are joining the energy production processes, in particular lithium and cobalt, both at the base, among of the construction of electric batteries. *"As for lithium, Chile holds the majority of certain*



reserves, followed by Australia and Argentina. Between 2015 and 2017, production increased by almost 50%, driving prices up more than doubled over the period. Cobalt, on the other hand, has a greater geographical concentration in the Democratic Republic of the Congo, which is the leading producer (66%) and holder of reserves (49%) in the world". In conclusion, the 2017 data show a scenario defined as "not entirely satisfactory if read in a low carbon perspective" and it is "difficult to assume that in the short run - two or three decades - the energy systems will be able to evolve so as to set the basis for a low-emission future. On the other hand, we can not underestimate the progressive erosion of the share of oil and coal in favor of the lower-impact sources and especially the robust growth of renewable energies". As regards the progressive electrification of consumption with the electricity demand that is growing more than the primary demand "this process is also affecting the transport sector with an increase in investments in new fuels and in particular in electric vehicles. This represents a development that will affect the global energy system, requiring the support of new resources: the more penetration of electric cars increases, the greater the use of so-called 'battery metals' will be, progressively reducing the use of oil. The RIE researcher concludes by stating that "although the energy transition has begun, it is still influenced by short-term cyclical factors that can slow down or accelerate its progress. This is proven by the fact that in 2017, despite the gradual electrification of consumption and the advancement of sources with lower environmental impact, global carbon dioxide emissions bounced back, driven by the favorable economic situation, by reduced improvements in energy efficiency, by the stable low oil prices recorded in the past. Two steps forward and one step back".

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 July 2018.

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