

NEWSLETTER GME – New issue now online

Rome 12 October 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 Marco Pellegrino from the REF-E on the new perspective for energy commodities. Peggerino underlines that *"The times of raw material prices at historic lows seem to be an old memory. And yet only two years have passed since, in the first half of 2016, the world's leading crude oil, coal and natural gas benchmarks had reached the lowest price levels of the last ten years, with effects widely perceived also on European and Italian electricity markets that reached the lowest price of about €32/MWh on a monthly basis in April 2016"*. The REF analyst admits that in two years, the global market seems to have completely changed: *"Brent oil prices have gone from less than \$30/bbl to more than \$80/bbl, while those of API2 coal, with delivery in the ARA area (Amsterdam - Rotterdam - Antwerp), went up to over \$100/ton, a movement of around \$70/ton in less than 36 months"*. Pellegrino admits that behind these increases *"there are a series of issues that support, for the most part, a changed balance of fundamentals: the increases in demand for energy products, driven by global economic growth, are balanced by a slower offer caused by geopolitical decisions and government policies. In this new context, we can notice the dynamics of liquefied natural gas, whose offer coming from new liquefaction facilities was recently expected as the revolution that would have led to the so-called gas supply glut. This expectation has been denied by a demand from Asian countries, especially since the end of 2017, so robust as to be able not only to absorb the remaining available supply, but also to affect global and Italian prices of natural gas"*. Given the volatility and uncertainty of the global situation, *"markets will be likely to experience persistent volatility even in the coming months and, according to short-term forecasts, with an Italian price that in the scenarios of higher demand and of a rising oil price could reach peaks even above €34/Mwh. This price would also be aligned with the riskier LNG pricing scenarios, namely those including an oil price above 85\$/bbl. An Italian and European gas market increasingly linked to international energy dynamics, and the LNG one still under pressure in 2018 pending the entry into operation of the new liquefaction facilities that, starting from 2019, will be able to supply the market with additional production capacity of over 100 billion cubic meters"*, concludes the REF analyst.



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 September 2018.

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