

GME NEWSLETTER - The new issue has been published

Rome 15 April 2021 – The new issue of the newsletter of Gestore dei Mercati Energetici (Gme) is online, downloadable from the website www.mercatoelettrico.org. The newsletter opens with an interview with Agata Gugliotta of the RIE on the collapse in demand for coal in 2020, on the recovery that will take place in 2021 and on the questions about the future of fuel. *"After the downward trend already in 2019 (-1.8%), in which industrial demand was unable to compensate for the drop in consumption in the electricity generation sector (-3.3%), in 2020 coal amplified its debacle, scoring -5% on an annual basis, the lowest value ever recorded since the Second World War",* began the RIE analyst. From the point of view of production, however, *"after the increase of 1.5% in 2019 which, due to weak demand, had led to higher volumes stored, in 2020 the global supply of coal recorded an average decrease of 6.5% (IEA estimate). The sharpest cut is attributable, not surprisingly, to the USA (-23.3%) and to the European Union (-20.5%), where the decline trend of this source has become structural and irreversible",* underlined Gugliotta. Despite the marked decline recorded in 2020, *"in the course of 2021 the conditions are in place for a recovery of coal, albeit modest and temporary. The global economy should start growing again: +5.5% according to the latest estimates of the International Monetary Fund, which presupposes a rebound in the world demand for energy both in the electricity generation sector (+2.9%) and in the industrial sector - specified the RIE researcher -. A growth that will also affect coal consumption which, while not returning to the levels of 2019, should be 2.6% higher than that of 2020. The growth will, above all, be guided by traditional buyers: China, India and South East Asia".* The window of recovery expected for the current year, however, *"should be of a cyclical nature, without leading to a reversal of the trend. Increasingly pressing and stringent decarbonisation policies, which cross the European borders within which they had been confined for many years, require a change of direction in the use of fossil fuels, primarily coal",* Gugliotta admitted. But will this actually be the case? *"The data on new coal-fired power plants under construction, as well as those on the amount of capital still invested in this sector seem, at least in the short term, to disprove this hypothesis. - observed the RIE analyst-. In fact, if for the USA, President Biden envisages a carbon-free power grid by 2035 and in Europe twenty-one countries have already abandoned the use of coal (in just three years, around thirty plants have*



been shut down) or are planning to do so by 2030, the situation is different in the rest of the world. Last year alone, 50.3 GW of new coal-fired generation capacity was commissioned globally (compared to 37.8 GW withdrawn) of which 80% in China, which in the same year shut down only 8.6 GW of power plants. In addition, a further 50 GW (around 65 plants) are expected to be built in another 20 countries by 2025". The numbers are equally significant on the finance front: "According to the report published by Urgewald and by 25 other NGOs, as of January 2021, there were 4,488 institutional investors holding investments totalling \$ 1.03 trillion in companies operating along the coal supply chain". Therefore, Gugliotta concluded "at international level, the economic interests, private and public, around this sector still remain strong. The outcome of this is brakes heavily applied on phase-out policies, especially in countries and areas where the coal solution still plays a fundamental role in the industrial sectors and in the energy sector and where the governments and actors involved are seeking to provide relative greater sustainability to the sector also through the reduction of emissions during the extraction phase and by investing in the efficiency of plants, in terms of energy and emissions. In the long term, the coal consumption curve is presumably destined to decrease, but the factors described make the timing and rate of intensity of this reduction extremely uncertain".

The new issue also includes the usual technical comments relating to the national and European electricity and environmental markets and exchanges, the section dedicated to the analysis of trends in the Italian gas market and the analysis section on trends in Europe, which explores the trends on the main European commodities markets.

The new GME publication also reports, as is now customary, the summary data of the electricity market for the month of March 2021.

Gestore dei Mercati Energetici S.p.A.

Governance Directorate

Tel. +39 06 8012 4549

Fax. +39 06 8012 4519

governance@mercatoelettrico.org

www.mercatoelettrico.org