

GME NEWSLETTER – The new issue has been published

Rome 15 November 2022 – The new issue of the Gestore dei Mercati Energetici (GME) newsletter is online, downloadable from the www.mercatoelettrico.org.

The newsletter opens with a comment by Agata Gugliotta of the RIE on the renewed leading role of coal within the world energy mix. *"The actual troubled situation on global energy markets, since the post-pandemic period and with the contribution of the Russian-Ukrainian war, is affecting the dynamics of supply and demand of all energy commodities, including coal"*, underlined the RIE researcher. *"The reduction in gas flows from Russia, which has exacerbated a situation of tightness that began in 2021, has increased quickly the gas prices, which have reached unsustainable levels, thus making it more convenient to use coal, whose demand, in the in the first half of 2022, remained in line with the record values recorded in 2021"*. According to final data released by the IEA in July 2022, *"in 2021 the global demand for coal increased by 5.8% on values close to 7,950 million tons (Mt). An increase of more than one percentage point compared to what was estimated by the same Paris Agency last March"*, specified Gugliotta. *"The following contributed to stimulate coal consumption in the past year: the economic rebound (+ 6% growth in world GDP); the succession of an icy winter followed by a very hot summer that supported electricity demand (+ 6% if compared to 2021); the continuous and extraordinary increase in gas prices, which has made coal generation more convenient, up 7% year-over-year"*. Estimates for the first half of 2022 also indicate *"coal consumption, worldwide, in line with the same period of 2021 (for the IEA -0.5%)".* The reason for such a high demand must be found, above all, in the gas prices that increase every time with a new record, affected by the geopolitical tensions (and the reduction of gas flows) following the Russian-Ukrainian conflict, and which have further boosted the switch to coal, especially for what concerns electricity generation", admitted the RIE analyst. *"The coal performance is even more important, if we consider the context of economic slowdown that has affected a large number of countries and which has negatively impacted global energy consumption"*. According to data provided by the Fraunhofer Institut *"in the first ten months of 2022, the EU27 consumed 9% more coal than in the same period of 2021 to produce electricity, a sector in which this commodity partially replaced methane, used for storage needs, in order to achieve the filling target of 80% by 1 November, defined by the EU institutions"*, recalled Gugliotta. The same goes for Italy where, despite the fact that almost 1 GW of coal-burning thermoelectric capacity has been decommissioned in the last two years, of which 605 MW in 2020 and 300 MW in 2021, the remaining 6 GW remained operational with a *"gradual process in the following years. However"*, the RIE researcher pointed out *"what*



seemed by now in the natural course of things does not materialize and, starting from last year, the downward trend of coal is reversed. Thanks to an economic rebound, after the dark period of the pandemic, and expensive gas, net coal-burning production increases with almost 1 GWh and + 7% over 2020. There has been no growth performance for nine years". In spite of these numbers, however, as in 2021, even in the first months of 2022, the coal supply "struggled enormously to keep up with a demand that, as mentioned, continues to grow. Above all, the production of high-calorific coal, such as the Russian one, is struggling, the latter heavily damaged by international sanctions and the imposition of the embargo decided by the European Commission last April", explained Gugliotta.

Furthermore, *"reasons of economic convenience and energy security (especially for Europe) after the beginning of the war have changed the priorities of political agendas of many countries replacing environmental needs",* said the RIE analyst. But if, on the one hand, for the executive director of the IEA, Fatih Birol, *"the increase in the use of coal seems to be relatively modest and temporary",* such as not to involve an increase in investments in new capacity and to impact, from the emission point of view, less than what previously feared, on the other hand, *"opposes those who, with a more pragmatic point of view, fear that the geopolitical context of crisis, with effects that go beyond the European borders, may affect the dynamics of the coal market for a longer period, and consequently also the process of energy transition towards a net zero carbon system",* concluded Gugliotta.

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 the trends in the Italian gas market and the analysis section on the 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 October 2022.

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