

## **GME NEWSLETTER – The new issue has been published**

Rome 15 June 2023 – The new issue of the Gestore dei Mercati Energetici (GME) newsletter is online, downloadable from the [www.mercatoelettrico.org](http://www.mercatoelettrico.org).

The newsletter opens with a speech by Francesco Sassi of RIE on the global impact of the production of critical raw materials on the photovoltaic field and the green protectionism of the great powers. *"The link between security and energy transition, climate crisis and geopolitical tensions continues to remain a central point to the international agenda – underlined the RIE researcher -. About 18 months after the start of the Russian invasion of Ukraine, the war drama is accompanied by repeated signs of ongoing climate change. After a mild winter, the second warmest in European history, the tragic flood that hit Emilia-Romagna levelled up the debate on the strong need to combine specific solutions, both short- and long-term ones, with a combination of safety and energy transition. In just one century, advanced economies have gone from being dependent on a dozen metals to about two-thirds of those included in Medvedev's table. The irreplaceable role that critical raw materials (CRM) will play in resolving the energy-climate-geopolitics trilemma was also recently confirmed by the G7 meeting in Hiroshima".* Indeed, continued Sassi *"the safety, resilience, convenience and sustainability of these value chains are the cornerstones through which our societies and economies expect to drive the entire energy transition process towards the carbon neutrality objectives by 2050. It should be underlined - he added - that, with regard to refining and manufacturing processes, the G7 pledged to support the creation of local value chains 'in line with WTO rules', promoting recycling in the same way 'in cooperation with developing countries".* Furthermore, within the summit communication, the Big seven countries also launched a very specific alarm: *"Without a strategy that jointly embraces these three challenges, it will in fact be impossible to accelerate the transition and limit the increase in temperatures to 1.5° as provided by the Paris Agreements – observed the RIE analyst -. Today, it seems unavoidable that access to these raw materials will give rise to lively international competition. Not only among advanced economies and the rest of the world, but also among the G7 countries themselves which, while announcing alliances and partnerships of different kinds, compete for access to finite resources".* A sort of protectionism of critical raw materials seems to be already in place. *"The restrictions on the CRM export, particularly in the upstream sector, affect at least 10% of global trade and the trend is clearly growing – admitted Sassi -. The greatest concentration of these policies is in countries outside the Organization for Economic Co-operation and Development (OECD). The COVID-19 pandemic, geopolitical hostilities, and the consequences of the Russian*



*invasion of Ukraine have increased the problems related to the coordination on green policies. The construction and assembly of solar panels, their installation on the territory and in residential and industrial structures, as well as their connection to the electricity grids, requires 16 RCMs – specified the RIE researcher -. In particular, the availability of eight of them (aluminium, copper, indium, lead, molybdenum, nickel, silver, zinc) and the stability of the related markets will have a predominant influence on the ability of the great powers to support energy policies and strategies that solve the long-standing trilemma energy-climate-international relations. These RCMs are the most required in the photovoltaic industry, accounting for more than 95 percent of the industry's estimated cumulative material demand by 2050." For what concerns the European Union, "across the Continent, the opposition of local communities to the opening of new mines remains strong and, despite the emphasis given by the Commission on the strategic nature of European re-shoring, the road looks really tough – said Sassi -. On the supply side, the low domestic production of various RCMs is also at risk due to international tensions with Russia, given its role of aluminium, silver, copper and nickel exporter. Similarly, the reference macro-context, with its deep uncertainty in global markets and above all a slowdown in industrial activities in Europe, favoured the depreciation of a proxy for global growth such as copper. Paradoxically – as pointed out by the RIE analyst -, a weak growth in Europe is a control tool for RCM prices useful for this transition, but there is a risk that they represent an obstacle for investments of the same industry". The main priorities therefore are "commercial agreements with producers/exporters, the expansion of strategic partnerships focused on construction of specific and sustainable supply chains, also through the Global Gateway, the establishment of a credit facility to help foreign investments, and avoid unfair commercial practices. The partnership agreements signed with countries such as Canada and Chile or other nations should be included in this perspective. So far, however – concluded Sassi -, rather than a community approach extended to the 27 member states, the initiatives undertaken by the individual European executives stand out. An inevitable sign that in Europe, the specific economic and political weight of individual executives continues to have a disproportional value, virtually creating two levels of interdependence with potential partners. An artificial structure, very fragile from a geopolitical point of view."*

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 May 2023.

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Press Release