



## GME's NEWSLETTER – New issue

Rome, 9 December 2008 – The new issue of the Newsletter of Gestore del Mercato Elettrico (GME) is now on line, downloadable from [www.mercatoelettrico.org](http://www.mercatoelettrico.org).

This issue opens with a contribution by **Davide Tabarelli**, Chairman of Nomisma Energia. Tabarelli offers an in-depth review of oil price trends in international markets in the past few months, pointing to “finance” as the main causal factor of the recorded strong variability in prices. Prior to the financial crisis which has hit the economy, the US market had large liquidity and investors could easily enter forward exchanges and bet on crude oil price increases for various months. When the financial crisis occurred, all commodities had price hikes, which drove investments in the oil market and oil price to the € 147 record threshold. However, in the following months, prices deflated at a hardly predictable pace, especially because many banks needed to disinvest. Hence, also in this case, the crash in prices was due to financial factors.

“After so much instability” – points out Tabarelli – “it is hard to make projections for 2009. The fundamentals suggest a strong deceleration in demand. Prices are thus expected to be lower than in 2008 and 2007 and around the € 45 threshold”. Tabarelli concludes that “the deep financial crisis in the US, with declining interest rates and a heavy liquidity crisis, will certainly have a strong impact... and we will be confronted with a market with sharp downward or upward fluctuations for a long time”.

As has become customary, issue no. 11 of GME's publication reports the **summary data of the Electricity Market for the month of November**. In this issue, too, the “**Fuel Market**” section analyses oil and fossil fuel price trends in the international market. The Newsletter comes with the usual technical commentaries on national and European power exchanges and environmental markets and with a commentary by **Clara Poletti and Piero Lanzini (IEFE)** on the contribution of biofuels to the development of renewables. Poletti and Lanzini stress that biofuels, as a renewable energy source, can help mitigate global warming and cut oil dependence, as well as open new and wide markets to farmers. Nevertheless, some issues have arisen in the debate over the use of these fuels: first of all, land competition (competition between food crops and energy crops in land use); then, actual capability of these biofuels of curbing emissions; and, finally, large heterogeneity in the types of biofuels. Recently, however, an increasing tendency to develop advanced biofuels has been observed. These biofuels are obtained from plants avoiding competition with food crops thanks to the raw material that they use. Indeed, also the European Union

Gestore del Mercato Elettrico SpA

Socio unico ex art. 5 D.Lgs 79/99 Gestore dei Servizi Elettrici - GSE Spa

Sede Legale – V.le M. Pilsudski, 92 - 00197 Roma

Reg. Imprese di Roma, P.IVA e C.F. n. 06208031002

R.E.A. di Roma n. 953866

Capitale Sociale € 7.500.000 i.v.



is firmly oriented towards this type of biofuels. The debate over the mode of implementation of the related projects is still open, but slowed down by the recent financial crisis that has questioned EU's 20/20/20 package.

**Gestore del Mercato Elettrico S.p.A.**

*Relazioni Istituzionali e Comunicazione*

Tel. +39 06 8012 4522

Fax. +39 06 8012 4519

[relazioni.istituzionali@mercatoelettrico.org](mailto:relazioni.istituzionali@mercatoelettrico.org)

[www.mercatoelettrico.org](http://www.mercatoelettrico.org)