



GME'S NEWSLETTER – New issue now on line

Rome, 11 March 2011 – The new issue of the Newsletter of Gestore del Mercato Elettrico (GME) is now downloadable at www.mercatoelettrico.org

The newsletter opens with a contribution by **Professor Alberto Clò** from **Rie** about the future of the North-African crisis and its impact on energy supplies. Clò argues that today's crisis has numerous elements of novelty with respect to past ones: *first of all, the crisis has been (at least until the time of writing) internal to the countries experiencing it, without external repercussions. A second element of novelty is the fact that the crisis has had a limited impact on oil supply in international markets. Indeed, the sharp drop in Libyan production and exports has occurred in a situation of large availability of alternative oil supplies. In spite of the very strong increase in oil demand in 2010 (+2.8 million bbl/day at \$ 87.8/bbl), stresses Clò, the spare capacity, after subtracting the Libyan shortfall (estimated at around 1.1 million bbl/day) is roughly equal to 4.5 million bbl/day, a reassuring level, even discounting the expected increase in demand of 1.5 million bbl/day. Furthermore, points out Clò, the OPEC countries which control supply have declared that they are ready to make up for any shortfall and the stocks held by OECD countries are equal to 4.0 million bbl/day for 12 months. Even discounting a total interruption of Libyan exports for a few months, the situation on the supply side appears (at least as things stand now) to be fully under control. This conclusion, highlights Clò, is even more true for natural gas, another new element of the crisis. Thanks to the sharp drop in consumption due to the economic recession, the entire European market can count on large stocks and even larger additional supplies from other countries, especially Russia. In the opinion of Clò, however, this does not rule out the likelihood of critical developments owing to, among others, the uncertainty weighing on the possible course of events. The trend of oil prices in*



international markets confirms that these developments are not “tragic”, as no panic buying has occurred, contrary to the past. Having said this, what is worrying is not today’s but tomorrow’s crisis, warns Clò. Two types of risks might arise: i) the uprisings might propagate to other countries of North Africa and the Middle East, from which 1/3 of the production of oil in the world and, even more importantly, half of its international flows come; and, concludes Clò, ii) the North-African crisis might have a negative impact on the volumes of investment in mining activities and thus on future supply.

The new issue comes with the usual technical commentaries on national and European power exchanges and environmental markets, the section dedicated to the analysis of the trends of the Italian gas market and the one giving insight into the trends of the main European commodity markets. As has become customary, GME’s newsletter reports the **summary data of the electricity market for the month of February** and an in-depth contribution, by Donato Berardi and Samir Traini from ref, on the findings from a survey concerning electricity purchase/usage patterns of and costs for Italian SMEs. The analysis was conducted at the initiative of Indis (Istituto Nazionale Distribuzione e Servizi) of Unioncamere, with the scientific support of ref. Two thirds of the almost 6,000 companies using a total of about 2.3 billion kWh/year (1.7% of total withdrawals from the grid recorded by Terna) dominantly purchase their electricity from wholesalers or selling companies. *This channel involves 83% of the companies but a little less than 60% of the volumes.* Purchasing consortia - emphasise the experts from ref - *are mostly used by medium and large consumers: 17% of the companies, with a total consumption accounting for nearly 40% of the withdrawals of the sample.* In effect, the percentage of companies joining a purchasing consortium tends to grow as consumption increases: *among micro consumers, only 12% of the companies reported that they had joined consortia; conversely, among large consumers, this figure is close to 45%*, point out Berardi and Trani. However, the level



of dissemination of these consortia is different in the different areas of the country. *Reliance on consortia is significant among companies based in northern and central Italy, while it is marginal in southern Italy.* Finally, only 4% of the companies declared that they had entered into green power supply contracts. *The poor dissemination of this type of contracts in the market contrasts with the interest in green power that the SMEs declared to have - emphasise the experts from ref: if 60% of the companies entered into a green power supply contract on the same economic conditions as those of conventional power supply ones, 1 company out of 4 would be even willing to bear a higher cost. By contrast, conclude Berardi and Traini, only 15% of the companies responded that they were not interested at all.*

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