

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

Rome, 13 April 2016 – The new issue of the newsletter of Gestore dei Mercati Energetici (Gme) is online and can be downloaded from the website [www.mercatoelettrico.org](http://www.mercatoelettrico.org).

The newsletter starts with a speech on the LNG market in 2016 by Mrs. Agata Gugliotta of RIE. *"The main international markets for natural gas - explains the analysis of RIE - are enjoying a period of significant and generalized reduction in prices, resulting in the decrease in oil prices and an oversupply situation for weak demand – that in Europe seems it has now taken on a structural nature - and in the increased availability of supply, existing or expected in the short to medium term, as a result of investments in the planned upstream in a market situation very different from the current one."* In this context, the market is expected to absorb this year *"about 8% of volumes (335 billion cubic meters)"* more than in 2015 *"although – Mrs. Gugliotta admits - a portion of them is linked to the long-term supply contracts, uncommitted volumes and unknowns on the actual withdrawals that make uncertain the destination and quantities exported."* Nevertheless, the expert of RIE adds *"the scenario that lies ahead, on the demand side, is not optimistic"*, especially in Asia, *"which accounts for about 70% of world trade and where last year, for the first time since 2009, there was a decrease in imports. The forecast of consumption is also down in 2016, at least for the major importing countries of that area."* And with the LNG volumes in excess, *"a contextual backdrop of weak demand and oil prices that could continue to remain low,"* the risk is, therefore, that of *"always squeezing more the international prices for natural gas, which, at the end of 2015, were the lowest since 2009-10 in Asia and Europe, and at the lowest level in a decade in the United States,"* Mrs. Gugliotta notes that on the medium-term scenario, there is a lot of uncertainty: *"the prospects of a change of current mood, in fact, are related primarily to the uncertain recovery in oil prices, which have significant influence on gas prices" and "secondly, on the new supply/demand balance that will be created."*



Therefore, the analyst of RIE continues "*the real risk is that there is still an oversupply situation, at least until 2022, when the potential of new liquefaction capacity, currently under construction and whose work cannot be stopped, will be completed.* It also adds the unknown Iran situation and the times and the ways of its return to the market. All this suggests that, for at least a few years, – Mrs. Gugliotta concludes – *they will persist unfavorable conditions for further LNG investment, and this explains the decision of companies to delay or 'freeze' some projects, waiting for better times, or even to abandon them for loss of the economic advantage initially planned.*"

The new issue of the newsletter comes with the usual technical commentaries on the markets and the national and European electricity and environmental exchanges, the section devoted to the analysis of the trends of the Italian gas market and the analysis section on trends in Europe, which delves into the trends of the main European commodity markets.

New GME's issue also shows, as customary, the summary data of the electricity market for the month of March 2016.

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