

## **NEWSLETTER GME – New issue now online**

Rome 16 May 2018 – 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 opens with an intervention by Claudia Checchi and Pia Saraceno from the REF-E on price rebounds and the structural effects of the recovery of energy intensity. 2018 is the year of the first drafts of the Energy and Climate Plans, which, for Italy, represent an opportunity to implement the National Energy Strategy, which has now been prepared for almost a year. The two REF-E analysts explain that *"One of the most important challenges is the decoupling between economic growth and level of energy consumption, which focuses the attention on the energy efficiency issue. In the last two years, Italy has partly eroded the results of 2015 (year of the proposals contained in the SEN) in terms of improved energy efficiency. Provisional data for 2017 reveal that end-use energy demand has increased over the last three years and that the price elasticity of energy demand compared to GDP, besides occasional fluctuations, continues to remain on the historical trend"*. On the basis of the calculations proposed by the Joint Research Center (JRC) of the European Commission, Enea and Terna *"at the moment we can't be sure to be on the right track"* to achieve the 2030 reduction targets in absolute value of primary energy requirements so that *"there will be an effective decoupling between the economic dynamics and the demand for energy in the coming years. The objectives for 2020 will be achieved because the intensity of the economic recovery in the coming years will not be able to overturn the results achieved"*. According to the two REF-E experts *"the production mix has shifted towards lighter sectors, with lower requirements of product per unit but also, according to our estimates, with an price elasticity of energy demand compared to the production less than that of heavy sectors. Therefore, the historical relationship are likely to show a lower price elasticity than in the past in the industrial sector. However, a slight increase in the dynamism of the basic productions was enough to generate significant rebounds in energy demand"*. The impact of the climate was quite insignificant: *"Last winter, the temperatures were in line with those recorded in 2016, back to the levels of the beginning of the decade after the hot winters recorded in the periods 2012-2013 and 2015-16"*. So what can we expect for the future? *"It is possible, but not desirable, that a slowdown in economic activity will lead to a downsizing of consumption"*,



however, *"this obviously would not qualify as decoupling. The outlook for the economic situation, however, remains positive at the moment, despite the remarkable uncertainty that is affecting the global and Italian economy in particular"* both Checchi and Saracen admit. The two REF-E analysts conclude by adding that *"the Budget Law confirmed the tax relieves for efficiency measures in homes and buildings, the benefits of the measures taken in recent years have been overtaken by the penetration of demand, mostly electricity, increased by both families and tertiary sector. As for the efficiency measures in the industrial sector, we rely on the mechanism of white certificates, which is assigned the achievement of 60% of the objectives, and whose operation is being adjusted to improve its effectiveness. Lastly, some positive signals come from the transport sector, the only one moving in the opposite direction in 2017, with a declining energy demand (especially oil and derivatives) despite the improvement in traffic indicators and vehicles, made possible thanks to the massive renewal of fleet of vehicles and means of transport in recent years"*.

The new issue also includes the usual technical commentaries on the markets and the national and European electricity and environment exchanges, the section devoted to the analysis of the trends of the Italian gas market and the section with an analysis on European trends, which delves into trends in key European commodities markets.

The GME's new publication also reports, as customary, the summary data of the electricity market for April 2018.

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