

GME NEWSLETTER – The new issue has been published

Rome 15 April 2022 – The new issue of the Gestore dei Mercati Energetici (GME) newsletter is online, downloadable from the www.mercatoelettrico.org.

The newsletter opens with a comment by Agata Gugliotta of the RIE on the growth of coal, beyond all expectations, in 2021. *“Following the annus horribilis of the pandemic (2020) and its depressive effects on the world economy, a generalized increase in consumption of all major energy commodities, including coal, were foreseeable in 2021, with resumption of industrial production”,* said the RIE analyst. *“In 2020 – she added –, the reduction in demand for coal was mainly in the electricity generation sector (-4% on 2019). The sector accounted for 40% of the overall decrease in demand for this source, suffering from lockdown policies imposed by the quick spread of the virus and, even before, a particularly mild winter and competition from other energy sources – added Mrs. Gugliotta –. On the other side, if compared to the previous 12 months, in 2021, coal consumption in industry and power plants increased. These last ones already had an increase in the last part of 2020, due to an unprecedented cold wave in Asia”.* Overall, in 2021, the increase in demand for coal for electricity generation *“can be quantified in +9% if compared to 2020 (+4,7% if compared to 2019), for a total volume up to 10,300 TWh, the highest ever recorded – the RIE researcher pointed out –. Therefore, coal covered 36% of the world's electricity mix: a share that was still incompatible with 8% in 2030 and even worse than 0% in 2050, as required by the most extreme scenario of the AIE (Net Zero emissions), but also very far from the inertial scenario (STEPS) that quantifies the weight of coal in the electric mix, respectively, to 26% in 2030 and 13% in 2050”.* At the heart of consumption growth, there are three main reasons. *“First, the economic recovery”,* said Gugliotta, *“second, a cold winter followed by a very hot summer”,* while the third reason that affected the growth was *“the continuous and extraordinary rise in gas prices, which month by month, especially in Europe, provided new records on an upward trend”.* *“On one side, if we had a fast and lively growth in demand, on the other, it was not supported by the supply – the RIE analyst warned –. Overall, in 2021, coal output increased by around 4%, less than the drop suffered in the previous year (almost 5%) and less than the increase in demand (+4,5%). This has resulted in massive use of stockpiles, with an increase in price as consequence”.* In short, the performance of coal, in the year that has just ended,



"disappoints the expectations of those who thought that, after the debacle of 2019 and 2020, for this source, the peak consumption had already been reached and that, for the years to follow, a decreasing pattern was the only possible way. Instead - admitted Gugliotta -, in relation to the change in energy scenarios, not only the coal has grown, but its greater use has contributed to a quick rebound in CO2 emissions, which mark + 6% on 2020, reaching 36.3 Gt, the highest value ever. Emissions from coal, in fact, are growing more than other sources and reach the absolute record of emissions produced (15.3 Gt), more than the previous peak of 2014. In practice, this situation pushed us back to a level before the famous Paris Agreement. And what is worse, given the current crisis situation and the risk, however not too unrealistic, of a shortage of Russian energy sources, consumption could continue to increase at least in the very short term. A greater demand to which is doubtful the supply will be able to face up properly, that on the contrary is in trouble, with a new and 'unwanted' upward impact on prices and, last but not least, a further increase in CO2 emissions", concluded the RIE analyst.

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 the month of March 2022.

Gestore dei Mercati Energetici S.p.A.

Governance Department

Phone: +39 06 8012 4549

Fax: +39 06 8012 4519

governance@mercatoelettrico.org

<https://www.mercatoelettrico.org>