

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

Rome 15 July 2022 – The new issue of the Gestore dei Mercati Energetici (GME) newsletter is online, downloadable from the [www.mercatoelettrico.org](http://www.mercatoelettrico.org).

The newsletter opens with a speech by Francesco Sassi, a member of RIE, that, for the publication of the 71<sup>st</sup> edition of the BP Statistical Review of World Energy, takes stock of 2021. *“After the crisis linked to the COVID-19 pandemic restrictions and the widespread stop to economic activities in 2020, last year has shown how the return to strong consumptions has heavily affected the systemic weakness and the availability of energy resources on an unstable market”*, highlighted the RIE analyst. *“Driven by a widespread economic growth and huge public spending programmes, from the United States to China, through the European Recovery Fund, primary energy demand increased by almost 6% during the 2021, thus reversing the fall recorded in 2020 and slightly above the pre-pandemic threshold of 2019 – explained Sassi -. A 'signal of global success' given by the economic measures of governments, that further highlights how human activities have an unbelievable impact on energy consumption and on emissions into the atmosphere, which grew by 5.7% due to the greater demand for energy, industrial processes, methane gas emissions (that now, more than before, they are the true suspects of climate change) and gas flaring”*.

From the point of view of sources, *“if 2020 had largely marked an excellent performance of renewable sources, despite the economic collapse associated with the pandemic, in 2021 fossil fuels, and in particular natural gas and coal, regained ground - underlined the RIE researcher -. On the other hand, by drawing up a general overview for the period 2019-2021, renewable sources have provided the greatest contribution to the increase of primary energy (8 EJ). For what concerns fossil fuels, the lower demand for oil, equal to 8 EJ, was matched by an increase in natural gas (5 EJ) and coal (3 EJ), making their overall contribution to the global energy mix basically unchanged”*. Renewable sources, in particular, *“record the most significant contribution in the electricity generation sector, where solar and wind power (13%) exceed nuclear energy (9.8%)*. *It must be noted a small increase in coal consumption, of one percentage point to 36% compared to the previous year, but still below the levels of 2019; natural gas remains stable at 23%.*



*According to the 2021 data, therefore, fossil sources still account for 82.27% of primary global energy consumption", pointed out Sassi.*

The variable that most of all influenced the energy scenario of 2021 was, however, the generalized increase in energy prices linked to the increase of demand and the difficult response of supply in coping with it. *"The biggest increase was undoubtedly in natural gas. The European TTF index changed from about \$4/mmBtu to \$ 16/mmBtu in 2021, with a 400% increase on the average of the previous year and reaching \$31/mmBtu in the first half of 2022 - the RIE analyst specified -. The oil price also increased, even if in a more restrained way and on average equal to + 70%, for Brent. As already said with respect to the gas market, oil also is affected by very strong international instability and the inability of the markets to predict what will happen in few weeks".*

In short, *"a constant instability of the markets is something that becomes more and more real and probably will characterize the next few years. Here, therefore, that energy policy today takes on an even wider meaning, touching domestic, foreign, climate and security policies - said Sassi -. This offers a historic opportunity for the global energy transition in the event that it is possible to find the match between supply security and decarbonisation and diffusion of renewable technologies. Given this situation, a detailed and particularly ambitious programme, such as REPowerEU, today, must deal with a European transition still connected to the Green Deal rules, but which lives under the constant threat of a constantly changing political and economic framework. Therefore - concluded Sassi -, flexibility of energy systems becomes an even more important strategic component in the war and post-war energy era, whether the same process of globalization of the markets continues, or whether they go back to a greater regionalization of energy trade, a process that will take at least a decade to take shape".*

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 June 2022.



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