

GME NEWSLETTER – Issue no. 175 now online

Rome, 14 November 2023 – Issue no. 175 of the newsletter of *Gestore dei Mercati Energetici* (GME) is now downloadable from www.mercatoelettrico.org.

This issue opens with an article by Chiara Proietti Silvestri from *Ricerche Industriali Energetiche* (RIE) about the difficult balance that the European Union is trying to find between the energy crisis and its climate targets.

Indeed, while the world was engaged in recovering from the tremendous impact of the global pandemic, the year 2022 saw a new crisis in energy markets with the Russian invasion of Ukraine, which reverted supply-side forecasts and aroused tensions all over the world. This entailed, in turn, a price crisis and profound repercussions on the cost of living in many economies. To make matters worse, the current year has seen a deterioration of the geopolitical scenario owing to the continuing Russia–Ukraine war and the recent resurgence of the Israeli–Palestinian conflict. These events are placing a heavy burden on international cooperation, even on matters of energy security and fight against climate change. In spite of a wide consensus on the need for reaching net zero emissions, global greenhouse gas emissions from energy are still going in the wrong direction and new crises are likely to shift the focus of governments towards other priorities.

At global level, *the year 2022 saw a slight increase (1%) in primary energy demand, which rose to 3% from its pre-COVID levels in 2019. In contrast with global dynamics, the EU experienced a drop in its energy consumption (3.5% from the previous year and 6% from the pre-COVID period) – notes Proietti Silvestri, highlighting that the European Commission issued new rules to tackle the serious problems arising in gas supplies, to drive down energy consumption in the residential sector, and to encourage the use of alternative sources (including higher reliance on coal and fuel-oil in conventional thermal power generation). There were also factors of an environmental nature: mild temperatures in the winter period radically decreased energy usage for heating – explains the researcher from RIE, stressing that the fossil share in the energy mix was up again after a few years of constant but slight decrease; the increase was surprisingly driven by oil and coal, whereas natural gas had a declining share. All this testifies the strong impact that the Russian invasion of Ukraine has had on the security of gas supplies in the old continent.*



Conversely, from the standpoint of low-carbon sources, *renewables confirmed their growth trend in the European energy mix, as they went up by 9.5% on the previous year, with a share of nearly 15%, more than twice the one of Renewable Energy Sources (RES) in the worldwide energy mix. By contrast, nuclear and hydro power generation dropped significantly (by 17% and 21%) reaching 9% and 4%, respectively, reflecting contingent events, such as plant maintenance and a period of severe drought. Proietti Silvestri emphasises that power generation, too, was hit by the energy and economic crisis, showing a sharp decrease of more than 3% in 2022, reaching a value of 2812 TWh, i.e. its lowest level since 2002.*

In summary, *the challenges to which Europe has to respond in order to proceed on its unavoidable path towards energy transition are many. First of all, we should consider that worldwide emissions are continuing to grow, despite the fact that also the share of renewables in the energy mix is progressively growing. In the EU, the situation is slightly better, as CO₂ emissions slightly decreased (by 0.6%) in 2022. However, this figure is definitely too low to satisfy the requirements of the Paris Agreement and of the latest European climate packages. Indeed, the achievement of the 55% reduction target by 2030 is currently estimated to require an annual decrease in emissions of about 6.5% on average in the next eight years. The trend of 2023 – concludes Proietti Silvestri – suggests that the EU will record a more significant reduction than in 2022, thanks to a further decrease in electricity demand and to an increase in generation from renewables. Nevertheless, this result, which is mainly due to demand reduction rather than decarbonisation, will not be sufficient to enable us to meet our climate targets by 2030 and remain on the trajectory towards carbon neutrality by 2050.*



This issue of the newsletter comes with the usual technical commentaries about European and national power exchanges and environmental markets, a section focused on the analysis of the Italian gas market, and a section with insights into the trends of the main European commodity markets. As has become customary, it also reports the summary data for the electricity market for October 2023.

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Press Release