

## **GME NEWSLETTER – Issue no. 176 now online**

Rome, 14 December 2023 – Issue no. 176 of the newsletter of *Gestore dei Mercati Energetici* (GME) is now downloadable from [www.mercatoelettrico.org](http://www.mercatoelettrico.org).

This issue opens with an article by Francesco Sassi from RIE (*Ricerche Industriali Energetiche*) about current and future challenges in the wind energy sector in Europe. As pointed out by Sassi, *near the close of the year 2023, the European wind energy industry is experiencing a crisis. The cancellation and suspension of various projects throughout the continent are alarming policymakers and industry stakeholders, as well as economic and financial institutions that have strongly believed in the future of the wind source as one of the drivers of energy transition and decarbonisation of European energy systems. A macroeconomic and geopolitical scenario riddled with uncertainties makes it more difficult to understand the causes of this standstill.*

*Once again, we are witnessing the mixed effects of the most significant events that have occurred in international energy diplomacy (COP28, the United Nations Climate Change Conference in Dubai), in the democratic cycle of our continent (European elections in 2024), and in energy geopolitics (Ukraine invasion and Israel– Hamas war). These effects are weighing on the already complex process of balancing between security policies and energy transition. Sassi reminds us that, according to IEA (International Energy Agency), the presence of wind energy in the global power generation mix is bound to triple by 2030 and, together with solar energy, to take a dominant role in the path towards carbon neutrality by 2050.*

*Nevertheless, in the past three years, the economic and financial situation of the European wind energy industry has progressively deteriorated. EU (European Union) and national political authorities, industry stakeholders, and the main media have launched increasingly alarming signals. At first sight, two are the developments that are threatening the stability of the wind energy industry. The first is the yearly wind capacity installation rate, which is one third lower than that required to attain EU targets by 2030. The second is a 7% loss of market shares in only three years by the global and European manufacturing industry, to the advantage of Chinese companies.*

*This situation is compounded by various structural factors, such as capital costs. The true macroeconomic shock has come from the hikes in energy prices and their persistent*



*volatility in about almost two years since February 2022. This volatility has put a relentless inflationary pressure on global and, in particular, European markets, causing the revision of monetary policies, a credit crunch, and soaring interest rates in nearly all the main markets. Sassi explains that all this has had a “direct” impact on European investments in the construction of new wind farms. Based on Wind Europe estimations, annual investments in the sector in 2022 amounted to €16.9 billion, the lowest figure recorded since 2009 and 60% down from the one in the previous year. Onshore wind power facilities have been dominant. However, offshore facilities have been slightly increasing. In the first six months of 2023, projects reaching the FID (final investment decision) stage were equal to 5 GW, while those completed amounted to as a little as 2.1 GW and were significantly lower than the 11 GW estimated by Wind Europe.*

Conversely, as regards the costs of raw materials and the related supply chains, the post-pandemic recovery, the Russian invasion of Ukraine, and the Israel– Hamas war have had an extremely adverse impact on *the entire energy industry, including the wind energy one*. Sassi emphasises that, for instance, the average cost of wind turbines at global level in the period from 2020 to 2022 *rose by 18% with respect to the pre-pandemic period*.

Finally, another factor negatively affecting the deployment of wind energy facilities has been the lack or insufficiency of policies in support of the industry. Sassi concludes that, during 2024, *a year of historical importance to reconfirm the global ambitions of the EU as a lead player in decarbonisation, these challenges will have to be faced collectively, focusing not only on competitiveness of the wind energy industry but also on its long-term sustainability. Indeed, the objective should be to double the capability of the sector to implement wind energy projects and to significantly increase the related manufacturing capacity in less than a decade, maintaining such infrastructure for at least 20 years. This is a pre-requisite to achieve a net-zero world 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 Italian gas market trends, 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 November 2023.

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