



GME'S NEWSLETTER – New issue now online

Roma, 15 October 2024 – The new issue of the newsletter of *Gestore dei Mercati Energetici* (GME) is now available at <https://gme.mercatoelettrico.org>.

The newsletter opens with an article by Agata Gugliotta from *Ricerche Industriali Energetiche* (RIE) about energy chokepoints, from the Suez Canal to the Panama Canal.

Gugliotta stresses that *natural or artificial maritime chokepoints connect the economies of various continents, ensuring the flow of goods and an efficient operation of global supply chains. Their physical configuration and size, with some of them being very narrow, affect the capacity of the ships navigating through them. They are politically and economically strategic, as they are pivotal to global trade, 90% of which (in terms of volume) still takes place by sea. As regards “energy” alone, in 2023, about 70 million barrels a day (Mbpd) of crude oil and oil products (nearly 70% of world oil supply) and roughly 300 billion cubic metres (Bcm) of LNG (nearly half of all the liquefied gas exported at global level) crossed these points.*

The main maritime chokepoints are the Strait of Malacca, the Danish straits, the Turkish straits, the Strait of Hormuz, the Suez Canal, the Bal el-Mandeb Strait, and the Panama Canal. Gugliotta notes that, *in particular, the Strait of Malacca connects the Indian Ocean to the Pacific Ocean, serving as the shortest and most cost-effective shipping route between the Middle East and Asian countries. This strait – legally under the joint Malaysian-Indonesian administration but of strategic interest to the US – is the most congested chokepoint: 30% of global trade and 80% of imports from China pass through it. In 2023, about 31% of crude oil and oil products transported by sea (up to 70% being crude oil) and 16% of LNG traded internationally (mostly from Qatar) utilised this route. Since 2022, it has become a strategic hub also for Russian energy products that, before the war, were primarily bound for Europe. If we shift our focus to the Old Continent, it is the Danish and Turkish straits that deserve attention. When we speak about the Danish straits, we refer to the three waterways that connect the Baltic Sea to the North Sea: the Small Belt, the Great Belt (Store Belt), and the Øresund. It is through these passageways that the flows of oil coming from the United States, Norway, and the United Kingdom are*



transported to Poland and Finland (which, over the past two years, had to do without Russian crude oil). Gugliotti points out that, in 2023, these straits saw the passage of about 4.9 Mbpd of crude oil and oil products, along with nearly 13 Bcm of LNG. Notably, the volume of LNG – mostly from the US and destined for European countries as an alternative to Russian piped gas – that used this route more than doubled compared to the previous year. In contrast, the Turkish straits conventionally mark the boundary between Europe and Asia. They consist of the following waterways: to the north, the Bosphorus, connecting the Sea of Marmara to the Black Sea; and, to the south, the Dardanelles, connecting the Sea of Marmara to the Aegean Sea. Every year, over 36,000 vessels on average sail through these waters. These corridors facilitated the transfer of Russian, Azeri, and Kazakh oil initially towards Europe and, beginning in 2022, towards Asia. As a whole, last year, more than 3 Mbpd of crude oil and oil products used these corridors. Conversely, regarding LNG, Turkey permits the passage of LNG carriers only through the Dardanelles and, for security reasons, prohibits their passage through the Bosphorus. However, the associated volumes are limited: approximately 5 Bcm per year, accounting for just 1% of global exports. In short, the numbers highlight how crucial these routes are for international trade and how their control can serve as a deterrent in political conflicts. These routes are vital not only for the trade of goods and minerals, but also for maintaining energy security and market stability, the latter being particularly jeopardised by current geopolitical events. Gugliotta emphasises that the dynamics involving the Panama and Suez Canals might have had far more severe consequences than actual ones, particularly if the slow-downs or, worse, the blockages had persisted longer and if the economic context had demanded a higher energy consumption than the current one. Nevertheless, the danger has merely lessened and the risk remains imminent. In conclusion, even if we focus only on the Panama and Suez Canals and ideally assume no incidents at other chokepoints, we must anticipate new, increasingly long and intense periods of drought and new, more and more frequent and dangerous episodes of violence, as evidenced by events in the past few days.

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 September 2024.

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Press Release