



GME'S NEWSLETTER – New issue now on line

Rome, 13 April 2011 - The new issue of the Newsletter of Gestore del Mercato Elettrico (GME) is now downloadable at www.mercatoelettrico.org

The newsletter opens with a contribution by **Clara Poletti from IEFE** on the role of energy efficiency in the strategies of the European Union. *As is known - points out Poletti - the EU set the target of reducing its primary energy consumption by 20% below business-as-usual (BAU) levels (i.e. failing efficiency policies) by 2020. Nevertheless, the European Commission's analyses with the "PRIMES 2009" model indicate that, based on the policies active at the end of 2009, the EU will be able to achieve a reduction of roughly 10%: half of the hoped-for figure. Thus, the Commission stresses the need for taking a leap in energy efficiency policies by doubling efforts. In the opinion of the expert from IEFE, the new energy efficiency plan of the EU identifies energy consumption in buildings as the area with the highest saving potential and assigns a key role in this direction to public buildings. As a whole, the proposed measures are expected to lead to attain the 20% target and to curb greenhouse gas emissions by 740 million tonnes. This, according to Coletti, suggests two general points. The first - says Poletti - is the rationale behind the (at least in part) unsatisfactory results reported by the Commission. Often, in policy analysis documents, energy efficiency improvements are described as "negative-cost" measures, i.e. their cost is lower than the benefit that the private investor may get therefrom. In actual fact, as emphasised by the Commission itself, these assessments do not consider the additional costs or the loss of revenues arising from both market failures and regulatory failures, very common in this type of measures. These problems - adds Poletti - are compounded by the "rebound effect": an increase in end-use energy efficiency involves an adaptation of consumption patterns, pushing the*



total demanded quantities upwards. Conversely, the second point concerns the setting of national targets of energy efficiency. In its Plan, the Commission suggests the possible definition of binding targets, just as for renewables. In particular, the proposal is conditional upon the assessment of the progress made towards the 20% target to be attained in 2013. The Commission expressed its intent to propose binding targets, where the above assessment still showed difficulties in reaching the target. These targets - concludes Poletti - would take into account the starting point of the different Member States, as well as their Gross Domestic Product and any actions already undertaken.

The new issue of the newsletter comes with the usual technical commentaries on European and national power exchanges and environmental markets and with the sections devoted to the analysis of the trends of the Italian gas market and of the main European commodity markets. **As has become customary, the new publication reports the summary data of the electricity market for the month of March.**

The current issue of GME's newsletter also features an in-depth analysis of economic recovery and 2011 scenarios by **Fedele De Novellis and Pia Saraceno from REF.** The experts from REF claim that *after a halt in the central months of 2010, the international economic cycle gave signs of revival towards the end of the year. In particular, the latest data pointed to a relatively robust trade pattern in South-East Asia, with a sustained growth of Chinese imports.* However, from this viewpoint - add the experts - *Italia gets little benefit from the Asian recovery, since it has a low market share in these countries. It is above all the situation of households that appears to be relatively problematic: their disposable income continued to drop in real terms throughout 2010.* The slow-down of domestic consumption - point out De Novellis and Saraceno, focusing their attention on the electricity and gas markets - *is not such as to*



induce REF to radically revise its forecasts in the past few months, even if further trimming of quantities is inevitable. Under the present circumstances, only a very warm summer or a very cold start of winter can give new impetus to demand. But this is not all. The impact on gas and electricity prices - according to the experts from REF - should also take into account the change in the supply scenario, i.e.: i) the shift in terms of nuclear power prospects; ii) the growing demand for gas, expressed above all by Japan, which must undertake a radical change in its electricity generating mix, but also by Germany, which announced its fast exit from the nuclear programme; and iii) the cautious approach that all countries are taking to nuclear programmes. These trends, however, contrast with the lower responsiveness of import prices to the dynamics of oil prices, which is due, among others, to the fact that long-term contracts for some supplies have been renegotiated last year to accommodate the specific conditions of the international gas market, characterised by abundant supply.

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