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GME'S NEWSLETTER – New issue now on line

Rome, 15 June 2011 – The new issue of the Newsletter of Gestore dei Mercati Energetici (GME) is now downloadable from www.mercatoelettrico.org

The newsletter opens with a contribution by **Giulia Ardito** and **Mario Cirillo (Osservatorio Energia, REF)** about the carbon tax in the proposed revision of the European Directive on taxation of energy products. As pointed out by the experts from REF, *this is the instrument that European law-makers intend to use in order to promote the abatement of emissions in the sectors not covered by the EU-ETS,* i.e. transport, agriculture, household segment and small businesses. A European-wide carbon tax - stress Ardito and Cirillo - is expected to *foster competition in the EU market, preventing Member States from putting in place non-uniform policies of compliance with the targets to be reached by 2020*. The new instrument will take effect in 2013, at the start of the 3rd stage of the EU-ETS, preparing the achievement of the 20% emission reduction target by 2020 - recall the experts from REF. They also emphasise that the new taxation system will be based *on the energy content of each fuel* in order to guarantee the energy efficiency target. *In effect, the current system creates distortions in the competition between fuels, which do not favour rational energy use,* explain Ardito and Cirillo. They feel that the most important change in the proposed new directive is *the introduction of a component for valuing the carbon content of the energy products falling within its scope.* This component will be applied, at a single rate of € 20/tCO_2, to the energy products used in the sectors not covered by the EU-ETS. The European Commission's simulations of the new system – observe the experts from REF - show that *the impacts on economic growth and employment would be positive (thanks to the stimulus represented by the decrease in labour costs) but very limited.* Significant impacts in terms of higher costs *are instead expected from the increase in the minimum level of taxation of gas resulting from the introduction of*

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the CO_2 component. This is especially true of the household segment, where gas is the main fuel, and of low-income consumers owing to the regressive effects of taxation (for these consumers, the energy bill has a higher weight in relative terms). In this respect, Member States may opt to introduce exemptions for household consumers. But what is perhaps more important in view of the final decision about the new energy taxation - conclude Ardito and Cirillo - *is the European Government's objective of taking timely action, so as to avoid the lock-in effect in carbon-intensive technologies, especially as a result of the economic crisis, which entailed a reduction in emission abatement incentives. A slow-down of inducements to the transition to a low-carbon economy would jeopardise the attainment of Europe's environmental, energy and industrial policy targets.*

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

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