

## **GME NEWSLETTER – The new issue was published**

Rome, March 16, 2015 – The new issue of the Newsletter of Gestore dei Mercati Energetici (GME) is online and you can download it from the website [www.mercatoelettrico.org](http://www.mercatoelettrico.org). The newsletter incipit involves a speech by Filippo Clò of R.I.E. (Industrial and Energy Research Body) on the role of Shale oil in the new world oil order. According to Mr. Clò *"the absolute novelty item of the current oil crisis"* is just *"the emergence of the 'shale' industry of the United States that, from a quantitative point of view, contributed to the current state of oversupply"* while, in terms of quality, *"it has connotations that are unknown to conventional oil sector, in particular: the short time of entry into production of the wells and the achievement of the peak production, as well as its rapid rate of exhaustion."* However, the analyst of R.I.E. says *"the price drop triggers only when in July 2014 the abundant supply on the market combined with a growth rate of oil demand that was below the expectations, particularly in China"*. In October, then, *"it begins to appear obvious the unavailability of Saudi Arabia to reduce its production and then to play its historic role as a swing producer (residual producer)"* that, according to many people, can be attributed to a *"direct attack to American industry aiming at excluding it from the market, in the belief (or while hoping) that this will be quickly affected by its high (or supposed high) production costs and the high level of indebtedness of many companies involved."* Instead, despite the past eight months now, *"the US shale production is proving to be much more resilient than what was initially assumed. In fact, the USA output has not yet suffered major setbacks."* Mr. Clò adds that this because of *"the atypical production logics of the shale industry subvert the classic principles of conventional oil production. The investment necessary for the drilling of shale wells is far lower than that required by a traditional well."* Also, it is much shorter *"the time-to-market of its production: a few weeks in the first case than a horizon that ranges from 5 to 10 years"*. For the analyst of R.I.E. *"this great flexibility, combined with the high rate of depletion of wells, means that the industry of shale represents de facto an economic swing producer, able to start or stop the production at times almost immediate based on the price signals. Such a peculiarity suggests that*



*the new world oil order involves a new 'call on shale' rather than the classic 'call on Opec'. According to the former Federal Reserve Chairman, Alan Greenspan, this industry will prove to be a stabilizer of the market that will be much more effective than the cartel of producing countries."* The only unknowns, Mr. Clò reminds, remain *"the activation of the spare capacity of Saudi Arabia"*, which is faster than any production start of shale oil and *"the prohibition on exporting oil in place in the USA from the Seventies."*

In fact, the expert of R.I.E. concludes, *"this divergence affects the ability of the shale oil industry to respond to international price signals, acting in a distorting manner on its ability to balance the market. Therefore, the outcome of the debate on the removal of the veto on exports of crude oil currently in force in the United States will cause significant consequences on the new oil order."*

The new issue contains not only the usual technical commentaries on the markets and national and European power and environmental exchanges, but also the section on the analysis of the performance of the Italian gas market and the section on the analysis of the trends in Europe, which examines the trends in the key European markets of commodities.

The new GME issue also reports, as it has become customary, the summary data of the electricity market for the month of February 2015.

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