

NEWSLETTER OF GME – The new issue is published

Rome, August 7, 2015 - The new issue of the newsletter of Gestore dei Mercati Energetici (Gme) is online, downloadable from www.mercatoelettrico.org.

The newsletter starts with a speech by Mrs. Pia Saraceno and Mrs. Beatrice Petrovich of REF-E on the scenario that is looming in Europe on gas with the end of the sanctions on Iran.

"In addition to be rich in oil (about 9% of the world's proven reserves of crude oil), Iran holds the world record for proven reserves of natural gas - the expert of the REF-E explain - the potential estimated at the end of 2014 is 35 Tmc, higher than that of Russia (32.6 Tmc) and Qatar (24.5 Tmc) and 18% of the world's proven reserves." However, Mrs. Saraceno and Mrs. Petrovich admit "this amount is now rarely used." So that the plans declared by Tehran provide, "an increase in production of up to 400 Gmc in 2025 and the commitment to implement many infrastructure projects needed to transport outside the national borders, either through new international pipelines and through liquefaction terminals" the analysts of the REF-E underline, specifying how, among the possible destinations of export, there is also Europe. But, they warn, "it may take from 5 years to 20 years to set up investments aimed at substantially increasing production and starting exports." While, as regards the projects of export by sea, the timing of start-up "is considered to be even longer than that conceivable for exports by pipeline, with construction of the plants not before the next 10 years and then only in 2030." For this reason, Mrs. Saraceno and Mrs. Petrovich observe, "it can be concluded that the domestic demand and the import needs of the immediate neighbors (in particular Iraq, Turkey and Oman) jeopardize any export by pipeline to Europe, even assuming that they are made complex infrastructure projects. The routes of export of Iranian gas, similar to what happened with the South Stream, is likely to stop, at least until 2030, to the closer countries, where gas consumption is up sharply, rather than moving forward, thus enduring high investment costs, to a destination with gas request that is recently stagnant."



LNG, on the contrary - the experts of the REF-E specify, is *"an option that most likely will be postponed, because of the complexity of the technology that requires greater participation of foreign investors compared to pipeline transport, because it could be judged not appropriate to enter a market that, in the short term, will probably already saturated from the entry of liquefaction capacity already at an advanced stage of implementation."* In this sense, Mrs. Saraceno and Mrs. Petrovich conclude, *"the Russian gas to Europe remains the most cost-effective and less complex to be imported, at least from a commercial point of view, as it seems to be implicit in the decision taken by some European energy companies (the Austrian OMV, Shell and E.ON) to support the project of enlargement of the Nord Stream pipeline, an alternative to the Ukrainian corridor, where the transit contracts may not be renewed after 2019."*

The new issue of the newsletter contains the usual technical commentaries on the national and European power and environmental markets and exchanges, the section devoted to the analysis of the performance of the Italian gas market and the analysis section on trends in Europe, which examines the trends of the main European commodity markets.

GME's new issue also reports, as customary, the summary data of the electricity market for the month of July 2015.

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