

NEWSLETTER GME – New issue now online

Rome 15 December 2017 – The new issue of the newsletter of Gestore dei Mercati Energetici (Gme) is online and can be downloaded from the website www.mercatoelettrico.org.

The newsletter opens with an intervention by Mattia Santori from RIE on the possible abandonment of coal as an energy source. Santori states that "It is a common opinion that the Bonn Climate Change Conference (COP23) has closed without any surprise. Among the few achievements, it is worth mentioning the creation of the Powering Past Coal Alliance, an alliance that brings together 25 countries, states, islands and provinces intending to accelerate the gradual abandonment of coal-fired electricity generation". The new partnership is inspired by the principles of COP21 held in Paris and the belief that the economic, climatic and health impacts of an industrial model that burns coal to produce electricity have become unsustainable. The expert also points out that "a recent study by the Lancet Commission on pollution and health has listed the health implications: in 2015 alone, the diseases caused by air pollution were responsible for about 9 million premature deaths on a global scale". In the wake of the Paris Agreement, it was therefore decided to limit the global increase in temperatures by 2°C through a gradual reduction of CO2 emissions into the atmosphere. "To comply with such a commitment, a total abandonment of coal should take place by 2030 in the OECD and EU countries, and not later than 2050 for the rest of the world", Santori explained. However, today coal produces almost 40% of the world's electricity and covers over 25% of primary energy, a very high share, especially if we consider the historic slowness of energy systems in changing its sources". A contribution to the abandonment of coal could come from the significant decline in the cost of renewable technologies. The RIE analyst, highlighting how the New Policies Scenario presented by the World Energy Outlook 2017 predicts a drop in consumption from now to 2040 of coal due to the new environmental policies announced, explains that "according to Bloomberg New Energy Finance, the cost of solar photovoltaics is already able to compete with that of coal in Germany, USA and soon also in China. Meanwhile, for the second year in a row, world demand for coal fell by 2% in 2016 ". Nevertheless, we can not yet say that



we are at the end of the coal age: "There are, in fact, some signs clashing with the scenario described so far" the RIE expert admits.

For example, in 2016, coal was among the best commodity performing in terms of prices. Then there is the case of Germany and Poland which, despite the environmental commitments undertaken by the European Union, cover a total of over half of the EU's coal-fired electricity generation and the emissions connected to it: *"This does not question the commitments undertaken by the European Union, which remains the world leader in the energy transition, but highlights the inevitable difficulties that any energy system historically linked to coal will face"* the analyst points out. Finally, the most important aspect is the US step back compared to the Paris Agreements: *"In the first ten months of 2017, American production recorded an increase of 10%. Yet the new position of the United States managed to lead the focus on the last month's Bonn conference, where the strategy of US delegates to support traditional sources sparked more clamour than the birth of the Powering Past Coal Alliance"*, Santori concluded.

The new issue also includes the usual technical commentaries on the markets and the national and European electricity and environment exchanges, the section devoted to the analysis of the trends of the Italian gas market and the section with an analysis on European trends, which delves into trends in key European commodities markets.

The GME's new publication also reports, as customary, the summary data of the electricity market for November 2017.

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