Press Release

NEWSLETTER GME – New issue now online

Rome 17 January 2019 – 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 begins with an intervention by Lisa Orlandi from the RIE-Industrial and Energy Research, on the trend of oil prices.

"*In 2018, the Brent closed with annual average of around 72 $/bbl, a difference of about 20 dollars compared to 2017 and almost 30 dollars compared to 2016. However* - the RIE analyst explains - *the trend has not been univocal and always justifiable through the analysis of the real fundamentals: from values close to 60-65 $/bbl in January it reached, with a particularly evident increase starting from September, a peak of 86 $/bbl in mid-October, and then recorded a consistent and rapid decrease to a minimum of 50 $/bbl on 24 December* ". This trend can be divided into three main phases, each of which has different reasons at its base. In summary, "*if on the one hand the decrease in was predictable since the peaks above 80 $/bbl could be linked more to the expectations than to the current real fundamentals* - Orlandi explains -*, on the other a drop to 50$ was not at predictable all and, according to the writer, it will not last: while today we can not talk about deficit risk, it is also too soon to believe in a non-temporary surplus. 2019 has in fact begun with a glimpse of recovery, with prices again around 60 $/bbl. In line with the beginning of 2017 and 2018, the attention is still paid to the tug of war between the United States and OPEC Plus, or rather on the production records of the United States and on the effectiveness and consolidation of the agreement on the cuts of OPEC Plus" .* In essence, even though 2018 ended with prices below $60, the RIE expert notes that *"assuming the continuation of the OPEC/non-OPEC agreement in 2019, they are very likely to experience a progressive recovery, without making any additional future predictions.* It is in fact early to say that any risk of scarcity is avoided and this for several reasons" namely "*the persistence of the current extraordinary growth rate of US production*", "*the low consistency of the immediately available OPEC spare capacity*", the "*persistence geopolitical tensions in several key production countries*" and the "slow recovery of investments in exploration and production after the crash of 2015 and 2016 ". In short, therefore, "*the oil market currently shows a level of supply able to respond to the demand".*

However, in the face of forecasts showing a growth in consumption that are substantially stable (+1.4 mil. bbl/d for 2019, in line with the last three years) - Orlandi concludes -, *there are risks and development factors affecting the current production impossible to calculate and potentially able to shake the general balance. For this year, it is therefore very likely that the supply dynamics will still be the driving force to determine the direction that the oil market will follow*".

The GME's new publication also reports, as customary, **the annual data of the electricity market trading of 2018**.

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