

NEWSLETTER GME – New issue now online

Rome, 13 August 2020 – 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 Claudia Checchi, Tommaso Franci and Diego Gavagnin on the challenge for the sustainability of the gas supply chain regarding methane emissions. *"The reduction of direct methane emissions along the natural gas supply chain, from production to distribution, is emerging as a key area of intervention for energy-climate policies that has been underestimated until now"*, both analysts noted. By looking at the *"Methane Intensity"*, an indicator that shows the percentage weight (mass) of methane emissions in relation to the level of activity in terms of the quantity of natural gas of a given segment of the supply chain, we note that for Italy and the EU 28, according to the available data, the trend *"is substantially similar, with values scoring a few tenths of a % unit, which initially (1990) were 0.35% for Italy and 0.32% for the EU 28; while according to the latest available data they are 0.19% for Italy (2017) and 0.17% for EU 28 (2016)"*. However, *"the greatest uncertainty linked to the fugitive methane emissions connected to natural gas consumed in Italy is linked to those of imported gas, of which at this moment it is difficult to know those caused by production and transport activities from the main countries supplying us (48% from Russia, 26% from Algeria and 10% from Qatar) - Checchi, Franci and Gavagnin explains -. According to initial estimates, the fugitive methane emissions linked to natural gas imports range between a minimum equal to the value of those generated by the supply chain in the Italian territory (approximately 4 Mt CO₂ eq), and a probable maximum equivalent having a value of at least double if not greater"*. EU policies and international initiatives for the reduction of methane emissions have become real first of all with the Communication on the European Green Deal which *"identified excessive methane emissions as an important and urgent issue that*



requires strategic intervention - explains the three researchers -. Combined methane emissions from energy, agriculture and waste make up almost all anthropogenic methane emissions. To this end, the Commission is working on an integrated strategy covering the energy, agriculture and waste sectors, to tackle methane emissions and make the most of the synergies between these sectors". At the international level, however, "the main initiative aimed at controlling and reducing methane emissions was launched by the United Nations (UN) Secretary General during the 2014 climate summit, and was created by Climate and Clean Air Coalition (CCAC) and the United Nations Environment Program (UNEP). The project is structured on the voluntary collaboration of the main world companies in the sector, and has been called Oil and Gas Methane Partnership (OGMP). The aim is to help companies reduce methane emissions in particular in oil and gas related operations (exploration, extraction and production) in addition to raising global awareness of methane. OGMP intends to reduce methane emissions by 45% by 2025, and between 60% and 75% by 2030", Checchi, Franci and Gavagnin recall, adding that the voluntary OGMP mechanism "was then implemented in 2020, to improve awareness and better knowledge of the climate impact of methane emissions, with the development of the OGMP 2.0 reporting framework as a standard methane reporting platform". What can be done to concretely reduce emissions? "The ability of the natural gas supply chain to be effective in the energy transition phase depends on the ability to demonstrate with adequate actions that it is able to reduce methane emissions – point out the analysts -. The case of natural gas imports, which incorporate higher emission rates than those recorded in European countries, proposes the same contradictions that have already emerged in the cases of carbon leakage that harm the Italian and European manufacturing industry with negative environmental effects on a global level. It is therefore essential that the EU quickly adopt a 'Methane Strategy' for the reduction of methane emissions from the energy sector as envisaged by the European Green Deal". In this perspective, "it is conceivable, even in this sector, to use a non-discriminatory carbon border tax, such as the proposed tax on added emissions (IMEA) to effectively combat carbon leakage processes - add the researchers -. A clear qualitative leap in the official data



on methane emissions is essential, which is possible with greater involvement of the players in the natural gas supply chain, as is also happening at the international level, in order to be able to reliably verify the occurrence of significant reduction targets on which important operators in the sector have declared that they are also committed in Italy. One of the main objectives is to obtain an improvement in the techniques for monitoring, reporting and checking the methane emissions of the natural gas supply chain. In Italy and the EU, this objective can also be achieved with a stronger role of regulation for natural gas transport and distribution activities which, despite the improvements achieved, still show room for improvement", Checchi, Franci and Gavagnin conclude.

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 commodity markets.

The GME's new publication also reports, as customary, the summary data of the electricity market for July 2020.

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