

## **GME NEWSLETTER – New issue published**

Rome 15 October 2020 - The new issue of the Gestore dei Mercati Energetici (Gme) newsletter is online and can be downloaded from the website [www.mercatoelettrico.org](http://www.mercatoelettrico.org).

The newsletter opens with a speech by Chiara Proietti Silvestri of the RIE on the changes to green finance in the context of Covid and on the launch of Green bonds. According to the RIE researcher, *"the emergence of the environmental-climate issue as a priority on the agenda of governments, of civil society and of European institutions has attracted the interest of the financial markets, with an exponential growth of 'green' debt instruments, aimed at financing the energy transition towards low-carbon technologies. In particular, the green bond market, focusing on environmental impact mitigation and energy efficiency projects, recorded significant growth in 2019, exceeding 250 billion dollars"*. Instead, 2020, marked by the tragedy of the COVID-19 pandemic, *"has highlighted new social, political and economic priorities with which even sustainable finance is forcibly aligning itself. The high demand for capital to tackle the health emergency and to finance the recovery has thus reduced the important role that green bonds had assumed"*, observed Proietti Silvestri.

The spread of the COVID-19 virus this year *"significantly influenced the dynamics of the financial market in the first half of 2020"*. The first noteworthy matter is *"the setback in green bond issues which, from being predominant in the sustainable finance market, recorded a decline of 26% in the first half compared to 2019, with issues of 92 billion dollars"*, explained the analyst of the RIE according to which *"the United States and France are confirmed at the top of the ranking, which together are responsible for over 30 billion dollars of green bonds. They are followed by the Netherlands, Germany and, rising rapidly, Spain which has leapt to fifth place, up by five places compared to 2019. China is absent, falling to seventh place with less than 5 billion green bonds issued"*.



As for Italy, our country *“it is less dynamic than in 2019 except for the fact that the government is evaluating the issue of its first green sovereign bond in the second half of the year – continued Proietti Silvestri –. Another novelty of 2020 is the exploit of social bonds in the sustainable debt market. With the outbreak of the pandemic and the subsequent lockdown, there has been a strong growth in social bonds, or bonds that finance projects with objectives that benefit the community such as improving food safety, access to education and also health care”.*

*“According to Morgan Stanley, – the RIE researcher specified –, in the month of April alone 32 billion dollars of social and sustainability bonds were issued, exceeding for the first time the value of green bonds issued in the same period. The pandemic has in fact accelerated the interest of private issuers in projects to mitigate the social risks connected to it, resulting in an increase in instruments suitable for their financing”.*

In short, the COVID-19 crisis has not reduced investors' preferences for sustainable investments, which meet the ESG criteria, *“but has directed them towards social and governance aspects – the 'S' and 'G' parts of the acronym – especially on how to respond to the ongoing pandemic emergency. Whether this investment effort will be sufficient to accelerate the decarbonisation process will all need to be assessed”*, stated Proietti Silvestri, according to whom *“looking at the decarbonisation data, we arrive at the same conclusion”.*

*“However – added the RIE researcher –, it must be considered that the economic crisis resulting from the pandemic has made future investment prospects even more uncertain, being able to constitute an obstacle rather than a springboard for decarbonisation. Carbon neutrality, in fact, requires investments of 50 trillion dollars by 2050 and a prolonged global recession could hinder this process. In short, there is still a long way to go and for the moment the energy transition underway does not seem to be of such a dimension as to be able to combat climate change in line with the requirements formulated by the IPCC. To contain the global temperature, rise to at least 2°C, greater investments in low carbon technologies and joint actions of international politics are needed. On the other hand, global problems correspond to*



*equally global solutions. Which is then the most important lesson that the virus is teaching us”, concluded Proietti Silvestri.*

The new issue also includes the usual technical comments relating to the national and European electricity and environmental markets and exchanges, a section dedicated to the analysis of trends in the Italian gas market and a section on European trends analysis, which explores the trends on the main European commodities markets. The new GME publication also reports, as is now customary, the summary data of the electricity market for the month of September 2020.

**Gestore dei Mercati Energetici S.p.A.**

*Governance Directorate*

Tel. +39 06 8012 4549

Fax. +39 06 8012 4519

[governance@mercatoelettrico.org](mailto:governance@mercatoelettrico.org)

[www.mercatoelettrico.org](http://www.mercatoelettrico.org)

Press release