

GME NEWSLETTER – The new issue has been published

Rome 15 March 2023 – The new issue of the Gestore dei Mercati Energetici (GME) newsletter is online, downloadable from the www.mercatoelettrico.org.

The newsletter opens with the brief speech of Francesco Sassi, a member of RIE, on gas scenarios for Europe with regard to winter 2023/2024. *"Never before has the European natural gas market experienced a climate of such uncertainty as over the past year"*, said the RIE analyst. *"Compared to the price peaks recorded last summer, in the middle of the crisis between Russia and the EU on gas supplies, the scenario of these weeks seems to be reversed. Today's prices, with their symbolic figure of 50€/MWh, show a changed picture of the balance between supply and demand in our continent. Likewise, they are supported by a more positive scenario regarding the availability of natural gas, and in particular of LNG. Nevertheless, the director of the International Energy Agency (IEA), Faith Birol, recently invited European governments to remain focused on two main objectives: energy savings and increased supply"*. According to the IEA director, there is in fact "much more to do" and in anticipation of the next risky winter 2023/2024, the EU must further intensify its efforts without being "too self-confident", recalls Sassi. On the other hand, the RIE researcher says *"the growth in electricity demand in Europe is expected to be +1.4% annually in the period 2023-2025, but without a proper support from hydroelectric and nuclear power, it would thus focus on the remaining options, or renewable energies, coal and gas. The risk, therefore, is that the demand for the latter resource will increase compared to 2022, in contrast, also in this case, with the same scenarios suggested by the IEA"*. In any case *"at the beginning of March and in the light of the large stocks, equal to about 25 bcm more than last year, the dramatic scenario for the 2023/2024 winter, proposed by the IEA itself in the autumn of 2022, must be deeply downsized. According to the Agency's estimates, the natural gas demand should remain constant during 2023, and its growth will be seen only in the markets of the Middle East and Asia Pacific. In North America and Eurasia, demand is expected to decline by the same proportions. Europe - Sassi went into detail - would thus be destined to further reduce gas consumption compared to last year by 3%, while the EU authorities explicitly aim to maintain the policy of reducing consumption by 15% also for the next 12 months"*. From the point of view of supply, on the other hand, *"2023 does not provide the placing on the market of further additional amounts of gas compared to 2022. Worldwide, their estimation is around 23 bcm"*, said the RIE analyst who, however, underlined the many uncertainties that the European natural gas market will have to face in 2023. For the IEA, there are four main risks that should be considered. *"The first is the real potential of a new supply of gas and*



LNG at a global level, today faced with threats deriving not only from turbulence along the supply chains, but also from possible unpredictable interruptions in the LNG production, given the high rates of use to which the systems have been subjected for years and their approximate servicing. The second risk is instead that of adverse weather conditions, that could bring to an increase in gas demand (cold waves or heat peaks) or, on the other hand, to a decrease of the contribution from other energy sources. A variable that will potentially come into play from the end of Q2-2023". The two factors of uncertainty linked to less structural variables of the market are instead related "to the two main autocracies, namely the Russian Federation and the People's Republic of China". In short, "the scenario concerning the stability of the gas markets and European security for the coming winter 2023/2024 remains, without a doubt, the most uncertain period of last decades", highlighted Sassi. "All these signals, once again, the energy crisis, resulting from the pandemic and then mixed with the conflict between Ukraine and Russia and geopolitical tensions, have favoured this new phase of instability for Europe". For this reason, "the EU must face the current winter in a series of largely unpredictable conditions, which resulted in a very favourable balance between supply and demand. To this day, the situation is surely better than six months ago, at the time of the price peak on TTF market. In any case, the structural weaknesses of the basis on which the market relies can be clearly seen. The uncertainties on the supply and demand side are of such magnitude that policymakers and market players must pay particular attention in approaching the problem of European energy security during the next winter", concluded the RIE analyst.

The new issue also includes the usual technical comments relating to the national and European electricity and environmental markets and exchanges, the section dedicated to the analysis of the trends in the Italian gas market and the analysis section on the trends in Europe, 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 February 2023.

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