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GME'S NEWSLETTER – Issue no. 193 now online

Rome, 12 June 2025 – The new issue of the newsletter of *Gestore dei Mercati Energetici* (GME) is now available at www.mercatoelettrico.org. The newsletter opens with an article by Lisa Orlandi from *Ricerche Industriali Energetiche* (RIE) about the new dynamics in the oil market. Orlandi points out that, *in 2024, the prices of Brent – the international crude oil benchmark – fluctuated within the 70-95 $/bbl range, primarily responding to expectations surrounding two key variables. First, geopolitics played a crucial role: escalating tensions in the Middle East added critical issues to an already unstable scenario, while supporting prices, or rather establishing a minimum floor around 70 $/bbl. Second, the slowdown in Chinese demand, the leading driver of consumption for nearly two decades, exerted a downward pressure, providing the perception of an adequately supplied market despite several ongoing conflicts in key oil-producing regions worldwide.* Similarly, 2025 *began with the same underlying issues and considerations as in 2024 but also introduced significant new developments. Geopolitical tensions have continued to fuel concerns over supply disruptions, and uncertainties about the dynamics of the Chinese economy and oil demand have remained more prominent than ever.* In contrast, as regards new developments, *there are further elements of risks to be monitored. In the geopolitical sphere, the main uncertainties include the flows of Russian crude oil, which could face further restrictions if the US imposed stricter sanctions in response to unsuccessful negotiations about a ceasefire in Ukraine. Meanwhile, negotiations about the Iranian nuclear programme have continued, but there is no guarantee of an agreement or of any easing of sanctions on the Islamic Republic. With regard to Venezuelan crude oil, the exemption from sanctions has been revoked, and a 25% tariff has been imposed on countries purchasing oil and gas from Caracas. This measure will primarily impact China, a major buyer of Venezuelan crude, and also the US company Chevron, which has been operating in China since 2022, but which is likely to have ceased its activities on 27 May following the expiration of its governmental licence.* Finally, it is worth mentioning a *shift in the strategy of OPEC+, which has planned an acceleration of production increases since April. The uncertain trend of the new variables at stake makes it extremely difficult to interpret the global picture.* In practice, *the year 2025*

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has begun on an abnormal trajectory compared to recent years. US political decisions and the shift in the OPEC+ strategy are two game changers in a market teetering on the edge of balance, with critical challenges in several key areas for global production. The combined impact of these new dynamics remains highly uncertain, as the underlying factors could exert opposing effects on prices. So far, a bearish sentiment has prevailed, driven by the accelerated production increase by OPEC+ and by concerns over a slowdown in the global economy, potentially affecting oil demand, which has nonetheless shown sustained growth. However, certain factors (such as the above-mentioned supply-side risks involving Russia, Iran, and Venezuela) could disrupt market dynamics again. Orlandi concludes that, *amid this whirlwind of old and new variables, we can now identify a new price fluctuation range, lower than the 70-90 $/bbl one recorded in 2023 and 2024. The minimum floor has dropped to 60 $l/bbl, while the 70-75 $/bbl range might represent a new cap*.

This issue of the newsletter comes with the usual technical commentaries about European and national power exchanges and environmental markets, a section focused on the analysis of Italian gas market trends, and a section with insights into the trends of the main European commodity markets.

As has become customary, the publication also reports the summary data of the electricity market for May 2025.

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