Press Release

GME's NEWSLETTER – New issue now on line

Rome, 14 January 2009 – The new issue of the Newsletter of Gestore del Mercato Elettrico (GME) is now on line at www.mercatoelettrico.org
The newsletter opens with a contribution by **Davide Tabarelli**, Chairman of Nomisma Energia, who analyses the recent economic crisis, identifying its causal factors and possible developments, with emphasis on energy sector trends.
After five years of growth at a rate of over 4% – points out Tabarelli – *the global economy will sharply slow down in 2009, but without experiencing negative growth or recession. This means that energy demand will continue to increase, albeit at slower pace. In the energy industry, constant expansion of oil demand in the US and China was unbalanced, which justified - at least in part - oil prices steadily rising towards the fateful 100-dollar threshold. From this standpoint, economic slow-down is beneficial: energy demand will have to wait until energy supply adequately grows, provided that oil, gas and coal producers go on with their investment programmes.*
If the global economy and, in particular, the US one, recovers – continues Tabarelli – *as is likely and hopeful, then energy demand will again clash with poor available capacity, making prices highly unstable and pushing them up. One of the few certainties of the real economy is that energy demand will continue to grow in the coming years and that huge investments are needed to cover it. However, these investments cannot be decided in a climate of financial instability similar to the one observed in 2008.*
Tabarelli also stresses another issue: the credit crunch following the US mortgage loan crisis, i.e. the reduction in the loans granted by banks: *faced with these events, all banks are obviously running scared. For over 20 years, the economic policy has pursued the target of total market liberalisation. Now, the main instrument of intervention in the economy (the Central Bank's interest rate) no longer works. On 16 December 2008, the Fed further cut the official rate (Federal Funds Rate) to an all-time minimum of 0 to 0.25%. If, at so low rates, the economy does not recover, because businesses do not invest and households do not buy, the interest-rate instrument is actually non-existent.*

The twelfth issue of GME's publication reports **the summary data of the Electricity Market for 2008.** These data give a picture of the market in the year which has just passed, during which electricity volumes traded on IPEX rose considerably, while those traded off GME's regulated market sharply decreased. Therefore, the market liquidity climbed to 69% with hourly peaks of 77%.

This issue also comes with the **"Fuel Market" section**, which analyses oil and fossil fuel price trends in the international market. The newsletter features the usual technical commentaries on European and national power exchanges and environmental markets, as well as a commentary by **Clara Poletti (IEFE).** Poletti focuses on the new Energy-Climate Package that the EU approved last December, highlighting its new elements, which concern above all: ways to comply with the renewables obligation; sectors covered by the EU-ETS losing competitiveness and thus threatened by relocation; ways of allocating emission permits; Small and Medium Enterprises and the CDM and Joint Implementation flexible mechanisms.

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