

GME'S NEWSLETTER – New issue now on line

Rome, 8 October 2009 – The new issue of the Newsletter of Gestore del Mercato Elettrico (GME) is now downloadable from www.mercatoelettrico.org

The newsletter opens with a contribution by **Pasquale De Vita, President of “Unione Petrolifera”** (the Italian Oil Union), who thoroughly analyses the market of oil products. *The oil market - explains De Vita - is often regarded as opaque and subject to uncompetitive forces. However, reality is very different and only a superficial analysis of the situation may justify this belief. As compared to the electricity and gas markets, the oil market - especially the fuel distribution one - has been affected by liberalisation moves since 1994, with the passage from administered prices to free prices. From 1998 on, these moves have been followed by various legislative measures, which have actually opened up the distribution market to full competition. Nevertheless, it is worth recalling - adds De Vita - that the matter of fuel distribution falls under the regional jurisdiction, whose priorities also include land management within the regional territory.*

The President of the Italian Oil Union feels that *the level of competitiveness has significantly developed with respect to other sectors of activity. The number of players in both the network and non-network segments is very high and newcomers in the distribution market are increasingly growing. Everything is perfectible, but the important thing is to ensure equal access to the market, with no preferential treatment. This is why polemics about prices appear to serve particular interests and to be far from actual facts.* De Vita calls particular attention on the trend of international markets where both oil and refined products have become a commodity like any other and whose traded volumes are well above physical availability. This entails the progressive growth of financial speculation, which has made the oil markets *much more volatile and unpredictable than in the past, while more stability would be needed.* Hence the idea, relaunched by De Vita, of a worldwide price stabilisation mechanism, *which may be desirable, but certainly hard to be implemented, given the consuming and producing countries' interests that are at stake.*

Today, the situation is compounded by the impact of the crisis on consumption of oil products - stresses the President of the Italian Oil Union. In all the industrial countries, the crisis has severely hit the car industry and, as a consequence, fuel consumption, which will have to meet stricter and stricter environmental standards in the future. This is the reason why - concludes De Vita - growth prospects for 2009 and 2010 are not positive. Therefore, concludes De Vita, we should be very careful not to further penalise an industrial sector that is so important to the country's economic and social development. We would need serious and consistent industrial policies fostering development and competitiveness in the oil sector.



As has become customary, the new publication reports the **summary data of the Electricity Market for the month of September** and the **Fuel Market** section, which analyses the trends of oil and fossil fuel prices in the international market. The new issue also comes with the usual technical commentaries on national and European power exchanges and environmental markets, as well as a review of the new provisions on Green Certificates (introduced by the development law) **by Clara Poletti (IEFE)**.

On 23 July 2009, law 99/09 (the so-called development law) - writes Poletti - has changed the Green Certificates scheme in two points: i) the definition of the parties that are required to purchase Green Certificates; and ii) the treatment of cogeneration plants. This fact has sparked a lively debate on the economic effects of the amendments, as well as some doubts of interpretation.

The law - points out Poletti - will have effect from 1 January 2011. Nonetheless, its impact on the costs to be incurred by the parties subject to the obligation will become manifest already in 2010. Indeed, the mandatory quota of Green Certificates of a given year will be quantified on the basis of consumption in the previous year.

Apart from intrinsic problems connected with the transition to the new scheme - concludes Poletti - the need remains for rapidly clarifying the implementation procedure and the doubts of interpretation that are still on the table. This will permit operators and consumers to conclude their activities in 2010 being aware of the costs that they will have to bear.

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