



GME'S NEWSLETTER – New issue now on line

Rome, 14 December 2011 – The new issue of the Newsletter del Gestore dei Mercati Energetici (GME) is now downloadable from www.mercatoelettrico.org.

The newsletter opens with a contribution by **Professor Pippo Ranci** on the future strategies that Italy should pursue in the energy sector, also in the light of the cancellation of the nuclear program. Ranci stresses that the fundamental goals are *supply security and cost-effectiveness*. However, he admits that, *after the fading of the illusion that nuclear could be an easy way to attain both, three big tasks remain. The first is to strengthen gas supply, by reducing interruption and price risks*. However, warns Ranci, *the problem should be tackled at European level: supply security is achieved by diversifying the origins of gas and each country may increase its security if it uses the EU-wide diversification rather than the national one. Obtaining this result, explains Ranci, requires investments in European networks, so as to make gas movements within the European area a reality*. The second goal, instead, concerns the integration of the Italian electricity market into the European one. *Investments in the grid make national specialisations in energy sources less risky and less costly. Also the power exchange – emphasises Ranci – should be integrated with the ones of the rest of Europe. The German and French exchanges are already closely coordinated with each other and have very similar prices. But to do this, points out Ranci, we have to revise the legislation: giving up the pay-as-bid idea; gradually eliminating the mechanism of adjustments in order to maintain the national single price; allowing negative prices for electricity; shortening payment times in order to bring them close to those applicable in the rest of Europe; and reforming the balancing market so as to permit its integration*. Finally, as regards renewables (with photovoltaic in the first position), whose deployment will finally cost us over € 12 billion per year, Ranci grants that *we have not only to reduce the incentives but also to qualify them*. In conclusion, says Ranci, *the hope for the future lies in speed: the speed of technical progress in the world (the drop in the cost of the solar kWh bodes well) and the speed of application of innovations in Italy*.

The newsletter also features a contribution by **Alberto Clò**, Chairman of RIE, on the dynamics of IEA energy scenarios, basic trends and uncertainties. Clò draws two conclusions: *the first and most politically significant is the persistent absolute hegemony of fossil sources, in spite of the hoped-for reduction of their share in the overall sources from 81% in 2009 to about 75% by 2035*. The second conclusion, continues RIE's Chairman, is that this *persistent hegemony of fossil sources contrasts with the CO₂ emission trajectory that would be necessary to keep the long-term*



increase in the Earth's temperature within 2°C. An important but alarming new element in the latest edition of the WEO, concludes Clò, is the identification of a deadline or point of no return of the feared climate change in the year 2017.

The newsletter comes with the usual technical commentaries on national and European power exchanges and environmental markets, with the section devoted to the analysis of Italian gas market trends and with the one giving insight into the trends of the main European commodity markets.

As has become customary, the new publication also reports the **summary data of the electricity market for the month of November.**

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