

GME'S NEWSLETTER – New issue now on line

Rome, 15 January 2015 – The new issue of the Newsletter of Gestore dei Mercati Energetici (GME) is now downloadable from www.mercatoelettrico.org.

The newsletter opens with a contribution by Gian Paolo Repetto, from RIE, who takes stock of the situation of the gas sector on international gas markets in 2014, looking to 2015.

In 2014, stresses Repetto, *three main factors affected the dynamics of prices on natural-gas markets in the various international areas and will continue to affect their trends, more or less directly, even in the coming months: i) the new and even more dramatic fall of European consumption; ii) the change in the LNG demand/supply relationship in Northeast Asia; and, in the last part of the year, iii) the drop of oil prices, to which a substantial share of gas volumes traded in the world still remains linked.* In this scenario, Europe closed 2014 with a dramatic fall of natural-gas consumption, which may be estimated to be at least equal to 11% with a demand, in absolute terms, of roughly 410 billion m³ - down by about 50 billion m³ on 2013 and by 120 billion m³ on 2010 (-22%) - owing not only to the economic crisis, but also to mild temperatures and to the growth of renewables. This situation was compounded by the *collapse of oil prices in the last months of 2014: the Brent benchmark passed from 112 \$/bbl in June to 63 \$/bbl on average in December (-44%); in the coming months, with the time lag typical (6 months on average) of indexed contracts, the collapse is expected to be reflected in oil-linked gas prices.* However, apart from uncertain forecasts about system pricing and commercial equilibria, *the market provides significant indications about price levels, at least in the short term - explains Repetto. In the past few weeks, the demand and supply situation (the average rate of utilisation of the technical capacity for gas imports of the EU may be estimated to be not higher than 40-45%), climate conditions in the current winter and the more than reassuring gas-storage situation have been favouring an almost constant decrease of forward prices: if spot prices confirmed forward ones, the yearly average of the TTF in 2015 would be around 21-22 €/MWh, almost in line with its values in 2014, but down by 20% on those of*



2013. Moreover, the low prices of oil will contribute, directly or indirectly, to driving down European average gas prices. A last point should be made about Europe, concludes the analyst from RIE: in the long term, *albeit with a predictable slowly recovering or stagnating demand, the progressive decline of internal production will gradually increase requirements for imports from non-EU countries.*

The new issue also comes with the usual technical commentaries about international and European environmental and power markets and exchanges, with the section devoted to the analysis of the trends of the Italian gas market and with the one with insights into the trends on the main European commodity markets.

As has become customary in January, GME's new publication reports the **yearly data of trades on the electricity market for the year 2014.**

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