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Press Release

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Roma, 15 March 2024 – Issue no. 179 of the newsletter of *Gestore dei Mercati Energetici* (GME) is now downloadable from www.mercatoelettrico.org.

This issue opens with an article by Gian Paolo Repetto from RIE *(Ricerche Industriali Energetiche)* about the natural gas system and its path in search for new equilibria, in a setting that is increasingly globalised owing to the weight acquired by Liquefied Natural Gas (LNG) on the worldwide and European scene. The article concisely retraces the key factors characterising this path in 2023, stressing the dynamics that are emerging in this beginning of 2024.

In the opinion of Repetto, *in 2023, the decrease in demand in Europe and in the mature markets of Asia mitigated the impact of the shock of gas supplies in 2022 and, despite the fact that the market was overall short, prices fell sharply, though remaining above historical averages in both Europe and Asia.* However, Repetto points out that *a still extremely uncertain framework, new geopolitical issues, and contingent factors (e.g. maintenance and unplanned outages of production and liquefaction facilities) favoured a high volatility of prices.*

In Europe, *the demand for gas recorded a new significant decrease, estimated at 7% on average in the main continental consumption markets, after experiencing a drop of over 10% in 2022, i.e. its lowest level in the past decade (450 billion m^3 vs. 472 in 2014).* In Italy, *the reduction was equal to 10.1% (about 7 billion m^3), as gas consumption in 2023 went down to 61.5 billion m^3, i.e. to its levels at the end of last century.*

The decline in European consumption originated from various factors: exceptionally mild winter temperatures; measures to hold down gas consumption taken in various countries to tackle the crisis; low industrial consumption, especially after its collapse in 2022 as a result of record prices; and higher reliance on renewables in electricity generation.

The analysis made by Repetto continues with 2024 outlooks: *in February 2024, prices at European hubs continued to show the bearish trend that they had experienced since November. In February, at the* Punto Virtuale di Scambio (*PSV – Virtual Trading Point*), *monthly average spot prices had negative variations of roughly 11%,* *diminishing to 27.8 €/MWh, i.e. to their lowest value since May 2021. Prices at the Title Transfer Facility (TTF) dropped more, reaching 26 €/MWh. These decreases were driven by very mild temperatures (as in last winter), with a consequent moderate use of gas storages facilities, which closed the month with a reassuring filling rate (57% in Italy, 63% in the European Union)*. As regards our country, *after a slight recovery in January, overall domestic demand decreased again significantly in February vs. the same month of last year: the first two months of 2024 thus recorded a 2.5% decrease vs. 2023.*

The global energy crisis, triggered by the Russian invasion of Ukraine, brought the security of natural gas supplies to the fore in energy policies; uncertainties about future equilibria emphasise the need for strengthening international cooperation, and the European Union has already started doing so.

Repetto concludes that *the crisis actually represented an important test bench, from which to draw lessons for assessing the capability of European energy policies to provide adequate responses and to pursue their general interest aims, given the persistent international tensions and the economic and social difficulties caused by high energy prices.*

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, it also reports the summary data for the electricity market for February 2024.

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