

GME NEWSLETTER – New issue now online

Rome, 14 November 2024 – The new issue of the newsletter del Gestore dei Mercati Energetici (Gme) is now available at www.mercatoelettrico.org. The newsletter opens with an article by Francesco Sassi from *Ricerche Industriali Energetiche* (RIE) about the challenges and opportunities of COP29.

The analyst from RIE states that COP29 (29th Conference of the Parties to the United Nations Framework Convention on Climate Change - UNFCCC) *taking place at a critical juncture in global climate diplomacy, with weather events that in the past few months have actually revived the debate over the effects of climate change. Since the end of 2020, the energy crisis and growing geopolitical tensions have also altered the equilibrium between energy security and transition on the one hand and foreign and industrial policy on the other. This international scenario, whose foundations have been redefined with respect to the pre-pandemic period, influences governmental and multilateral priorities. Thus, the decisions of COP29 will be shaped by arguments and contentious issues that will have an impact on the outcome of the Conference.*

Indeed, Sassi points out that *the fight against climate change is no longer a priority in many countries. First of all, the outcome of the US elections, in which Donald Trump prevailed over his opponent Kamala Harris, has made the headlines, also due to its implications for the future of the 2015 Paris accords. The appointment of the next US President will certainly be relevant for the tenor and dynamics of COP29. It will have a direct impact also on current geopolitical conflicts around the world, starting with those between Russia and Ukraine, as well as in the Middle East between Israel and its opponents, prominent among them Iran. Despite clear difficulties in giving priority to an emergency that at times appears to be just a long-term issue, the United Nations consistently reminds the world of the need for ‘a global mobilisation on a scale and pace never seen before’ starting right now, and that ‘the climate crunch time is here’.*

Likewise, the pattern of emissions and the trend of strategies to combat climate change are demonstrating clear weaknesses. Indeed, what has been decided and the policies adopted so far are not sufficient. In 2023, CO₂ emissions grew by 1.6% on a year-on-year basis. in all sectors except in land use, and by as much as 8.1% as against 2015. To



recalibrate the standards according to the Paris accords and to limit the temperature increase to 1.5°C by 2030, we should reverse our course, achieving a 42% reduction in CO₂ emissions, and subsequently increasing our ambitions in the years to come.

Hence, Sassi stresses that, given the circumstances, COP29 will need to realistically address the increasing gap between the results expected by the international community and those obtained in terms of climate and energy transition. February 2025 is approaching. By that date, all countries that have signed the Paris accords should submit updated plans for reducing greenhouse gas emissions; these plans are also known as Nationally Determined Contributions (NDCs).

This is not all. Thanks to the Conference, Baku aims to convince new international partners to make significant investments in promoting the Azerbaijani energy transition, focused on solar, hydro, and wind energy, the latter mostly sourced from the Caspian Sea. In the past few years, the government has launched a strategy to achieve a 33% share of renewables in its total electricity generation mix by 2030. This cooperation plan falls within the wider partnership framework involving two countries of the European Union, Hungary and Romania, as well as Azerbaijan and Georgia. The project, called Black Sea Energy Corridor, is part of a Memorandum of Understanding signed between the above-mentioned governments. In late 2022, the President of the European Commission, Ursula von der Leyen, hailed the project as a 'new route for [electricity] transmission full of opportunities'.

Sassi concludes that the geopolitical factor is not the only one to be taken into account. We should also consider the implementation of projects still on the drawing board that need to be supported by investors and governments. Hence, beyond the issue of urging the acceleration of the transition away from dependence on fossil sources, the factual implementation of the transition path will be deeply affected not only by the strategies of participating countries, but also by energy interdependencies, which will hopefully give rise to new investments in generation of green molecules.

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 October 2024.

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