

GME'S NEWSLETTER – Issue no. 201 now online

Rome, 13 March 2026 – The new issue of the newsletter of *Gestore dei Mercati Energetici* (GME) is now available at www.mercatoelettrico.org.

The newsletter opens with an article by Carola Fenicchia and Agata Gugliotta (*Ricerche Industriali Energetiche – RIE*) about the precarious equilibrium of upstream investments between decline and new investments. The two researchers from RIE stress that *concerns about reaching an equilibrium in gas and oil markets often revolve around the economic cycle, price trends and, at the time of writing, the geopolitical situation. Looking ahead, market stability and supply security depend on both global consumption prospects and the evolution of supply, a factor that receives less attention and is, above all, almost always inelastic with respect to demand.* Fenicchia and Gugliotta explain that, *to date, the supply of hydrocarbons has depended on factors that are constantly monitored through public debate – global demand levels, price trends, policies of producing countries, and policies against producing countries – as well as on more neglected variables, though they are no less relevant for market stability and supply security. A case in point is the decline rate of oil and gas fields, which measures the yearly reduction of the production level of a field after it has reached its peak. It consists of an “observed” decline rate (when operators take action to extract additional barrels) and of a “natural” decline rate (in the absence of investments). At present, the observed decline rate of conventional oil fields averages 5.6%, up from 4.5% in the early 1990s. Conversely, the decline rate of conventional natural gas is 6.8% (compared with 6% 35 years ago). An equally crucial factor should be added to the previous ones, i.e. the drop in upstream oil & gas investments, i.e. spending on exploration, the development of new projects, and maintenance of production in existing fields. After attaining \$870 billion in 2015, these investments fell to roughly \$570 billion in 2025. Fenicchia and Gugliotta point out that this decline sends a signal of uncertainty that worries the market, all the more so because 90% of the above-mentioned \$570 billion is aimed at maintaining current production levels, while only 10% is allocated to projects that expand supply. Decreasing output from existing fields, weak investment in new production capacity, and demand that is expected to remain constant even in the long term or grow may generate market tensions.* The two researchers clarify that this raises the need for



adding at least another 45 million barrels a day of oil and 2,000 billion cubic metres of gas from new projects, and for allocating part of the upstream spending to them, taking into account an average lead time of about 20 years from the issuing of a new exploration licence to the start of production. So far, spending on the exploration stage alone has amounted to about \$50–60 billion, *half the peak of about \$115 billion recorded in 2013. This has resulted in a sharp contraction in the volume of oil & gas discoveries.* In short, *the analysis of the current energy landscape reveals a critical divergence between future demand and the operational reality of hydrocarbon supply. Although more ambitious scenarios envisage a low-emission future, a still growing trajectory for fossil sources cannot be ruled out. Hence, the need arises for ensuring market stability and supply security.* Fenicchia and Gugliotta conclude that, *to do so, we must address the main structural challenges emerging in the upstream sector: the acceleration of field decline rates, which requires constant monitoring and continuous investment merely to maintain existing production levels; globally lower spending on exploration and selectivity of investment decisions; and a new geography of discoveries, with activities concentrated on high-potential fields.*

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, the publication also reports the summary data of the Electricity Market for February 2026.

Gestore dei Mercati Energetici S.p.A.

Governance Department

Tel. +39 06 8012 4549

Fax. +39 06 8012 4519

governance@mercatoelettrico.org

www.mercatoelettrico.org