



Autorità per l'energia elettrica e il gas



Ministero
dello Sviluppo Economico

The Italian Electricity and Gas Regulatory Authority and the Italian Ministry for Economic Development

Petroleum: An anti-speculation exchange for more transparent prices & efficient markets

A proposal was presented by the Secretary of State for Economic Development Stefano Saglia and by the Commissioner of the Energy Regulatory Authority Tullio Fanelli

Rome, 27 October 2010. A proposal was made today for a *European Oil Exchange* to combat speculation and make the market more stable, transparent and efficient, which will avoid sudden price fluctuations that cause harm especially to consumer countries. This proposal was tabled by the Secretary of State for Economic Development Stefano Saglia and the Commissioner of the Energy Regulatory Authority Tullio Fanelli in order to favour the creation of a stable oil market, which will benefit both consumers and producers and ensure adequate investment flows to the sector.

Undoubtedly, over the last few years, the oil market was characterised by strong price volatility primarily caused by a finance-based economy and the overwhelming role of speculation, with historic price peaks (144.22 dollars per barrel on 3 July 2008) followed by a slump in few months to 35 dollars and the current rally to 80 dollars.

This 'Anti-speculation Exchange' project originates from the need to avoid the occurrence of similar phenomena in the future through the creation of a regulated market in crude oil at EU level that will be open to selected market players; the new Oil Exchange will have to be managed by a particularly reliable European central counterparty (e.g. the EIB or similar institutions), which will provide all the required guarantees in order to negotiate standardised long-term or very-long-term products at 20 to 30 years, with physical delivery in the European countries.

Green light for a public consultation open to all stakeholders

The proposal for a European Oil Exchange originated from the Secretary of State for Economic Development, Stefano Saglia, who in June 2009 invited the Electricity and Gas Regulatory Authority to investigate the opportunity to develop instruments for the promotion of new oil markets, in order to offer better guarantees and attract investments from consumer countries, especially those of Europe.

"The Authority has therefore set up a dedicated task force comprised of representatives from the Energy Department of the Economic Development Ministry and from the Authority itself with the further contribution of experts and scholars from the main Italian research institutes active in the energy sector in order to draft an initial working paper".

Document DCO 35110 (available on website www.autorita.energia.it) will now be subjected to a public consultation with all stakeholders and will form a base for the proposal that the Ministry and the Regulatory Authority will present to EU institutions.



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Italy as a hub of petroleum and gas

"A stable oil market is in the interest of consumers and producers. Italy may offer to act as a real trading hub for European and international energy markets, and in particular for crude oil and natural gas on the ground of its strategic position in the Mediterranean basin and the availability of a refining system that ranks second in the EU, with a capacity of nearly 2 million barrels per day" – as much was declared by Stefano Saglia, the Junior Minister for Economic Development in charge of Energy.

"A better integration between gas markets at European level and the creation of a national oil supply and marketing centre", concluded Mr. Saglia, "will most likely contribute to the development of competition in the sector. Benefits will be reaped in terms of prices and supply security levels".

"Today's oil market has clear inefficiencies, which determine inadequate levels of investment and price instability, with a significant economic, political and social impact as was clearly seen in the recent economic and financial crisis" observed Commissioner Fanelli.

"The creation of a European oil market is therefore an ambitious yet unavoidable goal to promote better transparency and provide increased certainties in terms of price containment and returns on long-term investments to the advantage of consumers; this will also be possible by making the single and strong voice of 500 million European consumers heard" he concluded.