

Financial Markets Impact on Energy prices

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Agenda

Extraordinary instability on energy markets

High volatility, high uncertainty , high inefficiency

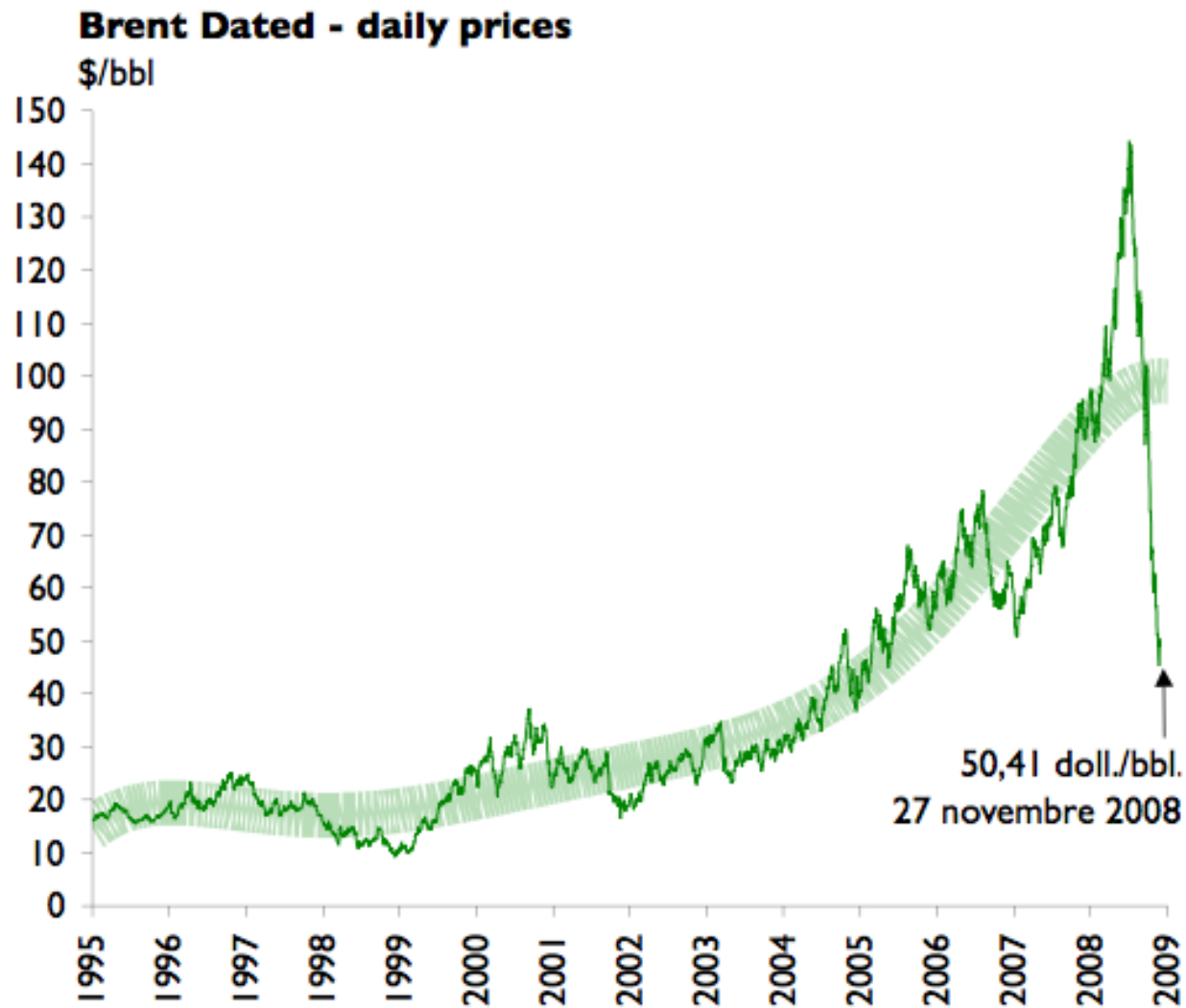
Power exchanges with own problems

The role of finance

Was it a bubble?

Conclusions

Any market with this instability has efficiency problems

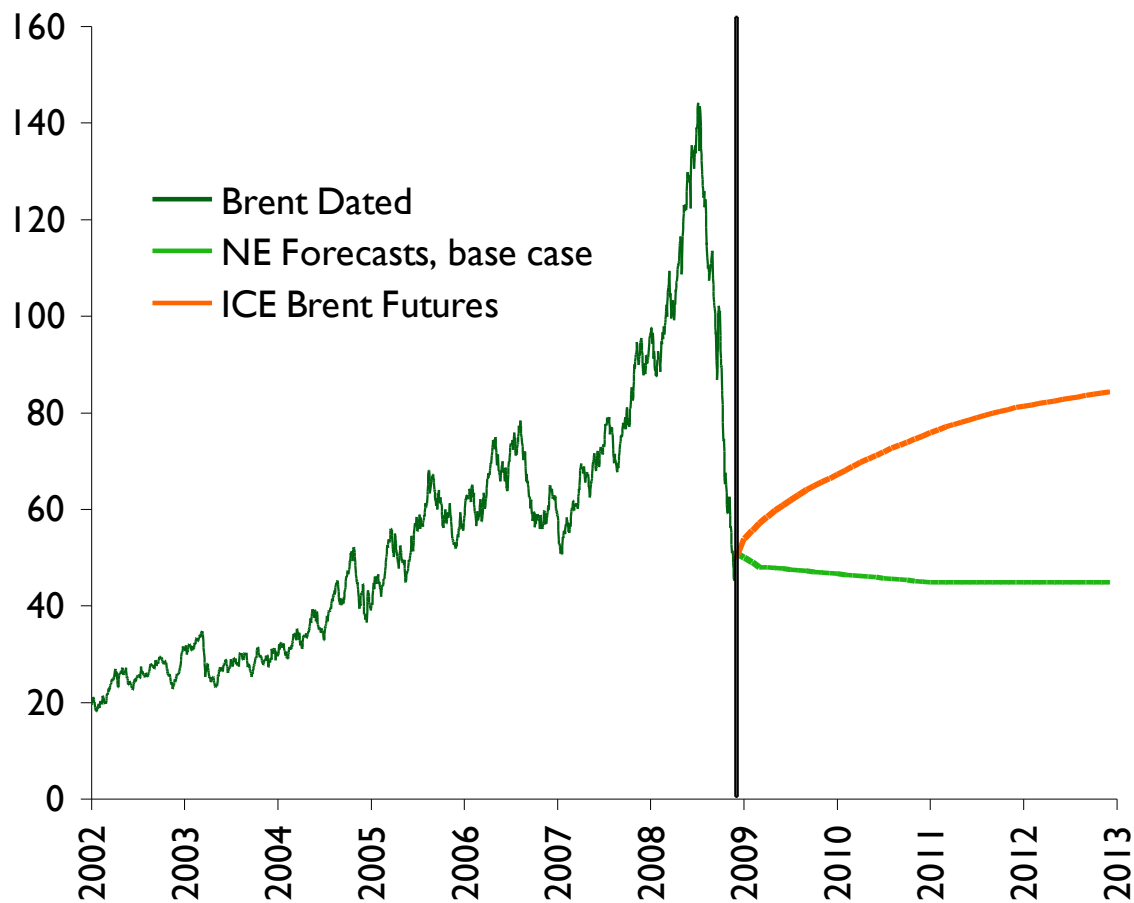


Elaborazioni NE - Nomisma Energia su Platts, Oilgram Price Report

Awe foresee lower prices

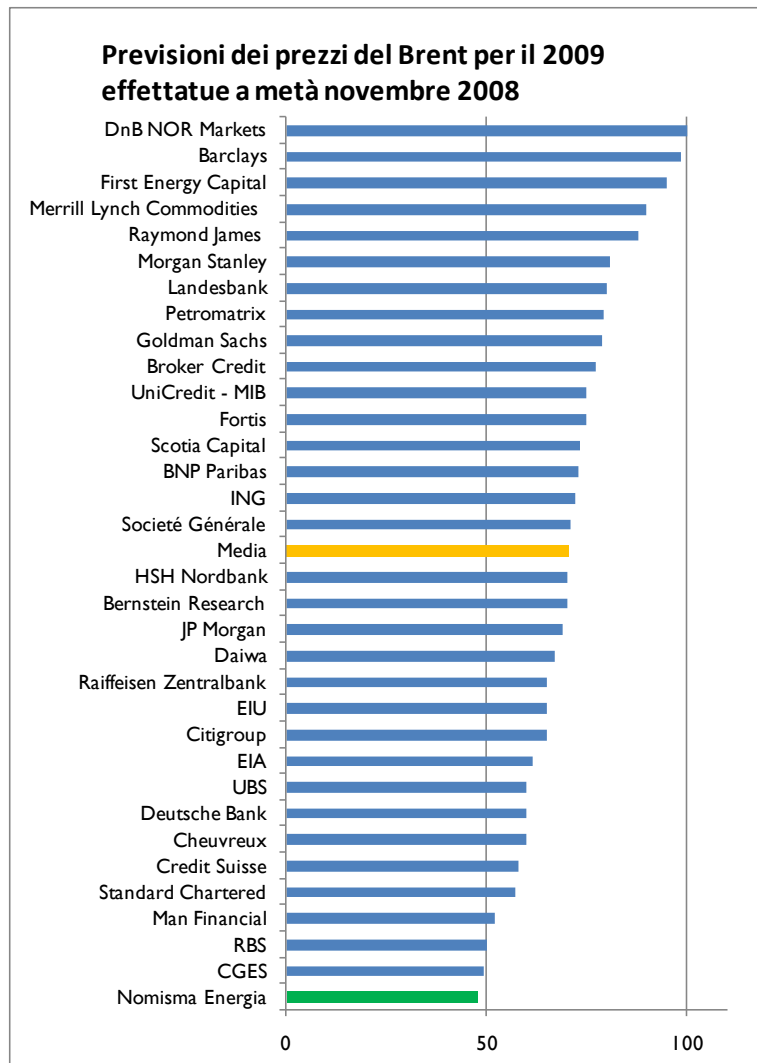
Brent Dated Prices, Forecasts and Futures

\$/bbl



Elaborazioni e Stime NE - Nomisma Energia su dati Platts, ICE

Large range of different views for 2009 in mid November

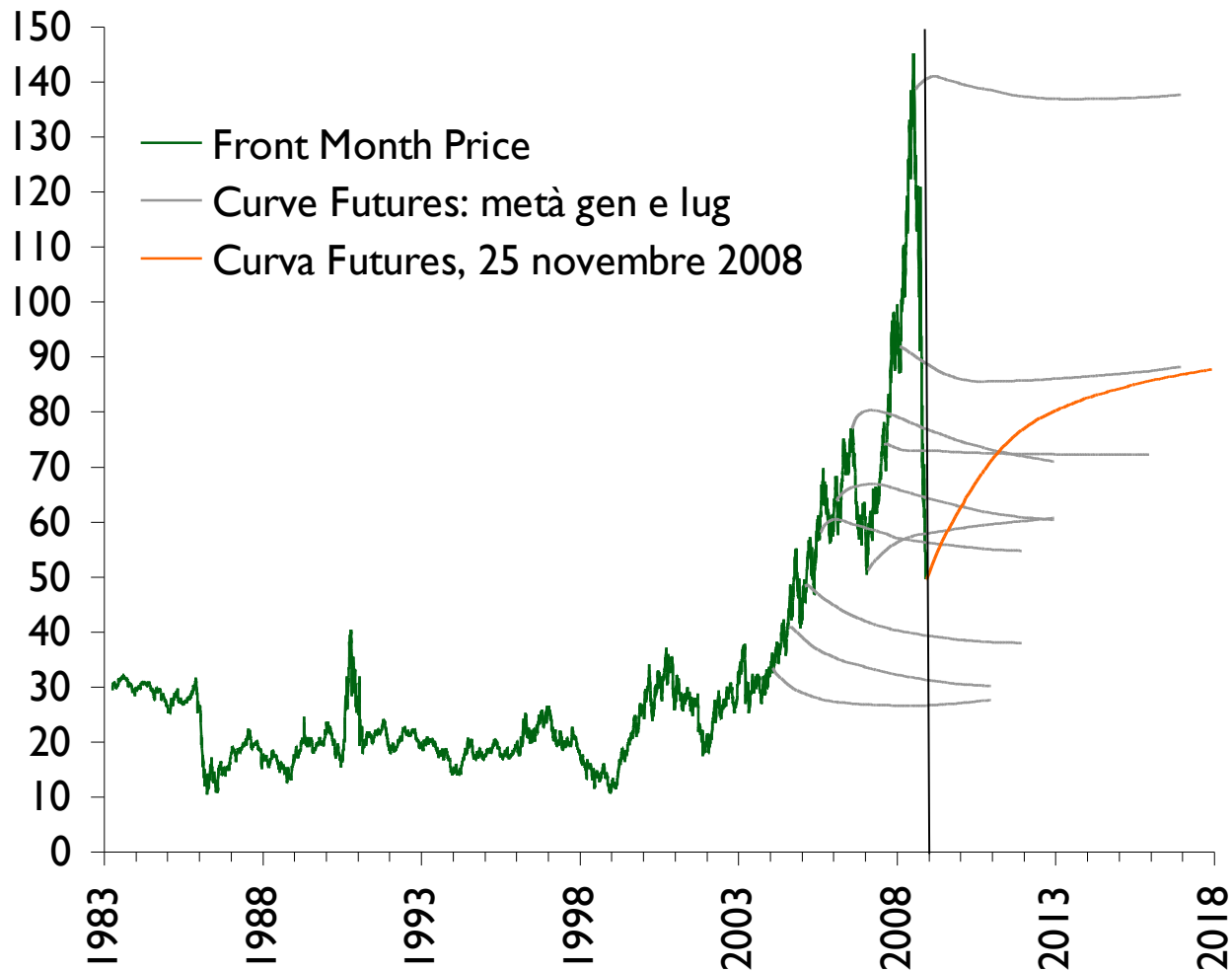


Fonte: Reuters, novembre 2008

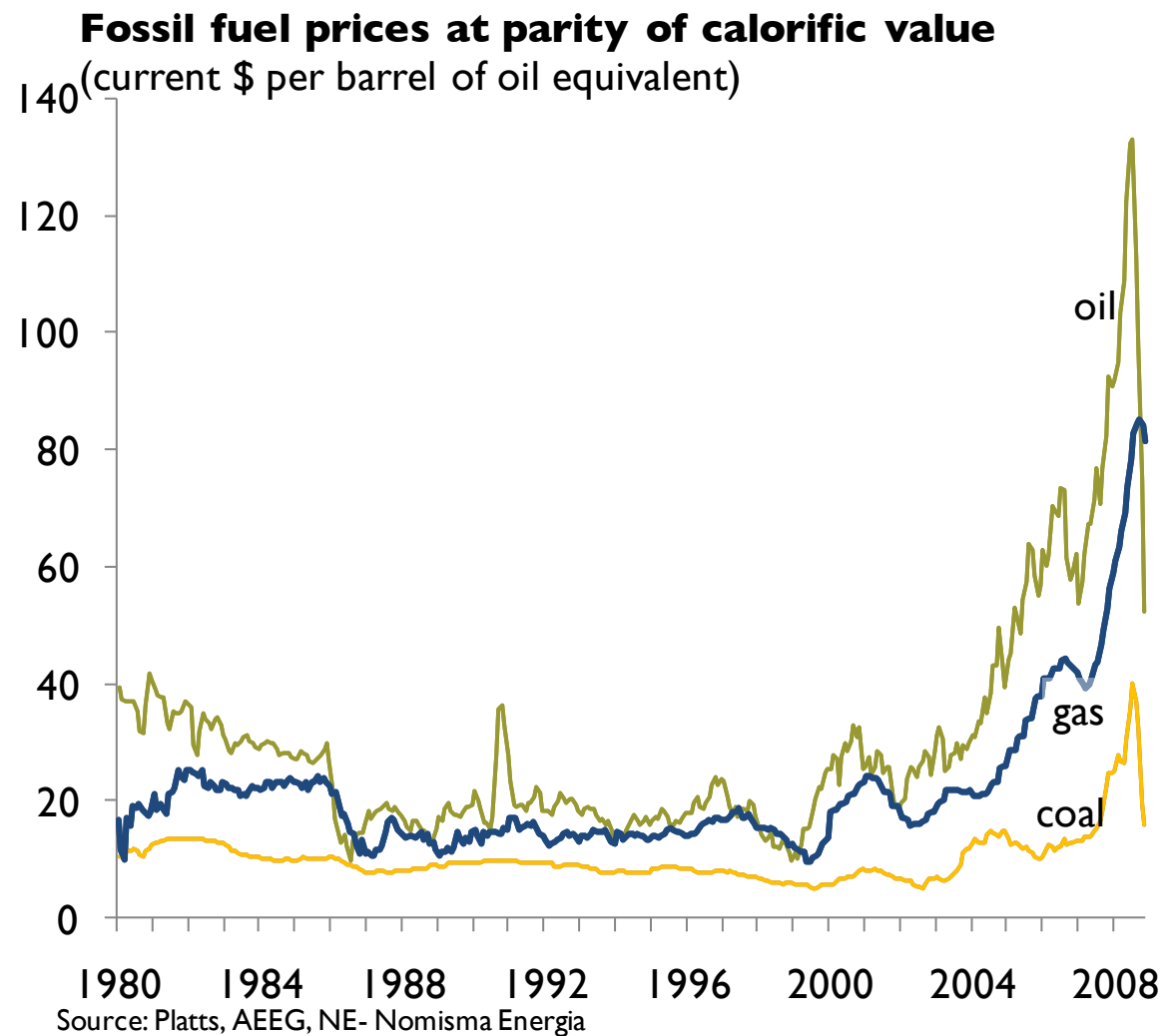
Constantly change of views, as always

Futures Prices - Nymex

\$/bbl

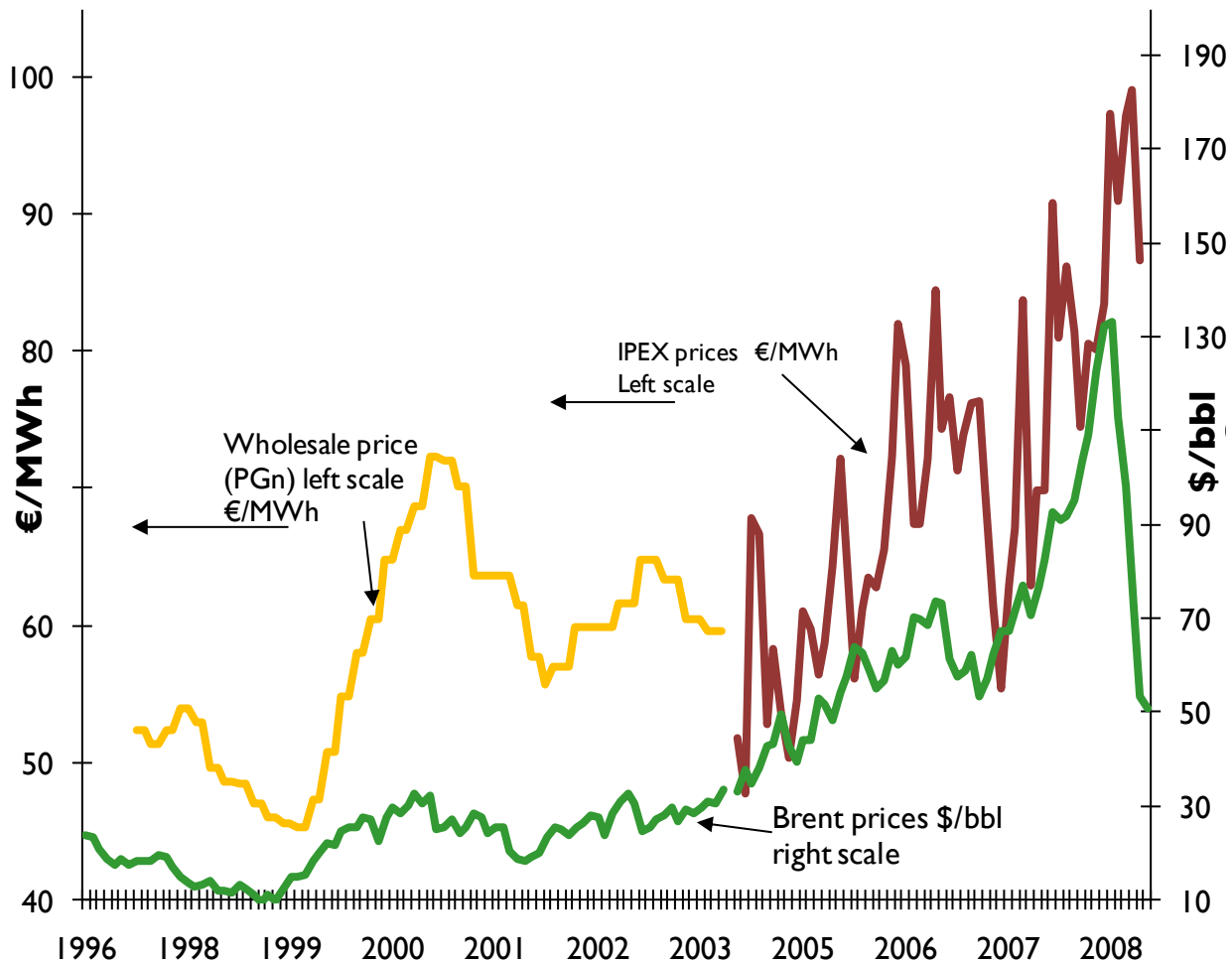


Unprecedented instability for all energy markets



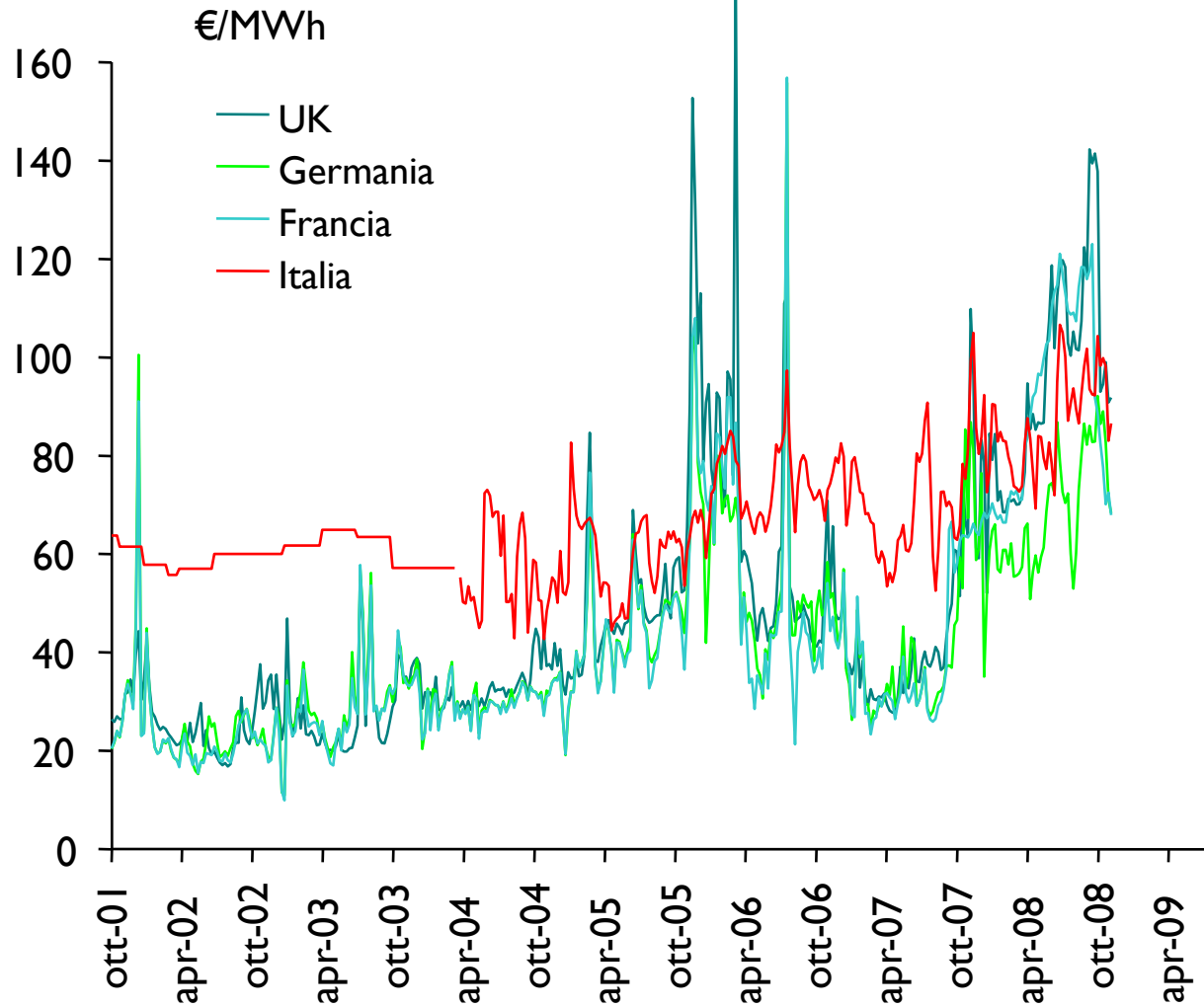
In Italy immediate impact of power prices

Wholesale electricity prices, power exchange prices and Brent prices



Instability of oil prices affected also power exchanges

Wholesale power prices in Europe



Elaborazioni NE - Nomisma Energia su dati Platts e GME

Some history I

1945-1973: oligopoly in in the oil industry of low prices (golden age)

1974: Nixon imposes energy price controls

1978: Carter frees heating gasoil and gas prices in US

1978: Nymex first energy contract

1980: Reagan frees all energy prices, Thatcher in UK

1983: Nymex launches WTI futures

Some history 2

1990: Nymex launches natural gas futures; Enron begins its success

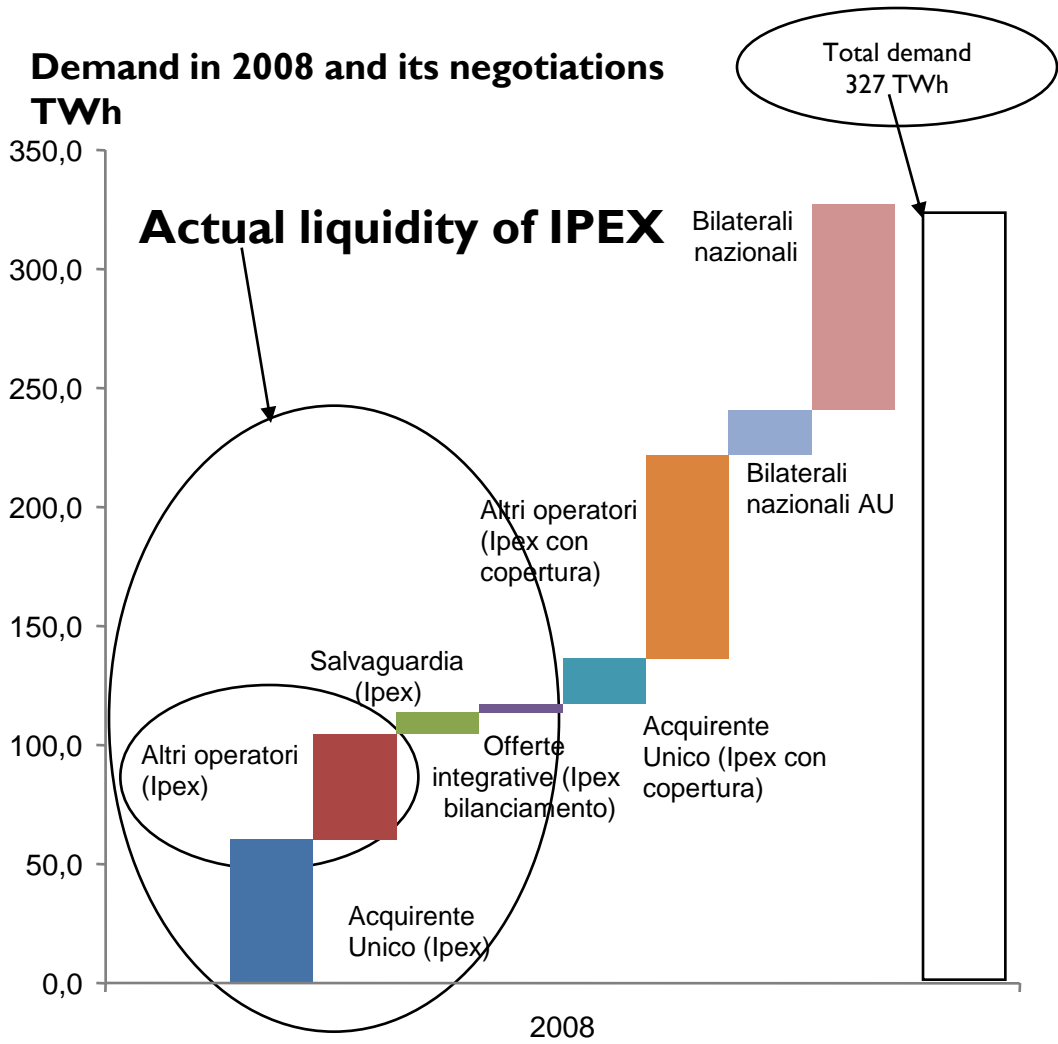
February 1999: crude oil prices at 11 \$/bbl

2000: California power exchange failure

2001: November bankruptcy of Enron

2008: September; bankruptcy of Lehman Brothers

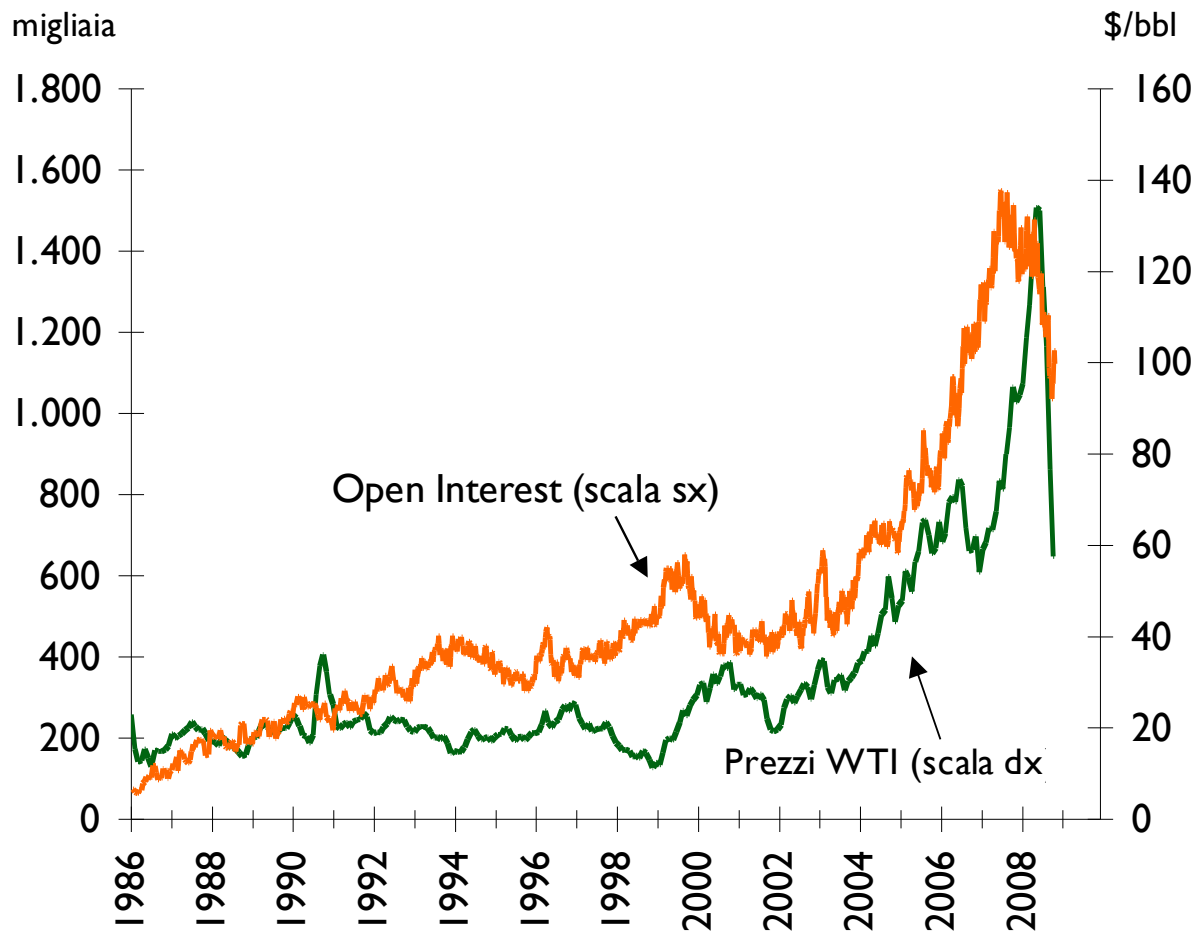
Liquidity of power exchanges very theoretical : Prices for final consumers are distant



Open Interest: contracts that are kept open

First sign of deleveraging

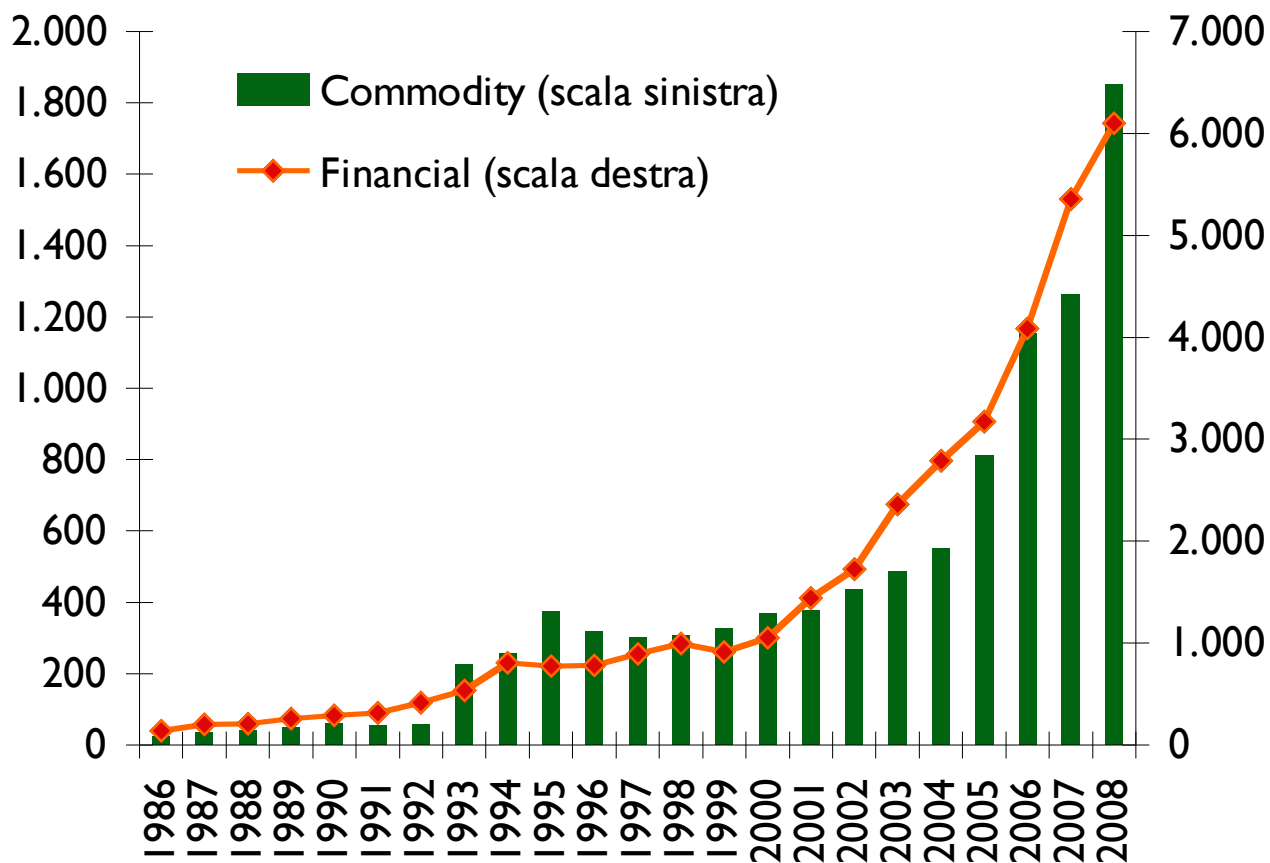
Open Interest e Prezzi Spot del WT



Fonte: Elaborazioni NE-Nomisma Energia su dati CFTC e Platts

Volumi scambiati sulle borse a termine nel mondo

milioni/anno



Fonte: Bank for International Settlements; per il 2008 stime NE Nomisma Energia

Elaborazioni NE su dati Nymex

Conclusions

Problem of efficiency: is it market failure?

All fossil fuels affected

Problems of liquidity spreading on futures exchanges

All commodities affected

The problem is the unregulated market

No alternative to futures exchange

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