



## FORWARD MARKETS AND ENERGY TRANSITION - PRESENTATION OF THE MIBEL PRIZE

MONTSERRAT MARTÍNEZ PARERA, VICE-CHAIR OF THE CNMV

06 June 2023

Good afternoon.

I would like to thank the CNMC for organising this event to present the awards and I would like to give a special thank you to the Chairwoman and the Vice-Chair. This second edition of the MIBEL prize is focused, in this case, around “MIBEL and energy transition”.

Nonetheless, today’s real stars are the authors of the awarded project<sup>1</sup>, professors Imelda and Natalia Fabra, who I would like to congratulate for their great work on the impact of forwards on the performance of electricity markets and its focus on how to compensate renewable energies. This includes the authors of the work receiving an honourable mention, who explored MIBEL’s future in a decarbonised market.<sup>2</sup> Congratulations to all of you.

Both works discuss issued of great interest to our functions in the MIBEL’s Board of Regulators. I urge more researchers to further the rigorous analysis of the design and effects of the dynamics of the energy sector, whose implications for the economy and global society continue to expand.

As Vice-Chair of the CNMV, I would particularly like to take advantage of this opportunity to highlight the growing interrelationship between the energy and the securities markets, as well as the key role the securities markets plays in facilitating an orderly energy transition.

---

<sup>1</sup> FABRA and IMELDA. “Market Power and Price Exposure: Learning form Changes in Renewable Energy Regulation”.

<sup>2</sup> CASTRO et al. “Decarbonization and Electricity Market Design: The Future of Mibel as Thermal Generation is Phased out.”

I am not only referring to the function of channelling investment and capital flows towards the real economy. This is an important aspect, as it is obvious that without finance and capital markets, it would be virtually impossible to mobilise the huge amounts of resources needed to reach a sustainable economy.

The objective today is to highlight the role of securities markets in ensuring an appropriate pricing process, which is the case in the energy sector, as well as the role of financial derivatives in the electricity market, as analysed by the awarded project with precision.

For example, the daily reference prices in Europe for CO<sub>2</sub> and gas emission rights, two essential components for electricity production, are set on a regulated derivatives market, in this case, the ICE ENDEX.

Forward markets are an essential component to the design of the European market. The use of derivatives is also widespread among non-financial participants, such as electricity producers, distributors or traders, to hedge price risk, which is subject to fluctuations like any other traded product.

This underlines the importance of having deep and liquid forward markets that contribute to adequate price establishment, in a regulated and supervised framework, as to provide representative benchmarks. This has been addressed on several occasions by the MIBEL Board of Regulators.

Last year's energy crisis, with moments of high price volatility, has also highlighted the importance of good monitoring of such derivatives by clearing houses to ensure that they have the necessary margins and guarantees to be deposited by the corresponding market participants.

There are, nonetheless, various elements at play. First, there is the need to ensure the strength of the clearing houses, in addition to taking into account, from a broader financial stability point of view, the pro-cyclical effects or tensions that increasing these guarantees may have on market participants at a given time particularly for non-financial firms.

These are all issues up for debate in Spain and Europe, which we, as supervisors, follow closely.

In any case, it is worth highlighting that market infrastructures proved to be strong when withstanding extraordinary price tensions and high volatility of August and September last year, which was a real test, showing the adequacy of the regulations (EMIR) governing this activity.

## Final considerations

I will conclude by saying that it has been almost 17 years since the birth of MIBEL and its Board of Regulators, of which we are members along with our Portuguese and Spanish supervisory colleagues. Over the years we have witnessed market integration and price coupling between the two countries, which I hope will continue in the future.

The CNMV, like our Portuguese counterpart, the CMVM, is the supervisory authority of the regulated electricity derivatives market (OMIP) and of the central counterparties where the transactions that have been traded are cleared.

Through ESMA, the European Securities and Markets Authority, we promote to the integration of the supervisory practices of clearing houses and participate in the European regulatory debate, through the opinions requested by the European Commission.

To conclude, I would like to congratulate the prize-winners again for their rigour and professionalism in their studies. As I mentioned in the beginning, I urge researchers to further study this complex, yet thrilling, field.

Thank you for your attention.