Australian government pushes for energy privatisation

Terry Cook
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The Labor government's "Energy White Paper 2012: Australia's Energy Transformation" is aimed at advancing further pro-business "reforms" across the domestic energy industry and the resources and energy export sector. The government's proposals will lead to a swathe of job cuts across the energy sector and even higher electricity costs for consumers.

The first part of the White Paper, dealing with the generation of domestic power, centres on the demand that state governments across the country fully privatise remaining state-owned electricity assets, including power plants, transmission and distribution networks (poles and wires) and retail facilities. These assets, estimated to be worth more than $100 billion, are among the most valuable remaining publicly-owned infrastructure in Australia.

The Labor government has been campaigning for privatisation since August, when Prime Minister Julia Gillard blamed state governments for the massive increases in energy bills inflicted on ordinary people in recent years. She accused state governments of encouraging the so-called "gold-plating" of power infrastructure, i.e., excessive spending on upgrading transmission and distribution networks. The purpose of this campaign was twofold—to serve as a diversion from the impact of the government's carbon tax on energy costs, and to manufacture a pretext for energy privatisation, by falsely suggesting that a sell-off to private operators is the only way to stop "gold-plating" and rein in skyrocketing power charges.

The real problem is not overinvestment in power infrastructure but that state governments allow and encourage power companies to make ordinary people pay the price of maintaining and expanding the power grid by charging ever higher electricity bills. The campaign against "gold-plating" is aimed at developing a national energy system geared towards maximising profits, with only the bare minimum of long-term investment. The result will be a grid at much higher risk of dangerous blackouts and brownouts.

The White Paper outlined the agenda in detail. "Our ability to deliver investment in a timely and cost-effective way will depend critically on access to finance and capital," it explained. "Given the relatively small pool of Australian investors with deep experience in greenfield energy investments, it is likely that a significant proportion of the required capital— debt and equity—will need to be sourced from overseas. The footloose and competitive nature of foreign capital means that Australia must maintain attractive and stable investment and policy frameworks, particularly if the current turmoil in international financial markets is sustained."

In other words, every avenue for making profit in the energy sector must be opened up for exploitation by finance capital.

The White Paper held up the privatisation of Victoria's electricity assets in the 1990s, carried out by the Liberal state government of Jeff Kennett, as the model to be followed nationally. "The willingness of other state governments to take on these hard reforms will be essential," it concluded.

The Gillard government faces some resistance by the state Liberal governments in Queensland, New South Wales, and Western Australia, who fear an electoral backlash if they proceed with deeply unpopular sell offs. Labor's privatisation campaign underscores its role as the determined representative of corporate interests.

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The White Paper's enthusiasm for the Victorian energy model contradicts Gillard's claim that privatisation will lower electricity costs for households. Prices in Victoria increased by 20 percent during 2011-12 alone, on top of a 50 percent increase since the state's electricity network was privatised. Moreover, the Australian Energy Market Commission has predicted that retail power prices in the state will increase by 31.5 percent in the next two years, nearly triple the projected national average of 12.1 percent.

The Victorian privatisations in the 1990s also resulted in the destruction of thousands of power jobs and the devastation of entire communities dependent on the industry, such the Latrobe Valley.

The White Paper made clear that power prices would continue to rise. It insisted that to "maintain investment and promote the efficient use of energy, prices must reflect the cost of supply in a competitive market". The document also demanded the abolition of all remaining retail price controls, such as the ability of the Queensland Competition Authority to freeze prices, blaming it for "suppressing efficient pricing outcomes".

The White Paper also called for the wider use of so-called "smart meters", declaring these help consumers to "control their energy use and keep costs down". In reality, the incremental measurement of power usage is being used to abolish standardised power prices. The *Australian* yesterday reported that Gillard will press state governments at next month's Council of Australian Governments meeting to "offer households the option of paying higher electricity bills during hot spells and other peak periods".

The end result will likely be more elderly and other vulnerable people risking their health by switching off air conditioning and heating appliances during the hottest and coldest periods.

The second part of the White Paper—addressing the extraction and export of energy resources, especially oil and gas—was fashioned in direct response to the demands of resources companies for lower labour costs and greater "flexibility" in their operations. Such calls have become ever more strident amid plunging commodity prices and an economic slowdown in China and Asia.

"Australia is a high-cost energy producer compared to many other potential suppliers," the White Paper warned. "High global energy prices are stimulating growing competition from an increasing number of countries with lower costs and a higher perceived resource prospectivity than Australia." To address this issue, the document demanded "the removal of labour market constraints", the reduction of "business red tape" and measures to "stream line best practice" in order to guarantee "fair commercial returns".

Translated, this means the dismantling of penalty rates and allowances, safety requirements and other regulations such as environmental safeguards in order to boost profits.

The White Paper rejected calls for quotas of gas to be reserved for domestic use. Sections of business, especially in manufacturing, have sought to gain access to subsidised energy this way, while promoting the establishment of domestic reserves under the guise of "energy security". Energy and Resources Minister Martin Ferguson declared that limiting energy exports would have "the effect of diminishing the value the nation, as opposed to the sectoral interests most vocal in advocating it, would receive from exploiting our vast gas resources." Ferguson's real concern is to maximise the profits of the giant resources and energy companies such as Woodside Petroleum and BHP Billiton.

Ferguson, who formally released the White Paper, received plaudits from the financial press for his work. The response pointed to the role now played by the former president of the Australian Council of Trade Unions as the unabashed mouthpiece for the mining, energy, and power companies.

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