

Spain's PSOE-Podemos government raises electricity prices

Santiago Guillén
4 July 2021

The Socialist Party (PSOE)-Podemos government has passed a new measure to increase electricity prices, already among the highest in Europe. It represents a new attack on the conditions of the working class, taking place amid a wave of austerity and anti-working class measures.

The measure was introduced days before European Commission President Ursula von der Leyen travelled to Madrid to meet with Prime Minister Pedro Sánchez to approve Spain's plan to use nearly €70 billion (\$85 billion) in grant money. The electricity hike is just the first of many, including a new pension reform to extend the retirement age and a labour reform to cut wages and job security.

New electricity rates approved by the PSOE-Podemos government came into effect in June, which will mean a significant and immediate rise in the price of electricity for 11 million households.

The regulated rate is the normal one among working class families, usually with less than 10 kW of contracted power. An estimated 75 percent of households have this tariff, which is normally cheaper than the free-market price. This rate also allows the poorest sectors of the population to apply for the social bonus, a discount on the bill of 25 to 40 percent for retirees, low-income, laid-off or unemployed workers, or other so-called vulnerable consumers.

The new rates, however, establish three time slots:

- The most expensive at rush hour, from 10:00 a.m. to 2:00 p.m. and 6:00 p.m. to 10:00 p.m.
- The cheapest at off-peak hours, from 00:00-08:00 plus weekends and holidays.
- Flat hours, covering the rest.

Thus, low-cost rates are only in the middle of the night, at dawn and on weekends. The government claims absurdly that it is “promoting energy saving” by

moving consumption to lower-priced hours.

Podemos' Consumer Affairs Minister and leader of the Stalinist-led United Left, Alberto Garzón, cynically justified the measure, saying it would make the public realize “that with small actions you can save enough euros per month by taking decisions that you were previously unaware of.”

Garzón's argument is a patent fraud. Workers cannot cook, use washing machines and dishwashers, watch television and shower only in the middle of the night. Dressed up an empty “ecological” rhetoric, it is a transparent attack on the working class.

In winter, the situation will be even worse, as the new cost structure will pressure workers to heat their houses only at dawn. The consumer association FACUA declared that “asking for electricity consumption to be shifted to dawn is degrading for the most vulnerable consumers.”

The electricity rate hike marks a new milestone in the unbridled rise of electricity prices. In the first five months of 2021, an average consumer's electricity bills rose 22 percent compared to the same period in 2020. April 2021 saw the highest prices in the last 10 years; between March and May, average receipt increased from 63.59 to 75.92 euros.

These prices are the result of a cartel of electricity companies consisting of Naturgy, Endesa and Iberdrola, controlling up to 90 percent of the electricity market. In setting electricity prices, they benefit from the so-called “marginalist” system that bases the price of electricity on the cost of the most expensive method of producing electricity. Thus, electricity from higher-cost, combined-cycle facilities sets market prices for all electricity, though those with cheaper production costs (nuclear, wind, hydroelectric) represent a higher percentage of the total electricity generated.

Electricity from combined-cycle power facilities is more expensive because they consume natural gas and must pay “emission rights” for each ton of CO2 emitted into the atmosphere. These emission rights are limited by country but transferable in a market for the purchase and sale of rights that is subject to strong speculative pressures that push up prices. In Spain, in one year, emission rights prices have surged from 27 to 58 euros per tonne.

In this way, speculators earn ever more money by trading in emission rights. This first boosts prices for electricity generated by pollution-producing electric plants; this then sets the average price, though it only represents a minority of the electricity generated. Energy companies can then reap vast profits.

Due to both such speculation and the PSOE-Podemos government’s rate hike, the price of the cheapest hours of electricity in June 2021 is higher than the peak-hours price a year ago. Current peak-hours prices are double that of a year ago. June 2021 saw Spain’s highest electricity prices ever.

Moreover, Naturgy, Endesa, Repsol and Iberdrola are expected to profit massively from the €140 billion EU bailout fund adopted during the pandemic. Of this amount, 37 percent will be allocated to the so-called “ecological transition.” The “big four” energy firms have proposed more than 400 projects, valued at €60 billion euros. This is almost half Spain’s part of the EU bailout fund.

The burden of this enrichment of the financial oligarchy falls on hundreds of thousands of working families and, even worse, nearly four million unemployed and more than half a million workers subject to temporary redundancy schemes. According to government statistics, 4.5 million people suffer from energy poverty, i.e., cannot cover the cost of their basic energy needs. ***This leads to over 7,100 deaths a year, more than deaths from traffic accidents.***

With a social crisis looming if electricity prices continue to escalate, the PSOE-Podemos government has temporarily cut the part of VAT paid on the electricity bill from 21 percent to 10 percent, although only temporarily, until December. In other words, the PSOE and Podemos intervened not to rein in the profits of the financial oligarchy, but to cut state revenues.

Even then, the measure is insufficient. It will only mean an average reduction of €7 per bill, when in June

alone the year-on-year increase was €28, with price increases set to continue.

The generous gifts provided to energy companies at workers’ expense would not have been possible without the collaboration of Podemos and the trade unions. Just before the last general elections of 2019, Podemos Tweeted: “We will lower electricity bills by firming up the big electricity companies.” Minister Garzón said, “Thousands of families will not be able to maintain their homes at adequate temperatures, which will have a serious impact on the health of those who have the least. No decent government should tolerate this.”

In reality, Podemos is now part of an “indecent” government, to use Garzón’s own term.

The trade unions, Comisiones Obreras (CCOO), the General Union of Labour (UGT) and the General Confederation of Workers (CGT) have not called even token strikes or protests. CCOO and UGT sit in regional and national commissions discussing how to use the EU bailouts set to enrich the energy conglomerates. The unions also work with the PSOE-Podemos government to design pension cuts and labour reforms—austerity policies they have sworn Brussels that they will impose.

The only viable response to the PSOE-Podemos government is to mobilize the working class against a government and corporations that are plundering them. Podemos and the trade unions defend the capitalist system, including the production and distribution of energy based on private profit, not rational planning. Only a socialist system, in which energy resources are nationalized across Europe and internationally, as part of a planned economy, and organized to produce heat and light for all as a public service, offers a way forward for working people.



To contact the WSWS and the Socialist Equality Party visit:

wsws.org/contact