Rising gas prices threaten a "winter of discontent" in Britain

Robert Stevens
21 September 2021

The British media is filled with warnings that the huge rise in global gas prices will provoke a "winter of discontent" due to the desperate situation confronting millions of working people.

According to trade association Oil & Gas UK, the price of wholesale gas has more than quadrupled since this time last year. It has jumped by 250 percent since January and 70 percent since August.

The natural gas price hike is due to a combination of global events. Gas storage is low in most countries, particularly in Europe, and this has been exacerbated by the reopening of economies. Moreover, there is increased demand for gas in Asia, especially China, which has been moving away from coal and becoming more reliant on gas-fired power plants.

These shortages have attracted the attention of the financier parasites in the imperialist countries, who have made a killing in the natural gas futures markets. Investors have been slow to unwind speculative positions they developed previously amid supply bottlenecks, driving up gas prices. This orgy of speculation is driven by the multi-trillion pandemic bailouts by the Fed, European Central Bank, Bank of England, et al.

A growing narrative in the media pins the blame on the Putin administration in Russia. Typical was a *Financial Times* article on Monday headlined, "Why some see the hand of Russia in Europe's gas price crisis". The *Guardian* also referred to "Russian gas games" and complained, "As shipments of gas have turned from Europe towards China, flows of pipeline gas to Europe from Russia have failed to make up the shortfall."

The situation in Britain is particularly acute, with its energy market overexposed to the gas shortage. Less than 1 percent of Europe's stored gas is held by the UK—which has among the lowest gas storage capabilities in Europe.

Gas shortages have raised the spectre of a shutdown of large sections of the UK economy, including its food and drink sector, due to the crisis at fertiliser producer CF Industries. Its plants produce most of the carbon dioxide (CO2) used in food production and cold storage. Moreover CF's CO2 is used by nuclear power stations for cooling, and in the National Health Service for procedures including invasive surgery and endoscopy.

The US-owned company was forced to halt production at two of its factories in Cheshire and Stockton-on-Tees on Monday night due to soaring gas prices—for the second time in 24 hours. The firm supplies 60 percent of the UK's food grade carbon dioxide supply. Its impact on the meat industry was immediate as carbon dioxide is used when slaughtering pigs and chickens to stun them. Poultry producers forecast that if production was halted for any length of time it could result in shortages, including for Christmas, the most profitable time of year.

CF's shutdown comes amid a worsening shortage of basic consumer goods in supermarkets, with UK supply chains hit due to Brexit, the coronavirus pandemic, and an unprecedented shortage of long-haul lorry drivers. On Monday, Richard Walker, managing director of frozen food retailer Iceland, warned, "This is no longer about whether Christmas will be OK. This is more about keeping the wheels turning and the lights on so we can actually get to Christmas."

Production didn't resume at CF until Tuesday afternoon, after its US-based chief executive, Tony Will, flew to Britain for crisis talks with Conservative government Business Secretary Kwasi Kwarteng. The talks saw the government agree to paying the entire operation costs of one of CF's plants for the next three weeks at a cost to the taxpayer of “ten of millions” of pounds. Even so, it is estimated that it could still be three more days before the factories start producing CO_2 again.

The entire cost of the gas price increase and the economic fallout will be borne by the working class, with millions facing a massive increase in their bills and a threat to their jobs.

Already this year, seven energy firms have collapsed, with over a million domestic households forced to seek a new supplier. It is estimated that the 60 or so UK energy companies could be reduced to 10 by the end of the year, with all smaller suppliers going to the wall and the “Big Six” corporations making a killing. The risk of more energy suppliers collapsing increased yesterday as British wholesale gas prices surged by 16 percent, with markets closing at a record high.

It is expected that the larger suppliers who take on the customers from the collapsed firms will charge them the maximum allowed under the energy price cap—£1,277 a year for a typical household. Millions of the poorest households who use pre-paid meters will be hardest hit. The price increase takes place shortly before the planned end of the £20-a-week uplift in Britain’s main social security benefit, Universal Credit, affecting millions.

The *Daily Mirror* warned, “Ministers have insisted they will not remove the price cap on energy bills after wholesale gas prices soared. But the cap itself is being raised on October 1—followed by the £20-a-week benefit cut biting for the first time between October 13 and November 12, depending on people’s payment date.”

The newspaper cited research from the Resolution Foundation showing that “out of 4.4 million households on Universal Credit, a staggering 40% are on pre-payment meters—compared to just 10% of families not on benefits. Those customers will face a 13% or £153-a-year rise in the price cap—more than the £139 rise in the price cap more broadly.”

The price cap will likely be reviewed again next April, with the *Times* reporting, “analysts are predicting that the regulator will have to allow another significant increase in bills then, if wholesale prices remain as high as forecast.”

This social catastrophe unfolds as around a million workers are due to be forced off the Job Retention Scheme, under which the state pays a proportion of employees’ wages, at the start of October. Many of these workers will not have jobs to go back to.

Food costs rose by one percent last month and inflation is now approaching 5 percent—the highest level in a decade. Rent costs are up massively, with the average rent at £1,053 per month—an increase of almost 7 percent on the same time last year, and 2.3 percent up on August’s figure.

Since Larry Lamb, the former editor of Rupert Murdoch’s *Sun*, first borrowed from Shakespeare to warn of social crisis and working-class militancy in the late 1970s, the ruling class has warned of a “winter of discontent” in times of acute crisis. But the present situation is worse than anything that went before, with the UK already seeing a growing number of struggles by workers across all sectors of the economy against the destruction of pay, terms and conditions.

Writing in the *Sun* on Tuesday, Liam Halligan, the Economics and Business Editor of the right-wing *GB News*, warned, “As inflation rises this autumn, if wages don’t keep up—and for many they won’t—workers will get angry.”