# Germany’s gas price cap: A gift for large corporations and the rich

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The Gas Price Commission set up by the German government presented a proposal on Monday for cushioning high natural gas and energy prices with government money. It envisions lavish cash gifts for large corporations and the wealthy, while the poor, ordinary earners and small businesses will still be unable to absorb the skyrocketing costs despite government aid.

24 million private households and small businesses are expected to bear the full brunt of higher gas prices in the heating-intensive winter months of January, February and possibly March. The tariff has risen from around 7 cents per kilowatt hour before the sanctions against Russia were imposed to between 20 and 30 cents.

For December, the Commission proposes a one-time payment equal to this September’s monthly bill. This is a highly arbitrary value, as the September bill for many households was still based on the old prices. The main beneficiaries are wealthy villa owners with high gas consumption, who are treated in the same way as tenants of small apartments.

A certain “watering can subsidy” was unfortunately unavoidable, commented the chairmen of the commission, “economic expert” Veronika Grimm, the president of the BDI industry association, Siegfried Russwurm, and the chairman of the IG BCE chemical workers union, Michael Vassiliadis, with a shrug.

It will not be until March or April that private customers and small and medium-sized enterprises will be able to purchase 80 percent of their previous year’s consumption at its government-subsidized price of 12 cents. That is still almost twice as much as before the Ukraine war. For anything above that, they will have to pay the full market price.

In total, this is expected to cost the state around €66 billion by the end of April 2024. A further €30 billion is earmarked for subsidizing around 25,000 large companies with an annual consumption of over 1.5 megawatt hours, which will start benefiting from subsidized prices as early as January 1.

They will be guaranteed a gas price of 7 cents per kilowatt hour for 70 percent of the previous year’s consumption. BDI President Russwurm claims that this is roughly equivalent to the 12 cents for private consumers, since it is a pure procurement price and not the gross tariff including taxes and fees, as is the case for private customers. But it is obvious that large corporations are being favoured. Here, too, the Commission is acting according to the watering-can principle. Highly profitable corporations benefit from the state money just as much as those threatened with bankruptcy.

The €96 billion for the gas price cap does not include the €50 billion the government is using to rescue intermediaries like Uniper, which have run into difficulties due to the lack of supplies of cheap gas from Russia. This money then ends up directly in the bank accounts of the big energy companies, which are making record profits because of the high prices.

The gas price cap and the bailout of the middlemen will require around three-quarters of the “double whammy” package of €200 billion announced by the German government in September. This does not even take into account rising electricity and oil prices. Indeed, the massive rise in electricity prices is only partly due to the high price of gas, which economists generally believe will never return to pre-war levels. And a new price explosion is looming on the oil market.

The reason is the EU Commission’s effort to impose a price cap on Russian oil exports to all countries in the world. It is to be enforced by punitive measures against shipping companies that transport Russian oil and against insurance companies that insure the shipments. If Russia defies these measures, Europe faces a massive shortage of oil and diesel and a corresponding price explosion.

Efforts to get Saudi Arabia and other OPEC countries to increase production have failed. Instead, OPEC countries, fearing international price dictates, have cut production by two million barrels per day. To prevent a further price increase before the November mid-term elections, the US is now discussing an oil export ban, which would additionally hit Europe.

The huge sum of €200 billion for lowering the price of gas will not be financed directly from the federal budget so as not to jeopardize the debt ceiling, to which the Social Democrat-Liberal Democrat-Green coalition continues to adhere. Instead, the government has reactivated the Economic Stability Fund, which was set up in 2008 to rescue banks during the financial crisis and relaunched in 2020 to protect corporations such as Lufthansa and TUI from the consequences of the coronavirus crisis.

But unlike then, when at least some of this money flowed back after the crisis subsided, the €200 billion (and what will follow) will have to be fully financed from the national budget, which will inevitably come at the expense of social spending due to rapidly rising arms expenditures. With the war against Russia, which NATO has systematically provoked and continues to escalate despite the danger of nuclear war, the German government has also declared war on the working class.

All representatives of the ruling class are moving together in this: The establishment parties, from the Greens, the SPD and the Left Party to the far-right Alternative for Germany (AfD), the business associations and the trade unions. As in World War I, when the unions and corporations agreed to an “industrial truce,” and in World War II, when the Nazis united them in the corporatist German Labour Front, they are again conspiring against the working class.

The Gas Price Commission set up by the German government embodies this fusion of state, corporations and unions. It consists of 21 representatives from business, science, social associations and unions and is headed by the boss of the largest business association, Siegfried Russwurm, and the chairman of the chemical workers union, Michael Vassiliadis. The latter is also the partner of Yasmin Fahimi, chairwoman of the German Union Confederation (DGB) and a leading SPD politician.

The aggressive actions of the German government and its allies are exacerbating not only social antagonisms in Germany and across Europe, but also national tensions within the EU. Leading European politicians have strongly protested the €200 billion package because, in their view, it constitutes a trade war measure.

Hungarian Prime Minister Viktor Orbán called it “the beginning of the EU’s self-laceration” and scolded: “The rich are helping their companies with huge sums, while the poor can’t.” Italian Prime Minister Mario Draghi warned it undermined “the logic of the [European] Union at its roots.”

In a newspaper article, EU Commissioners Thierry Breton (France) and Paolo Gentiloni (Italy) complained about the consequences for member states “that do not have the same budgetary leeway as Germany to provide comparable support to their companies and households.” They warned that what was ultimately at stake was “the success of our European project.”

This vicious circle of social attacks, national tensions and war, which threatens the survival of humanity, can only be broken by the independent intervention of the international working class. It must break with the parties and unions of the ruling class and link the struggle against wage theft, social cuts, and war with the struggle for the overthrow of capitalism and the construction of a socialist society.

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