Australian government protects LNG producers even as gas prices soar

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Confident of ongoing support from Australia's Labor government, the major liquefied natural gas (LNG) exporters are thumbing their noses at any suggestion that they rein in domestic gas prices, despite soaring profits due to the US-NATO proxy war against Russia in Ukraine.

Confronted by outrage from domestic consumers who are being hit by a cost-of-living crisis, as well as complaints by businesses that depend heavily on gas, the government is claiming it may take some action.

Prime Minister Anthony Albanese and Treasurer Jim Chalmers have made vague suggestions of trying to regulate the industry or modify the petroleum resource rent tax, which touches only a tiny fraction of the super-profits.

The government's first budget, handed down on October 25, revealed that the price of electricity would increase 56 percent over the next two years, with the price of gas, which influences power prices, rising 44 percent.

That is part of a financial disaster hitting working-class households, with official inflation predicted to reach 8 percent by the end of the year—and the cost of essentials by even more. That is way above the nominal wage rises being imposed by the governments, employers and trade unions.

Far from moving to cap gas prices, or even offer household rebates, government ministers insisted that relief would be provided by a new "heads of agreement" with three of the country's major LNG exporters, Santos's GLNG plant, the ConocoPhillips-led APLNG group and Shell's QGC, which control more than 90 percent of gas reserves in Australia's eastern states.

Resources Minister Madeleine King claimed this agreement "ensures future uncontracted gas will be offered to the domestic market first, on competitive and reasonable terms." For the uncontracted gas, "the principle" would be that domestic gas customers would pay no more than international customers for the gas, she said.

In other words, the agreement still left the gas producers free to force domestic consumers to accept gas prices in line with those in the international market, which have surged to double their previous levels.

This agreement essentially continued the financial and political support given to the gas giants by successive governments. Last December, the previous Liberal-National Coalition government signed a voluntary "industry code of conduct."

The code was drawn up by the Australian Petroleum Production and Exploration Association (APPEA), representing suppliers, and the Australian Industry Group (AIG), representing business consumers. It was hailed by the Coalition government as a "key step in ensuring affordability and reliability for Australian gas users." In fact, it placed no mandatory requirements on the giant LNG producers, instead requesting only that they "behave in good faith."

On November 3, Industry Minister Ed Husic admitted that the companies were "completely tone deaf" to appeals on gas prices and feigned anger, accusing them of a "glut of greed problem."

But Husic, along with King and Energy Minister Chris Bowen, had issued a media statement on budget day, proclaiming the new "heads of agreement" as a measure that would "help address increasing energy cost pressures."

This soon proved to be a fraud. Andrew Richards, who heads the Energy Users Association of Australia, a group representing large industry, said businesses seeking short-term gas connections were quoted prices at more than four times pre-war levels, and well above international rates.

The concerns of such big business entities, combined with fear of popular unrest, has prompted the government to declare it is even considering regulatory measures to bring down gas prices.

At the same time, the government has assured the gas producers it will do everything possible to avoid taking any immediate steps. Chalmers said the government had yet to determine its “preferred path,” describing himself as a “reluctant intervener” in the market.

Albanese said “we need to acknowledge that there are extraordinary profits being made at the same time as the customers are really doing it tough” but the government’s “preference was to avoid a temporary tax” on gas super-profits. He foreshadowed a deal with the companies, saying his government was “working through constructively with the sector, and we’re hopeful of getting an outcome.”

As window dressing, hoping to convince the public it is preparing to rein in the gas companies, the government is proposing that the Australian Competition and Consumer Commission, a toothless pro-business competition watchdog, “review the code of conduct covering the gas industry” to “ensure reasonable pricing” and “improve transparency.”

However, even the mere suggestion of any regulation over their predatory activities was enough to trigger a sharp warning from the gas giants. APPEA CEO Samantha McCulloch spoke of “a brake on new investment.”

Analysis by the Australia Institute revealed that despite reaping windfall profit increases of between $25 to $40 billion a year, gas companies are paying only an extra $1 billion in tax. Moreover, according to the institute’s executive director of public policy Richard Denniss, “some offshore gas wells pay no royalties, no petroleum resource rent tax and are owned by companies that pay no company tax.”

Denniss said that in 2021 some of the biggest gas companies operating in Australia, including Cheveon, paid little company tax, while Woodside Petroleum, two Shell energy entities and Santos, which just announced a record $9.3 billion profit, paid no tax at all.

Recent Australian Tax Office data that shows five of the gas industry’s most prominent companies, four of which, Arrow Energy, Australia-Pacific LNG, Chevron and ExxonMobil, are members of the APPEA, have paid no income tax for at least the past seven years, despite a combined income from their Australian operations of $138 billion.

Such revelations, and the energy sector’s rapacious drive for profits at the expense of millions of ordinary people, demonstrate the need to place this sector and all essential resources under public ownership and democratic workers’ control, to be used for social need and not private wealth accumulation.