Australian "energy relief" plan to subsidise business while household bills continue to soar

Mike Head
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Australia's Labor government unveiled an "Energy Price Relief Plan" last Friday that will pour more money into the pockets of business, including coal producers, while promising households only token reductions in sky-rocketing electricity and gas bills.

Facing seething working-class discontent and breakouts of strikes, the government is desperate to appear to be offering some relief to ordinary people, who face the greatest reduction in living standards since World War II due to surging inflation and loan interest rates, and ongoing cuts to real wages.

After a meeting of the extra-constitutional and bipartisan "National Cabinet" of federal, state and territory leaders, Prime Minister Anthony Albanese claimed that the plan would take an average of $230 off the expected rise in a household energy bill for next year.

However, this is from a government that barely scraped into office in May after pledging to reduce typical electricity bills by $275, only to immediately drop the promise and deliver price hikes that are already about double that amount.

Even if the $230 claim eventuates—and that is by no means likely—it would make little difference to the cost-of-living crisis confronting the working class, which sees prices for essentials such as food, petrol and energy rising by around 8 percent annually, on top of home mortgage payments increasing by thousands of dollars a month.

According to the Australian Competition and Consumer Commission's latest estimate, released last Wednesday, households between April and October suffered a $300, or 23 percent, leap in their typical, annual electricity bill.

In October, the Labor government's first budget revealed that electricity bills were expected to jump by 20 percent this financial year and 36 percent in 2023-24, for a staggering increase of 63 percent. As a result of the "relief" package the growth next year is supposed to be 23 percent, but is still producing a predicted combined jump of 47 percent over the two years.

Gas bills, which Labor's budget forecast would soar by 20 percent this financial year and 20 percent in 2023-24, for a combined increase of 40 percent, are now forecast to increase by 18 percent this year and 4 percent next year, for a combined jump of 22.7 percent. On both electricity and gas bills, households on the government's sub-poverty level welfare payments have been promised a further 10 percent reduction—a puny $23 or so.

Yet even these pledges are based on vague "Treasury modelling" and depend on deals that remain to be haggled out with the state and territory governments, which can regulate energy prices in their jurisdictions. The promised bill reductions will not be paid as rebates, but as slight decreases in power prices, which will not start until June at the earliest.

Even more obscure is how much of this "relief" will go to businesses, rather than households. Deliberately, no figures were provided for this. Instead, there were deeply-buried references to special assistance for "manufacturers" and "small business," with eligibility yet to be settled by the various governments.

Businesses that are reliant on electricity and gas have far larger bills than households and would therefore take a big share of the $3 billion said to be on offer from the federal and state governments for the subsidies. Some idea of the expected corporate benefit could be gleaned from Energy Minister Chris Bowen, who said the package would save businesses from going bankrupt.

Albanese also spoke about "keeping industry going." Asked by a journalist how the scheme would work for business, including how a "small business" would be defined and how much they would receive, he evaded the question. "That will be worked through by the treasurer and the state and territory treasurers in coming weeks," Albanese said, with a report back to the National Cabinet early next year.

The *Sydney Morning Herald* estimated that the government would spend up to half a billion dollars compensating coal producers in New South Wales and Queensland for imposing price caps, on top of the government's $1.5 billion share for bill relief to households and businesses. "A federal government source" said the total federal contribution could be just over $2 billion when including compensation for coal producers, but this was yet to be finalised.

The plan proposes temporary one-year price caps—$12 per gigajoule for gas, and $125 per tonne for black coal. These caps will have only a marginal impact, if any, on energy giants' profits. Almost all domestically contracted coal is under that cap already, and the highly-profitable gas price was below $12 before the US-NATO proxy war against Russia. In fact, the package is designed to protect the war super-profits these conglomerates are making on their exports. "We're not capping export prices," Bowen emphasised.

Albanese also stressed that the scheme would not affect gas or coal contracts overseas. On the contrary, gas exports would expand. He said the deal included the fast-track development of the $1.5 billion Santos Narrabri gas field in NSW, which would involve up to 850 coal seam gas wells being drilled. The Liberal-National state government of Premier Dominic Perrottet has now declared the project to be "Critical State Significant Infrastructure," in order to sideline environmental legal challenges to its approval.

Albanese's government has ruled out any measures that would impinge on the massive war-profiteering by the energy companies, such as imposing a windfall tax to fund household relief or requiring gas to be set aside for domestic use, rather than export.

The existing petroleum resource rent tax touches only a tiny fraction of the super-profits. Analysis by the Australia Institute recently estimated that despite reaping profit increases of between $25 to $40 billion a year, gas companies are paying only an extra $1 billion in tax.

Nevertheless, the Greens have offered to help the government rush through the necessary legislation for the "relief" plan via a sudden one-day recall of parliament this week. Labor may need the Greens' support to get the bill through the Senate. Greens leader, Adam Bandt, said he opposed compensating coal companies, and nominally proposed a two-year freeze on electricity bills funded through a windfall tax. But he was confident the Greens could "find a way through" to a compromise position with the government "in good faith."

Last Thursday, the Albanese government also announced what amounts to billion-dollar subsidies for companies producing "green energy." It reached agreement with the state governments on a "capacity mechanism" that will pay renewable energy providers to have their capacity available during certain periods to ensure there are no power shortfalls. Energy Minister Bowen said the scheme would "unleash" $10 billion in investment in wind, solar and battery projects.

These are just the latest profitable deals that the Labor government has struck with energy giants. In September, liquefied natural gas exporters promised to make 150 petajoules of uncontracted gas available to domestic users in 2023, but only at export prices, which have surged to double their previous levels.

Regardless, mining company and financial market representatives denounced the price caps last Friday, rejecting any intervention whatsoever into their lucrative markets. Credit Suisse energy analyst Saul Kavonic said the plan represented "a declaration of war on the gas industry" and would likely trigger a major industry advertising campaign against the policy, like the one against a minimal mining tax a decade ago.

The ruthless gouging of profits by the energy corporations and money markets, on the back of war, at the expense of millions of ordinary people, demonstrates the necessity for socialism. That would place all essential resources and the finance houses under public ownership and democratic workers' control, to be used for social need instead of private wealth accumulation and to avert catastrophic climate change.