Australian “energy relief” plan rushed through parliament

Mike Head
16 December 2022

The fraud of the Australian Labor government’s “Energy Price Relief Plan,” the legislation for which the Greens helped push through both houses of federal parliament in less than nine hours on Thursday, is becoming increasingly clear.

The scheme will effectively subsidise large businesses to the tune of hundreds of millions of dollars, while assisting the gas and coal giants to continue making super-profits. It will do very little, if anything, to ease the cost-of-living crisis being experienced by working-class households and small businesses.

Politically, the plan is an anxious effort by the Albanese government to give the trade union bureaucrats something—the false hope of slightly lower power bills—to continue stifling demands by workers for pay rises to even match the official soaring inflation rate, which is expected to have reached 8 percent this month, after years of real wage cuts.

In reality, the scheme’s main thrust is to slash energy bills for power-intensive large-to-medium sized companies, which agitated and lobbied intensively for the scheme, alongside the trade unions, particularly the Australian Workers Union (AWU), which urged its members to back the demands by employers on the equally false pretext that this would defend workers’ jobs and conditions.

In addition, the Labor government is protecting the super-profits being made by the gas and coal conglomerates on the back of the US-NATO proxy war against Russia in Ukraine, both by setting domestic gas and coal price caps that are still highly profitable and by rejecting calls for a windfall tax on their export bonanzas.

Household energy bills will continue to sky-rocket, having already risen by an average of 23 percent, or $300, since Labor took office in May after pledging to reduce average annual bills by $275 within three years.

Even if the promised price caps on gas and coal prices eventuate—and that won’t be until mid-2023— average household annual electricity bills will rise by $700 by mid-2024 compared to June this year, based on Treasury figures, as calculated by the Australian Broadcasting Corporation. That means an average yearly bill of $1,474 as at June 30 will hit $2,176 by June 2024, despite the government’s claim that the price caps would reduce that increase by $230.

The number of people struggling to pay their power bills is rising already, according to the Australian Energy Regulator (AER). Its most recent market update reported an 11.7 percent increase in electricity customers on financial hardship programs, that is unable to pay their bills.

By far worst-affected were working-class (“low-income”) households, which spent almost double the percentage of their income on energy bills than the average household during 2020–21, according to the same report. The AER said these households were disadvantaged not just by their smaller incomes but also by not being able to afford high-rated power-efficient appliances or rooftop solar installations.

There is no guarantee that the price caps, supposedly for 12 months from next year, will actually last even that long or flow through to working-class households. Labor’s Treasury Law Amendment (Energy Price Relief Plan) Bill instead hands power to the treasurer to make, or end, “gas market emergency price orders regulating prices.”

Treasurer Jim Chalmers admitted that the $12 gas price cap was historically high. He said it had been determined by the Australian Competition and Consumer Commission based on “a reasonable return on capital.”

The bill allocates $1.5 billion to the states and territories, ostensibly to reduce power bills for households and undefined “small businesses.” That is a drop in the bucket. It works out at around $50 per head of population, even if it were to be passed on in full. The bill is silent on the mooted coal price cap—that is also left for the states and territories to decide, and no doubt that process will include compensation for any alleged losses suffered by the coal companies.

Equally politically desperate to give the appearance of offering cost-of-living relief, the Greens gave Labor the numbers to get the bill through the Senate. That was on the basis of a vague uncosted proposal, with no details whatever, for next May’s federal budget to offer “concessional” loans to low-income households to upgrade their appliances and switch from gas to electricity. How these households could afford such loans has not been explained.

Albanese’s pro-business agenda

This is just camouflage for the real pro-business agenda. For all the Labor and Greens rhetoric about providing relief to households, at a media conference yesterday, Prime Minister

Anthony Albanese was at pains to reassure both the energy corporations and nationally-based manufacturing companies that his government was defending their profits. He ruled out following the path of the UK Conservative government, which has implemented a 35 percent energy profits levy.

"We have chosen a modest intervention to make sure Australian manufacturers aren't driven out of business as a direct result of these high global prices… with no increase whatsoever in Australian production costs," Albanese said. Gas companies "that were charging under $10 a gigajoule will now have, for 12 months, a ceiling of $12 in which they can charge. Those businesses were profitable, will continue to be profitable, and they will also gain the windfall gains that are on the international market."

The $12 gas cap is more than double the estimated average production cost of $5 a gigajoule, and well above the $9.20 average price before the Ukraine war. Moreover, the price cap only applies to the domestic market, whereas around 75 percent of gas extracted in Australia is exported as liquefied natural gas (LNG).

As for the coal industry, around 90 percent of black coal produced in Australia goes to exports, which are currently fetching close to $600 a tonne—almost five times the proposed price cap of $125.

Under Labor's plan, the mining giants, on whose exports Australian capitalism depends, will continue to pay ever-lower levels of tax. For example, the Petroleum Resource Rent Tax has dropped from 19 percent of total oil and gas industry revenue in 1992 to just 1 percent in 2020 and corporate tax paid by the sector has dropped from 15 percent in the mid-1990s to just 2 percent in recent years.

Some idea of the scale of the war profits being protected by Labor and the Greens can be gauged from the fact that Shell reported net income of just over $30 billion for the first nine months of this year, almost two-and-a-half times the $12.8 billion it recorded in the same period in 2021.

Australia is the world's biggest exporter of gas, and the value of LNG exports nearly doubled from $30.5 billion in 2020–21 to $70.2 billion in 2021–22. Likewise, research from the Australia Institute found coal export revenue was $112 billion in 2021–22, an increase of 186 percent on the previous year, generating windfall profits of between $39 billion and $45 billion.

The most aggressive lobbyists for the bill were the Australian Industry Group (AIG), which says it represents 600 companies, and the AWU, which partnered with major employers to make their pitch to the Labor government. AIG insisted that members of parliament had to back the legislation after it issued media statements for weeks demanding "price relief" for its major constituents, such as aluminium, fertiliser, chemicals and manufacturing corporations like Orica and Incitec Pivot.

Displaying its corporatist role as an enforcer of employer interests, the AWU joined hands with such companies, tying its members to their profit-making. In November, it sent a delegation of union representatives, including from Queensland Alumina, Boral, Molycop and Oceania Glass, to Canberra to make price cap demands.

In media statements, AWU national secretary Daniel Walton gave some idea of the millions of dollars at stake for these companies. "Workers in the concrete and glass sectors have seen their employers' gas bills rise $20 million in 12 months; members in steelmaking have seen their employers' traditional gas price go from around $10 a gigajoule to around $33," he said.

Walton voiced concern that Snack Brands' gas bill had tripled from $3 million to $9 million a year, Solaris Paper faced a 290 per cent rise in its gas bill and Qenos feared a gas bill of $150 million next year.

Walton's reference to Qenos, a vast multinational plastics firm, exposes the sham of the AWU's pretence that backing employers will protect workers' jobs and conditions. In October, Qenos locked out workers at its Altona plant in Melbourne in a dispute over falling wages, conditions and safety. The AWU pushed the workers back to work without any gains after obtaining a Fair Work Commission order that banned further industrial action.

Not satisfied with the bill's protection, fossil fuel companies like Shell and ExxonMobil and finance houses have condemned the price caps, rejecting any regulation whatever of the lucrative energy markets. "This Soviet-style policy is a form of nationalisation," Kevin Gallagher, the CEO of Australian gas giant Santos, told the *Australian Financial Review*.

Such denunciations, accompanied by threats of investment strikes, actually demonstrate the necessity for socialism. A workers' government would place all essential resources and the financial institutions under public ownership and democratic workers' control, to be used for social need instead of billionaires' wealth accumulation, and to avert catastrophic global warming.