Australian Citizens Party

Craig Isherwood, National Secretary
PO Box 376, COBURG, VIC 3058
Phone: 1800 636 432 **Email:** info@citizensparty.org.au **Web:** citizensparty.org.au

MEDIA RELEASE

25 October 2022

Ideological extortion, not Ukraine, to blame for skyrocketing Australian energy prices

The shocking warning that already-sky high energy prices in Australia could soar by as much as 50 per cent in the next year has nothing to do with the conflict in Ukraine.

Any politician or journalist or economist who says it does is either ignorant or lying.

The official reason for the rise in energy prices is the rising global price of coal and especially gas.

Think about that for a minute: Australians are already paying through the nose, and expected to pay much more, for two commodities that Australia has in abundance, and of which we export enormous quantities … because of events in Eastern Europe?

No, Australians are paying the price for a government policy set more than 40 years ago that used economic ideology to justify ripping off Australians so resource multinationals could make bigger profits.

Here's how it happened.

In 1978, Australia was self-sufficient enough in oil that local fuel prices were much lower than most of the rest of the world—the maximum petrol price in Australia was 21 cents per litre. By contrast, Italians were paying 49 cents per litre, the French and Japanese 44 cents, and consumers in the UK were paying 28 cents. By any measure this was a competitive advantage for Australia, but it was also the free market, where the prices reflected the actual cost of producing the fuel locally.

(The price of coal and gas was also based on local production costs and local demand, combined with the fact that all electricity utilities were state owned, as was the coal and gas, so the inputs were kept as cheap as possible.)

Then-Treasurer John Howard decided that Australians paying Australian prices for Australian petrol and diesel was a problem. He proposed that Australia should adopt "import-parity" pricing—local fuel prices should be set at what it costs to import fuel from overseas. There were two shameless ulterior motives for this proposal: more taxation revenue for the government; and more profits for the oil companies producing oil in Australia. Howard just had to create an economic pretext to swing it.

According to an ABC Business report by Gareth Hutchens on 29 October 2021:

"But Mr Howard said Australian motorists were getting petrol too cheaply. He announced a plan that all Australian-produced crude oil would have to start being sold to local refineries at the same price as it cost to import crude oil from overseas. It meant consumers would have to start paying prices based on world oil prices; they'd no longer be able to enjoy cheap oil from their own domestic supply."

This is what John Howard announced at the time: "Since the OPEC countries quadrupled the world price of crude oil in 1973-74, Australians have continued to enjoy *artificially low prices* for crude oil. While the rest of the world was facing up to the inescapable fact that the days of cheap energy were over, Australians—even after the imposition in the 1975-76 budget of a $2 per barrel production levy—were continuing to pay less than half of the world price for Australian-produced crude oil. Subsidised indigenous oil prices *encouraged a wasteful use* of a key energy resource and inhibited the adoption of more energy-efficient processes and technologies. In recognition of this the government moved last year towards a more realistic pricing policy for Australian-produced crude oil." (Emphasis added.)

Yes, you saw that right: John Howard, of all people, used an ecological argument to justify his ideological economic attack on Australians paying a reasonable price for their own resource.

To underscore how ideological John Howard's argument was, he went so far as to call the lower prices that Australians paid for fuel in 1978 "a *subsidy* to petroleum product users [car drivers] of some $800 million"—subsidy being a dirty word to neoliberals like Howard.

Just to be clear, however, there was no actual subsidy, as the domestic price was the market price based on the actual extraction cost of locally produced oil. John Howard invented a fictional "subsidy" argument by redefining the "market" as the world market, not the domestic market.

By convincing his colleagues to accept his bogus ideology, Howard was able to propose a tax to make Australians pay more for petrol, not for any genuine “market” reason, but so he could net the government an extra $676 million in fuel tax revenue in 1978-79, and generate a windfall for the Esso (Exxon-Mobil)-BHP oil drilling operation in the Bass Strait.

Esso-BHP’s Bass Strait production was extremely low-cost oil, and therefore already very profitable, but thereafter it raked in profits based on the much higher global oil prices.

Australians have been paying for it at the petrol bowser ever since.

Likewise, as gas and coal exports have grown, under the same ideology domestic users have been paying inflated global prices for those commodities too.

In fact, gas has become the biggest rip-off of all: Australia rivals Qatar as the world’s biggest liquefied natural gas exporter, but for many years now Australians have been paying *more* for *our* gas than what is paid by our export customers.

Ideologically twisted successive governments, including the current Albanese Labor government, have used the neoliberal objection to “government intervention” to stand by impotently as the gas cartel has extracted enormous export profits while denying Australians use of our own gas.

In the 12 October 2022 *Australian Financial Review*, Australian Workers Union (AWU) National Secretary Daniel Walton rightly demanded a government intervention:

“The government has a choice: defend the insane super profits that gas exporters are making from the Ukraine war or defend the future of Australian manufacturing and the hundreds of thousands of jobs it supports”, he said.

It’s *our* gas and *our* coal, and the Albanese government could slash all energy prices today by forcing the resource companies to charge *our* domestic prices.

Demand it!