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German workers pay the cost of war as gas and electricity prices skyrocket

A tsunami of price rises is racing toward working class households, spelling ruin for many. After the price of natural gas, which many families use to heat their homes, the price of electricity is now also going through the roof. This weekend, the rebate on gasoline and diesel expires and average producer prices have risen by 37 percent in a year, which will inevitably impact consumer prices.



Gasoline prices soon to rise above two euros a litre again

Experts predict that the official inflation rate at the end of the year will be 10 percent, several times higher than the wage settlements agreed by the trade unions. In this way, the “traffic light” coalition of the Social Democrats (SPD), Liberal Democrats (FDP) and

Greens is forcing working people to shoulder the costs of the Ukraine war, which it intends to continue (in the words of Ukrainian President Zelensky) until complete “victory” over Russia.

Meanwhile, the energy companies are celebrating a profits bonanza. Previously unimaginable record prices on the energy exchanges are bringing them speculative profits in the billions. On the European Energy Exchange (EEX) in Leipzig, the price for a megawatt hour of electricity climbed to over €550 last week. That is a good 2,000 percent more than a year ago. At that time, the price fluctuated between €20 and €80 per megawatt hour (MWh). In France, over €1,000 per megawatt hour was even offered on the futures market.

High speculative profits are also being made on natural gas, which has become extremely scarce due to the sanctions imposed on Russia and the non-operation of the Nord Stream 2 pipeline. European futures reached a record €292.50 per MWh on Monday. The average gas prices in the European Union have thus doubled in just one month and are 14 times higher than the average value of the last 10 years.

The energy companies’ orgy of enrichment takes place with the blessing of the traffic light coalition. It introduced a gas surcharge that compensates intermediaries for the difference between high stock market prices and the previous low import prices for Russian gas and thus flows directly into the bank accounts of the large energy corporations. It is levied on all gas customers as a kind of war tax. For a family household with a consumption of 15,000 kilowatt hours per year it means an additional burden of around €400. Added to this is the rising gas price, which is horrendous, especially for new customers.

So far, 12 companies have filed claims for compensation from the gas levy, totalling €34 billion. That is more than the sum of the two “relief packages” adopted by the German government this year to ease the burden of inflation.

Among them are groups that operate as both intermediaries and energy suppliers and report high profits. OMV, for example, made a profit of €5.6 billion and Gunvor €2 billion in the first half of 2022. Both have applied for money from the gas surcharge. Uniper, which is the biggest importer of Russian gas to date and claims around two-thirds of the

gas levy, had been split off in 2016 from energy group E.ON, which made a profit of €5.3 billion last year.

The German government explicitly supports the enrichment of energy companies. Asked why profitable companies could also pocket the gas levy, Susanne Ungrad, spokeswoman for Economics Minister Robert Habeck, replied at a press conference on Tuesday: “Our position is that a company must also make profits.”

A windfall tax, which would skim off at least part of the horrendous profits, is being strictly rejected by the traffic light coalition. With the gas surcharge, it is doing the opposite—financing the billions in profits of corporations with money that it extracts from working class households via the utility bill.

What the explosion in energy prices means for individual households can currently only be estimated.

Households that heat and cook using gas will face triple-digit price increases due to the gas surcharge of 2.4 cents per kilowatt hour, despite the subsequently announced reduction in value added (sales) tax. From October, two further levies will also come into force: 0.57 cents per kilowatt hour for so-called balancing energy costs and 0.06 cents for filling gas storage facilities before winter, which means an additional annual burden of more than €100 for an average household.

The biggest cost increase, however, comes from the rise in the price of gas itself, which experts say has by no means peaked. According to the Federal Statistical Office, power plants paid 235 percent, industrial consumers 195 percent and resellers 187 percent more for natural gas in July than a year earlier. It is only a matter of time before these increases are fully passed on to private households. For new customers, this is already partially the case.

The price increases for electricity are just as dramatic. The consumer comparison website Verivox assumes that the average price in the coming year will be over 45 cents per kilowatt hour. That would be around 50 percent more than in the last three years, when the average price ranged between 30 and 32 cents.

Some energy suppliers have already raised their prices. For example, EnBW customers will have to pay 31.1 percent more for household electricity under the basic tariff from October. Verivox registered 123 price increases from basic suppliers for August, September and October, with an average increase of 25 percent. For a three-person household with a consumption of 4,000 kilowatt hours that means on average annual additional costs of €311. Check24, another comparison website, reports a price increase of 47.4 percent.

Here, too, the peak is far from being reached. In addition to the high price of natural gas, which is used to generate about 13 percent of Germany's electricity, other factors are contributing to the rise in electricity prices. The extreme drought has led to the failure of hydroelectric power plants and cooling systems. Coal and oil for power plants can no longer be transported on rivers due to low water levels. In France, which gets 70 percent of its electricity from nuclear power, 29 of 56 nuclear reactors are currently idle because they cannot be properly cooled or need urgent maintenance. The country, which otherwise exports electricity, is currently importing larger quantities of gas-generated electricity from Germany.

The electricity supply is also particularly susceptible to crises because it cannot be stored in large quantities and even minor voltage fluctuations can lead to the failure of computer networks and internet applications or even to the collapse of power grids. Grid operators are therefore urgently dependent on buying the required quantities as the need arises to meet demand, which makes the power exchanges correspondingly susceptible to speculation. The current crisis underscores how absurd it is that a basic social necessity such as the supply of electricity is subject to private profit interests and is at the mercy of speculators.

The rise in energy prices is only the tip of the inflation iceberg. According to the Federal Statistical Office, overall producer prices in July were 37.2 percent higher than a year earlier. Although energy prices contributed the most, with an average increase of 105 percent, producer prices of consumer goods also rose sharply by 16.2 percent. Food items were as much as 21.1 percent more expensive than a year earlier—butter 75.2 percent, milk 32 percent, coffee 31.6 percent and meat 23.5 percent.

Gasoline prices will also climb above €2 per litre again in September when the fuel rebate, the three-month reduction in energy tax, expires. The €9 ticket, enabling travel throughout Germany on local and regional trains, also ends this month. For working people who rely on their cars or public transportation, this means yet another painful burden.

The price explosion is a direct consequence of the proxy war that NATO is waging against Russia in Ukraine. Although Germany's energy supply was heavily dependent on Russian gas supplies, for which no substitute was available for the foreseeable future, the German government decided to isolate Russia economically and not bring the completed Nord Stream 2 pipeline into operation.

The Ukraine war was not triggered by President Putin's decision to attack the country militarily, as reactionary and short-sighted as this was. The US, Germany and other Western powers had been systematically preparing and provoking it since 2014, when they brought a pro-NATO regime to power in Kiev through a right-wing coup and massively rearmed the country. Now, they are sabotaging any approach to a negotiated settlement, supplying billions worth of weapons, and directing the war in the background.

Their stated goal is not to let up until Russia is defeated and they can subjugate, divide and plunder the giant, resource-rich country, even at the risk of a nuclear world war. Germany's ruling circles are using the war to carry out their long-cherished rearmament plans and to triple military spending.

As in every imperialist war, the working class is being made to bear the cost—with their standard of living, their democratic rights, and their lives. This must not be allowed to happen. Only an independent movement of the international working class can prevent this, combining the struggle against the destruction of living standards, against wage, job and social cuts with the struggle against war and with a socialist offensive to overthrow capitalism.

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