Rising fuel costs in US punish consumers, boost profits for big oil companies

By Joseph Kay
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Heating and electricity costs continue to escalate throughout the United States and Canada, the result of the deregulation of the energy market over the last decade. The big oil and natural gas conglomerates have brought in record profits from the high prices associated with reduced fuel supplies. The burden of these high prices is being shifted onto the backs of consumers and homeowners, especially those least able to pay the larger bills.

In the Midwest, home heating costs are expected to double in some areas in the next few months. Michigan's two largest natural gas providers—Consumers Energy Co. and MichCon—have announced plans to increase consumer prices in April. As with California's PS&G and Edison, these providers function as middlemen between the giant energy corporations and consumers. As part of the deregulation that was carried out in Michigan in 1998, the state mandated that consumer costs remain fixed for a period of three years. For the state's two largest providers this period will end on March 31 and December 31 respectively. As energy prices have risen, these corporations have suffered losses, which they now aim to pass on to consumers.

Consumers Energy has announced that it will double its rates beginning April 1. The average annual residential energy bill is expected to increase from $346.48 to $694.18. Although price restrictions for MichCon are not due to expire until the end of the year, it is petitioning the state for the ability to break its current contract and raise prices concurrently with Consumers Energy. If its petition is approved, average residential rates are expected to approach $700 a year.

Even moderately higher energy bills will have serious consequences for those already struggling to keep up with payments—particularly in inner-city poor areas as well as isolated rural towns. Utility companies regularly shut off gas for nonpayment, affecting thousands of people in cities such as Detroit. Though there are legal restrictions that limit such action during the winter months, the companies routinely cut off services to poor residents immediately preceding or following the protected period, when Midwestern temperatures are still cold, and the shutoff remains in effect the following winter. Government programs for aiding bill payment are extremely limited, and have been reduced over the past decade.

In addition, a doubling of heat bills will increase the danger of house fires, many of which are set off when residents attempt to heat their homes by unsafe means after gas is cut or heating oil runs out. The majority of those unable to pay heating bills are families with young children. Increased heating costs force families to increase debt or choose between heating their homes or purchasing enough food or medicine.

High natural gas prices throughout the country are partially an effect of the energy crisis in California. The burning of natural gas produces almost half of that state's electricity. Energy corporations have shifted supplies to California in order to take advantage of the extremely high prices there, producing tighter supplies and higher prices in other states.

The spreading energy crisis has provoked concern within sections of the American elite. Federal Reserve Chairman Alan Greenspan has voiced alarm that high energy prices may contribute to the general downturn of the American economy. His statements were in part a response to the attitude of the incoming Bush administration, which has spoken out against federal involvement in solving the crisis.

While some politicians have been calling for a moderate increase in regulation, the dominant response among the ruling elite to the energy crisis has been for an immediate increase in consumer prices. In an editorial in the *New York Times* on Saturday , for instance, the paper castigated California officials for not clearing the way for the utility companies to hike prices. “Unfortunately, California's political leaders seem afraid to lift the caps on the retail price of electricity, lest angry consumers retaliate against them at the polls,” the paper declared. The editorial concluded by urging authorities to “muster the courage and intelligence to set matters right before its problems engulf the rest of us.”

The most direct beneficiaries of price hikes are the giant oil and gas corporations, which sell fuel to providers such as MichCon in Michigan, Edison and PG&E in California, among others. Companies such as Chevron, Exxon Mobil and Texaco, which have long lobbied for deregulation, are bringing in enormous profits as prices soar. There is evidence that the current crisis is due in large part to the systematic reduction of supplies carried out by these conglomerates after the deregulation of the 1990s.

Exxon Mobil's profits increased 90 percent in the fourth quarter of last year, to $5.12 billion, a record for a US company. The corporation also beat the yearly US earnings record, with earnings of over $16 billion. Chevron's earnings rose to $1.54 billion, an increase of 88 percent, while profits for both Texaco and USX Marathon more than doubled. Conoco, the country's fourth largest oil and gas company, announced last Monday that its profits rose by 77 percent. These companies have benefited from the California crisis as well as the increased oil prices associated with cuts in oil output from OPEC countries. The newly reported earnings beat out Wall Street estimates, and have led to a general surge in their stock values.

Other companies, such as Duke Energy, Dynergy and Enron, which buy from companies such as Exxon and sell to companies such as MichCon and the California utilities, have also benefited from high prices. Both Dynergy and Duke recently announced 100 percent profit increases for the fourth quarter.
