

Australian Labor government pitches for business backing with huge aluminium subsidies

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Facing deepening working-class discontent and a possible election defeat, the Labor government is pouring billions more dollars into corporate subsidies. It is making a renewed bid for big business support while pursuing its nationalistic “Future Made in Australia” agenda which is bound up with preparations for a US war against China.

Prime Minister Anthony Albanese on Monday pledged \$2 billion in “Green Aluminium Production Tax Credits” over 10 years for the global conglomerates that operate Australia’s four surviving aluminium smelters, ostensibly based on them converting to renewable energy for their massive electricity needs.

No legislation will be required to provide these huge handouts. Instead, they will be made via new contract deals with the companies, whose mammoth electricity supplies are already heavily subsidised by the federal and state governments.

Labor’s announcement is a fraud, based on misleading promises of meeting greenhouse gas emission targets and providing “well-paid jobs for Australian workers.” It is also a signal of the basic thrust of Labor’s campaign for the federal election that Albanese must hold before mid-May—a bid to keep outdoing the Liberal-National Coalition opposition in satisfying the profit demands of the transnational giants and investment funds.

No details were released of the exact amounts of taxpayer cash to be handed to the companies for each tonne of “green aluminium” they make in the decade to 2036, yet to avoid threatened closures, the handouts will exceed the government subsidies currently provided to keep the smelters open.

The conglomerates involved are Australia’s largest users of electricity. Their smelters collectively consume about 10 percent of the continent’s total east coast supplies. Their existing subsidies are closely kept secrets, hidden behind commercial-in-confidence contract claims, but the companies are variously estimated to pay only about a third

of the price charged to other large industrial users.

This is corporate welfare on a grand scale. Rio Tinto, a British-Australian multinational company that is the world’s second largest metals and mining corporation, substantially owns two of the smelters, at Gladstone in Queensland and Bell Bay in Tasmania. Its net profit totalled around \$11 billion last year, a rate of investment return of nearly 20 percent.

Alcoa, an American corporate that is the world’s eighth-largest producer of aluminium, operates and owns 55 percent of the smelter at Portland, Victoria. It is a joint venture with CITIC, one of China’s largest conglomerates, (22.5 percent) and Japan-based Marubeni Aluminium Australia (22.5 percent). Alcoa alone recorded a net profit in 2024 of around \$250 million.

The fourth and largest smelter, at Tomago, north of Sydney, is a joint venture between Rio Tinto, CSR and Hydro Aluminium. CSR, a major Australian building products company, with a net profit of \$240 million in 2024, was acquired by French multinational Saint-Gobain, a global building materials giant, in February 2024. Hydro Aluminium is a Norwegian conglomerate, also one of the largest aluminium producers in the world.

Far from ensuring well-paid jobs, aluminium smelting operations have been repeatedly restructured to boost profits at the expense of workers’ jobs and conditions. Production has been cut by about one-fifth in recent years, with two smelters closed, destroying nearly 2,000 direct jobs: Norsk Hydro’s smelter in Kurri Kurri, near Tomago, in 2012, and Alcoa’s at Port Henry, near Melbourne, in 2014.

Most recently, last January Alcoa shut down its refinery at Kwinana, near Perth in Western Australia, eliminating at least 750 direct jobs. Together, the four remaining smelters account for less than 13,500 direct and indirect jobs, according to the Aluminium Council, the employers’ body.

As for “green” energy, one obvious question is: Where will it come from? Much of Australia’s baseload electricity

still comes from coal-generated power stations. Fossil fuels altogether contributed 65 percent of total electricity generation in 2023, including coal (46 percent), gas (17 percent) and oil (2 percent).

As well as bigger subsidies, the aluminium companies have demanded greater government infrastructure spending, including in building transmission lines from renewable energy sources.

For all Labor's claims to be aiming to cut emissions by 43 percent by 2030 and achieving net-zero emissions by 2050—itself totally inadequate to combat disastrous global warming—this government has approved 28 coal and gas projects since taking office in May 2022. Its so-called climate change response features expanding gas mining, falsely depicting this as a “transition” to zero emissions.

In fact, emissions are higher under Labor than they were under the previous Morrison Coalition government (440.6 million tonnes in the past year, compared with 438.4 million tonnes in the Coalition's final year). That does not even count the emissions—among the largest in the world—generated by exporting fossil fuels.

Monday's announcement brings to more than \$15 billion the handouts that the Albanese government has pledged to deliver to some of the largest and most lucrative mining-related operators in the country. These subsidies are mainly focussed on extracting and refining strategic resources such as critical minerals, most of which are currently exported to China for processing.

In its 2024 budget, the government promised \$13.4 billion in production tax credits for “green hydrogen” and critical minerals. These primarily benefit projects owned by Australia's richest billionaires, Gina Rinehart and Andrew Forrest, along with fellow Western Australian billionaire Chris Ellison.

Earlier this month, the Albanese government increased its commitment to the Rinehart-backed Arafura Rare Earths company through a \$200 million equity investment from Labor's \$15 billion National Reconstruction Fund. This will take taxpayers' exposure in the company to more than \$1 billion.

Urged on by Washington, the government hopes that this and other proposed projects will help break China's alleged stranglehold on global critical minerals supply. Chinese companies currently control about 80 percent of the refining of rare earth oxides, which are essential for advanced weaponry as well as industrial technology.

The US Department of Defence also recently awarded a \$US258 million grant to Australian mining company Lynas to assist it to build a refinery in Texas that would process “heavy” rare earths such as dysprosium and terbium.

Those agitating for and backing the aluminium handouts

represent a corporatist coalition. It features Rio Tinto Australia chief executive Kellie Parker, Australian Workers Union national secretary Paul Farrow, Australian Manufacturing Workers Union boss Steve Murphy and the big business Investor Group on Climate Change.

Environmental groups are also on board. Australian Conservation Foundation climate and energy program manager Gavan McFadzean said the announcement was good news.

According to corporate media reports, the government intends to reconvene parliament for two weeks, starting on February 4, to push through legislation to authorise the “green hydrogen” and critical minerals subsidies. Labor is seeking to capitalise on the Coalition's opposition to some of these measures as excessive government spending.

For its part, the Coalition is pitching for small and medium business backing. Over the weekend, Coalition leader Peter Dutton unveiled a policy to give tax write-offs to businesses with annual turnovers of up to \$10 million. They would be able to claim company tax and Fringe Benefit Tax exemptions for up to \$20,000 a year for what is vaguely described as “business-related meal and entertainment expenses.”

All these handouts are being offered under conditions of an historic assault on working-class living standards through real wage cuts, a cost-of-living crisis and soaring rents and home loan payments. At the same time, according to the latest annual Oxfam inequality report, Australia's billionaires, led by Rinehart, increased their wealth by 8 percent, or \$28 billion, in 2024.

This social polarisation is intensifying a political crisis. The latest *Australian Financial Review*/Freshwater Strategy poll again pointed to the likelihood of an unstable minority government being formed after the looming election. It reported little movement in public opinion over the summer, except that Albanese's popular support has fallen to the same level as Dutton, a widely-reviled figure. Albanese's net approval of minus 18 was the lowest since he took office in May 2022.

Labor's response is to step up its bid for corporate backing, together with its embrace of the fascistic Trump administration and support for US militarism globally, including the ongoing arming of the Israeli onslaught on the Palestinians.



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