

Suite 201 T: + 61 3 9929 4100
18 Kavanagh Street F: + 61 3 9929 4101
Southbank VIC 3006 E: info@cleanenergycouncil.org.au
Australia www.cleanenergycouncil.org.au
ABN: 84 127 102 443



21 July 2008

Senate Standing Committee on Environment, Communications and the Arts
PO Box 6100
Parliament House
Canberra ACT 2600

Email: eca.sen@aph.gov.au

Dear Sir / Madam

Save Our Solar (Solar Rebate Protection) Bill

The Clean Energy Council (the Council) is Australia's national clean-energy industry peak body, formed in 2007 through the merger of the Australian Business Council for Sustainable Energy (BCSE) and the Australian Wind Energy Industry Association (Auswind). With a membership of over 450 businesses, the Council covers a quarter of Australia's total electricity production including gas, wind, hydro and bioenergy; and the spectrum of business in the low-emission energy and energy efficiency sectors including solar PV, solar hot water, biomass, geothermal and cogeneration. Our members are committed to tackling climate change, while developing financially viable businesses operating and a robust clean energy industry.

The Council thanks the Senate Standing Committee for the opportunity to make a submission with respect to the application of a household means test to the solar rebate scheme.

The Council contends that the PV industry in Australia requires long term certainty so that investment and growth can occur in a secure business environment.

The imposition of the mean test has created significant uncertainty in the industry, impacting on investment, jobs, and ultimately the take up of solar panels by households which has a direct impact on greenhouse gas abatement.

Following the announcements made in the budget in May 2008, the Council worked with its industry representatives to determine the most appropriate program to provide both certainty and stability for the industry going forward. It was agreed that the Council should continue to advocate for:

- A rebate of \$8 per watt up to a maximum of \$8000, restricted to households with an annual taxable income of less than \$150,000, and \$4 per watt up to a maximum of \$8000 for households above \$150,000.
- The industry transition from a rebate scheme to a gross national feed in tariff which is to be put in place by 1 July 2009.

It is both the Council's, and the industries view that it a Gross National Feed in Tariff is necessary to provide the ongoing certainty required for the industry to expand and reach its full potential over time. It is acknowledged that rebate type schemes are always vulnerable to budgetary considerations, and a Feed in Tariff will provide more sustainable support to both industry and households. In the interim however a robust rebate scheme provides scope for investment and growth while the mechanisms of gross feed in tariff are put in place.

The Clean Energy Council and its members seek to work constructively with the Government to ensure a strong and viable PV industry in Australia into the future, and one that can make a significant contribution towards the abatement of greenhouse gases and the impacts of climate change.

Responses to the specific terms of reference to this inquiry are provided as an attachment to this letter.

If you are seeking clarification on any of the issues raised in this paper or answers to any questions that arise, please do not hesitate to contact me or the Council's General Manager Policy, Mr Rob Jackson on ph. (03) 9929 4105 or email rjackson@cleanenergycouncil.org.au.

Yours sincerely,



Rosemary Warnock
CEO

**SENATE STANDING COMMITTEE ON ENVIRONMENT,
COMMUNICATIONS AND THE ARTS**

**Save Our Solar (Solar Protection Rebate) Bill 2008 – Terms of Reference
to Inquiry**

a) The impact of the means test threshold of \$100 000 on the \$8 000 solar rebate per household on the solar industry

The establishment of a household income threshold for the solar rebate has had a significant impact on the industry.

In the two weeks following the budget announcements, the industry reported a decline in the number of orders, with orders from households no longer meeting the threshold requirement being cancelled. In addition, staffing impacts were also reported with new employees not being engaged as a result of the uncertainty, casual staff laid off, and contractors having hours reduced.

Industry representatives have confirmed that this impact has continued to date, although it is noted that the impact has varied greatly depending on the mix of off grid and grid connected business, demographics and location. Reported impact on the number of orders has varied from 0 – 80%.

b) The effect on the uptake of solar panels by Australian households, comparing state-by-state results;

Industry representatives have reported that the uptake of solar panels by Australian households has declined for those families that no longer meet the threshold requirements, although in some areas there has been an increase in the uptake as the publicity generated in the media by the budget announcement. This uptake is however reported to be slowing.

c) The impact on the number of applications for the \$8 000 since the budget decision to impose the means test;

The Clean Energy Council does not have access to data on the number of applications made to the Department as this is not information that has ever been made publicly available, either before or after the establishment of the means test.

Only data relating to installations is made public.

d) The impact on jobs in the solar industry, comparing state-by-state results;

Industry representatives reported an impact on jobs in the industry as a result of the decision made in the Federal Budget. Data collected in a

sample of twenty member companies in the two weeks following the budget announcements advised of the following employment impacts:

- Decisions to engage staff had been put on hold or abandoned;
- Contractors and staff had hours reduced; and
- Staff had been let go.

This has been confirmed again recently by some industry representatives who advise that in areas where there has been a profound negative impact (in the order of an 80% reduction in volume of work) there has been a reduction in staff numbers or at the very least, a halt to further investment in the business and a review of existing resources.

Some installers are selling systems at very reduced prices to clear out stock and are not restocking product. Therefore the full employment impact may not yet have been felt as discounted systems and completion of orders that were in the pipeline have negated for some businesses, the need to immediately lay off staff.

e) the impact on emissions reductions as a consequence of this decision, comparing state-by-state results;

Systems that are eligible to attract a systems able to attract a rebate are up to 2kW. A 2kW PV system saves on average 3.2 tonnes of greenhouse gases per annum. Therefore, for every system equivalent to 2kW not installed as a consequence of this decision, the impact on emissions reduction will be up to 3.2 tonnes per annum of greenhouse gases not saved.

f) the consultation that occurred within government, including departments and agencies, prior to the decision and the input of each department and agency on the measure;

The Clean Energy Council was not consulted in the lead up to this decision being made. Nor is it aware of any of its members being consulted. The Clean Energy Council on behalf of its members wrote to the Government highlighting concern that the rebate scheme, as it was then structured, would expend its allocated budget prior to the end of 2008 due to the significant increase in take up by households. The suggestions made by the Council on behalf of its members to address this issue were not taken up by the Government.

The Council is keen to work constructively with Government to ensure a strong and sustainable Australian PV industry.

g) The economic and environmental modelling underpinning the decision to impose the means test;

The Clean Energy Council is not aware of, and has not had access to any of the economic and environmental modelling that has underpinned the Governments decision.

h) the extent of the discussion prior to the decision with the solar panel industry on the impact of the decision;

The Clean Energy Council was not consulted prior to the decision and is not aware of any discussions that have occurred with its industry members.

i) the future viability of, and effects on, the solar industry as a result of the means test;

Some sectors of the industry have been significantly impacted by the decision to means test the rebate scheme.

The future viability of the industry could be addressed with the prompt introduction of a gross National Feed in Tariff, as this will provide the long term certainty that the industry requires to ensure ongoing investment and growth.

The gross FIT needs to be applied to both the residential and commercial sector. Bringing forward investment from the commercial sector is paramount to enabling the industry to move down the cost curve.

j) The impact on the Solar Cities programs at various sites around Australia and other related programs;

Industry representatives would like to highlight that there has been an impact on both the Solar Cities program and RRP GP as a result of the imposition of the means test.

Specific examples of Solar Cities impacted included Adelaide and Blacktown. Industry representatives have advised that the intention of this program when introduced, was to inform future energy policy through providing a stream of data and learnings over the life of the program. If annual changes are introduced, the benefit of this data will be negated as it will not be comparable, and therefore not useful in informing future energy policy.

In addition it was advised that there is confusion in the marketplace with respect to RRP GP and the means test, and a view that the means

test applies to this program as well. This issue must be addressed to ensure that this program is not negatively affected going forward.

k) Other relevant matters

The Clean Energy Council on behalf of the PV industry in Australia seeks the introduction of a gross national feed in tariff by 1 July 2009. It is considered essential for the growth of the industry that both the residential and commercial sectors are included in a gross feed in tariff scheme, and that the industry transition from rebate style subsidy. The inclusion of commercial sectors in such a scheme will enable industry to address cost over time.

In scoping the structure of the Feed in Tariff, the Council requests robust and regular consultation between Government and industry to ensure that the mechanism that is put in place is sustainable and provides the necessary incentives to support industry development for the PV sector.

The expansion of a feed in tariff beyond just solar to other technologies such as wind energy also requires consideration.

In addition, a review of the structure of the rebate system is requested in accordance with the industries agreed position, namely:

- A rebate of \$8 per watt up to a maximum of \$8000, restricted to households with an annual taxable income of less than \$150,000, and \$4 per watt up to a maximum of \$8000 for households above \$150,000.

A review of the need for an ongoing rebate after the 1 July 2009 when the gross Feed in Tariff is introduced is also suggested, this review should be undertaken with the involvement of the PV industry in Australia to ensure a smooth transition to performance based incentives.