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

29 July 2008

Inquiry into solar rebate and feed-in tariff s

Dear Committee Members,

EcoTasmania Inc is a Tasmanian based not-for-profit business venture specialising in sustainable technologies and community education programs that support the transition to a low carbon economy.

Solar hot water program:

To date our primary acquisition focus has been solar hot water, this being, until recently, the optimal means by which households can significantly address their power usage and greenhouse impact through technology acquisition – i.e. the 'low hanging fruit'.

During the past two years we have been actively involved in community programs to install solar hot water systems into Tasmanian homes. That exercise has resulted in a strong uptake, particularly amongst citizens who 1) show strong concern about climate change and 2) who have the financial means to act on their concern by installing solar hot water. To date there has been a very low uptake amongst households in lower socio-economic areas – except where local government programs have facilitated it.

(We have had some concerns about limitations and inequities imposed by the federal government $1,000 rebate and also limitations of the Renewable Energy Certificate system, although these matters are not the subject of this inquiry.)

Solar photovoltaic program:

This year was to see our entry into community-based solar photovoltaic acquisition, strong interest being shown for this technology amongst our clientele. We are observing the market closely to assess the opportunities and are naturally disappointed in the government's rebate policy change.

We submit that the configuration of federal government rebate program is absolutely crucial to uptake of solar photovoltaic and therefore have a keen interest in the outcome of this inquiry.

We submit that there is no reason to differentiate between the demographic interest in solar hot water and solar power. At this point in history those people who show key interest in both these technologies are clearly those who show high concern for environmental values, those who have access to higher education, and those who have the means to conceivably afford to install them.

Where rebates are not generous enough to reduce the payback to a reasonable timeframe, the uptake to date has mainly been by middle class, alternative minded people who are not particularly wealthy but demonstrate a very high level of environmental commitment. This community sector is limited to a small proportion of the population, and is quick to reach saturation point.

A second high-interest sector includes those who have enough affluence to temper their lifestyle by installing solar. With rapidly escalating concern over climate change, this sector is relatively large and growing rapidly but tends to be very astute with investment choices. Typically, this is the over $100,000 income bracket that has been excluded by the recent government policy decision. We can say categorically, this comprises the lion's share of potential uptake in the near future and ought to be the target market until strategies and financial streams are devised that can make solar uptake attractive to the broader population.

Lack of affordability defines the broad sector of society showing least interest in acquiring solar technology. These citizens are compromised by money to the extent that even where they have concern about climate change, they tend to act only if financing schemes deliver most up-front investment cost and payback period is very low.

We assert that the solar photovoltaics and solar hot water rebates should not be seen primarily as issues of social equity. Their key purpose is to increase the uptake of renewable energy and reduce carbon emissions. In fact, if higher income household install solar, this reduces the imperative for lower income households to reduce carbon emissions. The primary goal of the rebates is to reduce overall carbon emissions and increase the overall use of renewable energy.

The $100,000 threshold and Tasmania:

We submit that by barring the prime market from access to the federal solar rebate is regressive, unless other very strong attractions are put in place to broaden the appeal of solar acquisition to sectors that presently show little or no interest.

The short to medium term effect of this change of policy is to curtail solar acquisition, even where compensatory government policies are in place to gradually increase affordability and knowledge in lower income sectors.

In Tasmania where there is a very high level of environmental awareness, solar take-up is more motivated by morality than by finance. However, Tasmanians have comparably less wealth so the federal government rebate arguably disenfranchises a

smaller proportion of the population. However, we submit categorically, that the highest level of interest for solar power is in the category of those whose combined income is above the $100,000 threshold.

National feed-in tariff.

Notwithstanding the above comments, we submit that the existing federal solar rebate is necessarily a temporal measure to enhance solar uptake pending the establishment of more comprehensive nationwide policy framework.

In that context, we submit that the national government's signing of international agreements and protocols on climate change requires our entire nation to act in concert in order to give practical effect to national abatement targets that we, as a nation, sign up to. Without an adequate national policy framework binding all states to a common policy the national government is not only unable to give effect to its abatement targets, the states are inhibited to act owing to perceived or real commercial competitiveness.

Indeed, the federal government has reserve constitutional powers to enable it to commit to its binding international agreements but we believe it best to gain state cooperation in agreeing to a national feed-in tariff.

We submit that the national feed-in tariff is vital in the medium to long term because it will eventually obviate the need to offer a for a one-off rebate, with one stroke it will advantage all potential households with fairness, it will remove idiosyncrasies caused by differing policies being set by all seven Australian jurisdictions and it will provide a powerful boost to sustainable industry sector.

Like the existing MRET target, a feed-in tariff has the attraction of enabling the energy market to find its own feet, albeit subject to a mandate. The government does not intercede with finance. A government mandate is necessary because the market is otherwise compromised by the larger traditional players.

Rather than seen to be an impost on industry, a feed-in mandate should be regarded as a powerful means to support the energy sector and assist its shift towards renewables.

A key policy goal for the government rebate in 2008 must be to assist in establishing the commercial infrastructure on the ground to enable the rapid implementation of carbon pollution reduction strategies and renewable energy proposals in the future. This will particularly be the case as new carbon policies and initiatives take effect with carbon trading. The rebate for higher income households can assist in ensuring multiple commercial players come into the market now ready to provide the on the ground infrastructure.

The new businesses which the subsidy supports include solar pv or hot water manufacturers and suppliers but, as importantly, electricians and plumbers. From experience, buy up of solar equipment is presently very much constrained by the small numbers of trained people that are available install them. Securing and training enough plumbers and electricians will take years and is a slow process. The rebate assists in bringing these trades up to speed to take their important role in carbon

reduction strategies.

Feed-in mandates

We are aware that since the 1980s various United States state legislatures have established mandatory feed-in tariffs to help support the now strong solar and wind energy sectors - but there has been limited overall control exerted by the national government

Germany's national feed in tariff (a fixed price of 8.49 eurocents per kilowatt-hour) is exemplary and demonstrates the commercial gains that can be realized through such government policies. Germany now produces about half of all the wind turbines in the world, and a third of all solar PV cells. The government says that since 2000 solar technology has gone from a 450 million euro-per-year business to a 4.9 billion euro money machine.

Re-investment levels are high, and more than 50,000 Germans have jobs from the highest research levels down to factory support staff. These gains have been made via a range of policy measures, a national feed-in tariff being vital at this stage.

In Australia, we submit that a guaranteed 'above-market' feed-in tariff is highly desirable. Aside from supporting the emerging solar energy sector, it will also help to resolve the shortfall of power output envisaged as more polluting, less efficient power plants are phased out of the market. By incrementally growing dispersed electricity production from an early date Australia's energy security will be strengthened so that we can ameliorate the inevitable shocks that climate change policies will bring about in coming decades.

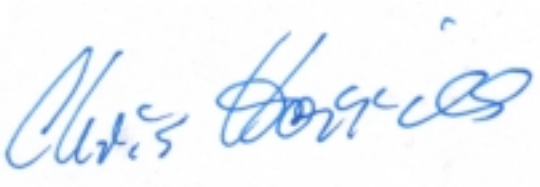
Conclusions:

We wish to make a strong case for the following government initiatives:

1: In the short term, restore access to the solar photovoltaic rebate to the target market - those receiving over $100,000 income per annum.

2: Set a sunset date on that rebate policy, pending the introduction of more comprehensive carbon market and feed-in tariff laws.

3: Foreshadow a national feed-in tariff mandate, and a mechanism to bring such a policy into effect as soon as practicable.



Chris Harries (on behalf of Ecotasmania Management)
29 July 2008