



The Hon Peter Garrett AM MP

Minister for the Environment, Heritage and the Arts

C08/29959

Mrs Julia Irwin MP
Standing Committee on Petitions
PO Box 6021
House of Representatives
Parliament House
CANBERRA ACT 2600

Dear Ms Irwin

Thank you for your letter of 4 December 2008 concerning a petition on the means test under the Solar Homes and Communities Plan (SHCP).

The Australian Government is strongly committed to helping Australians take practical action to tackle climate change and to building a vibrant renewable energy industry, including a competitive solar industry.

The Government introduced a means test of \$100,000 for household rebates under the SHCP to ensure that funding is targeted towards those Australian families who most need assistance with the high upfront costs of photovoltaic systems.

Since the means test was put in place, demand for household solar power rebates has increased to record levels, higher than at any point in the history of this program. In the six weeks leading up to the introduction of the means test, my Department was receiving an average of 365 rebate applications per week. This has increased to an average of over 900 applications per week. This increase in demand can only result in a significant increase in work for solar installers and increased employment and certainty in the industry.

As members of the Committee would be aware, in 2008-09, the year of the Government's first Budget, more Federal funding for solar power and installation of solar power systems was provided than in any year in Australia's history.

Through the Solar Homes and Communities Plan (SHCP), the Government committed \$150 million over five years to provide rebates for the installation of solar PV systems. In response to significant demand for the program, the Government has increased the available budget to \$260m and the original five-year commitment will be delivered in less than two years. As a result, under the Government there will be more installations of solar PV systems onto Australian rooftops in the 2008-09 financial year than in any previous year and the SHCP remains open for applications.

In December 2008, the Government announced details of its target to source 20 per cent of Australia's electricity from renewables by 2020, representing an almost fivefold increase in Australia's existing renewable energy target. Within this target, the Government also announced new 'Solar Credits' which will replace the Solar Homes and Communities Plan as the Government's primary means of supporting the installation of household solar power systems in 2009.

From 1 July 2009, Solar Credits will provide first-time solar PV installations with a subsidy five times greater than large-scale renewables, up to the first 1.5 kilowatts of installed system capacity.

Solar Credits will provide a clear pathway for future growth in the solar industry, based in legislation. The new scheme will not be means tested and will be open to households, schools, communities, businesses and developers for first-time installations at premises. Any purchaser of a new micro-generation unit that meets Australian standards and is installed by an accredited installer will be eligible, including small-scale wind and hydro.

Solar Credits will provide a higher subsidy in areas of Australia where solar systems produce more renewable energy and therefore a greater environmental benefit. The actual value of this incentive will depend on the geographical location of the installation and the value of Renewable Energy Certificates (RECs) at the time but in much of Australia this is worth approximately \$7,500 based on current REC values.

The SHCP will transition to the Solar Credits scheme during 2009. In the meantime, the Government is continuing to meet demand under the SHCP and will work closely with industry on a smooth transition to the new arrangements.

The petition refers broadly to the Government's actions in relation to building a sustainable future and supporting small business. In addition to the ongoing record levels of demand and funding for the SHCP, the Government's commitment to the solar industry and to energy efficiency was further strengthened on 3 February, with the announcement of the \$3.9 billion Energy Efficient Homes package. This unprecedented investment includes providing ceiling insulation to around 2.7 million Australian homes – most of them free of charge – and increasing the current Solar Hot Water Rebate from \$1,000 to \$1,600 and removing program's previous means test.

The Energy Efficient Homes package is expected to reduce Australia's greenhouse gas emissions by almost 50 megatonnes of carbon dioxide equivalent in the period to 2020, and provide significant support for green jobs as part of the Government's Nation Building and Jobs Plan.

I appreciate the suggestions from the Committee regarding the levels of rebates and eligibility. I will consider the suggestions outlined in the petition in any ongoing policy decisions regarding the future of support for solar installations.

Yours sincerely

19 FEB 2009

Peter Garrett