

Senate Finance and Public Administration Legislation Committee
Additional Estimates Hearing – February 2010
ANSWER TO QUESTION ON NOTICE

Topic: Renewable Energy Certificates

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Question: (Senator Nash)

In December 2008, the Minister announced the Solar Credits scheme, which replaces the Solar Homes and Communities program \$8,000 rebate.

Under the new Solar Credits scheme, people can now receive a form of rebate, based on the value of their Renewable Energy Certificates or RECs.

At the time, the Minister indicated that people would receive roughly the same amount as under the Solar Homes scheme. But that was based on a larger 1.5 kilowatt unit with a RECs price of around \$50.

1. What is the current RECs price?
2. What component of the RECs is taken by the Solar Hot Water rebate?
3. What has happened to Heat Pumps?
4. What about the impact of the so-called Phantom Credits from the Solar Credits scheme which artificially multiplies the RECs by five?
5. How much would a person in Melbourne purchasing a 1 kilowatt system have received last December under the RECs scheme? (Senator we believe it was about \$4,250)
6. How much would a person in Melbourne purchasing a 1 kilowatt system receive with a RECs price of \$25? (Senator we believe it would be \$2,125)
7. How does that compare with the previous system? (Senator, in which home owners got \$8,000 plus the single value of the RECs)
8. What component of the REC is taken up by Industry?

Answer:

1. As at 20 May 2010, the REC spot price was \$38.98.
2. The Renewable Energy Target (RET) and the Australian Government Solar Hot Water Rebate (to be replaced by the Renewable Energy Bonus Scheme) are separate policies. Solar hot water and heat pump systems that receive a rebate are also eligible to create RECs under the RET. For a typical solar hot water system, the RET provides a benefit of around \$1,200, based on a \$40 REC price. The Renewable Energy Bonus Scheme will provide assistance of \$1,000 for a solar hot water system and \$600 for a heat pump.

3. Heat pump water heaters are an eligible energy source under the expanded RET. Heat pumps draw thermal energy from the atmosphere and so decrease consumption of fossil-fuel sourced energy.

In September 2009, the Government made new RET regulations, which were designed to prevent inappropriately large heat pump water heaters being installed to create excessive RECs. The RET regulations now require statutory declarations to ensure that, for units with a capacity over 700 litres, the unit is appropriately sized for its intended use and that there is an intention that it remain in its original configuration and location for the life of the unit.

4. Additional RECs created through the Solar Credits multiplier account for a small proportion of total RECs creation. From the start of the Solar Credits scheme on 9 June 2009 up to 30 April 2010, around 1,800,000 additional RECs were created through the Solar Credits multiplier. This can be compared with the overall renewable energy target for 2010 of 12,500,000 RECs.

While the multiplier is currently five, it will reduce to four for systems installed from 1 July 2012 to 30 June 2013 and continue to reduce each year until it has phased out to the standard multiple of 1 from 1 July 2015. This phase-out recognises that technology costs are going down and that the proposed Carbon Pollution Reduction Scheme will provide relative price incentives for renewable technologies.

5. Price data for RECs from the Australian Financial Markets Association shows a spot price at 16 December 2009 of \$32.95. At that REC price, a person installing a 1 kilowatt system in Melbourne would have been entitled to RECs worth around \$2,900.
6. REC prices were not below \$28.29 in 2009, according to REC price data from the Australian Financial Markets Association. If the REC price was to fall to \$25, a person installing a 1 kilowatt system in Melbourne would still be entitled to RECs worth \$2,200 under the Solar Credits mechanism.
7. The Solar Homes and Communities Plan provided rebates of up to \$8,000 for eligible 1 kilowatt systems. With a \$25 REC price, a person installing a 1 kilowatt system in Melbourne would have been entitled to RECs worth \$425. Therefore, under the previous system such a person could have received up to \$8,425.
8. In practice, owners of solar PV systems may choose to transfer their RECs to their system supplier for a certain discount on the price of the system. The actual discount varies across suppliers. The solar PV industry is highly competitive and consumers are encouraged to shop around for the best price.