



St Vincent de Paul Society
NATIONAL COUNCIL
good works

St Vincent de Paul Society

ABN: 46 472 591 335 001

Units 4-5, 22 Thesiger Court
Deakin ACT 2600
PO Box 243
Deakin West ACT 2600

Telephone: (02) 6202 1200
Facsimile: (02) 6285 0159

Email: johnf@svdpnatcl.org.au
Website: www.vinnies.org.au
Donation Hotline: 13 18 12

Tuesday, 26 August 2008

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

Dear Secretary

INQUIRY INTO THE RENEWABLE ENERGY (ELECTRICITY) AMENDMENT (FEED-IN-TARIFF) BILL 2008

Introduction

The National Council of the St Vincent de Paul Society welcomes the opportunity to make the following short submission to you on the inquiry into the Renewable Energy (Electricity) Amendment (Feed-in-Tariff) Bill 2008.

Background

The St Vincent de Paul Society (“the Society”) provides assistance to Australians on a person to person basis. Our 40,000 members and volunteers visit Australians in their homes every day that are struggling to make do. In 2007-08 our members responded to over half a million calls for financial assistance across Australia. Commonly, a call for assistance might be made when a person is struggles to pay utility bills, including electricity. Australian Bureau of Statistics Australian Social Trends data 4102.0, released on 7 August 2007, demonstrated that in 2003–04, the mean weekly equivalised disposable household income for low economic resources households was \$262, while for the same period, the mean weekly equivalised household expenditure on goods and services for low economic resources households was \$309. Electricity is a significant component of such a small household budget.

Feed-in-Tariff a Regressive Cross-Subsidy

The Society welcomes strategies that are designed to combat climate change. As a faith-based Charity, the Society understands that people hold a social mortgage over the earth and have a responsibility to care for the earth as stewards. The Society welcomes all efforts that improve the ability for people to act as stewards of the earth, but in balance with our social and economic responsibility to help our fellow citizens that experience marginalization and exclusion.

The Society identifies present State Government electricity feed-in tariffs as the introduction of a socially and economically regressive tax or subsidy that has the potential to harm the broader retail energy market. In addition the design of the tariff ensures it is regressive.

Those in a position to benefit from this subsidy are those with the financial resources to own a home and purchase and install photovoltaic (PV) solar panels. The energy these units will produce will be subsidised - through increased energy costs - by those not fortunate enough to own their home and afford to purchase and install PV solar panels.

In effect, there are two types of regressive cross-subsidies occurring. The first is a cross-subsidy in which asset-poor renting households fund asset-rich home owners (about 27% of Australian households are renters). PV installations are generally on rooftops and renters are unlikely to participate in this program.

Secondly, a cross-subsidy occurs where income-poor households subsidise income-rich households. This happens where those who don't have sufficient income or savings to cover the initial cost of purchase and installation of PVs are consigned to pay the feed-in tariff rather than be recipients of it. This burden falls on low-income homes, which include many pension and health-care cardholders - about 30% of Australian households.

These cross-subsidies would be perpetuated as costs associated with carbon trading arise. Carbon trading costs would not apply to beneficiaries of the tariff, who will have become carbon neutral through the installation of PV units, paid for by the rest of the community.

Through the design of the tariff funding mechanism, the State Governments have consigned those with the least wealth and financial resources to disproportionately bear the burden of climate change, now and in the future.

As a result, when social equity principles are applied to this response to climate change (which is one of the first targeted and tangible responses), it suggests the goals of social equity are to be abandoned.

Feed-in-Tariff a Disincentive for Green Energy

In addition to introducing a socially regressive tax, the proposed feed-in tariff effectively double-charges those who are already purchasing green-energy products.

This double-charging occurs because the increased energy charges required to fund the tariff will also apply to those households already paying a premium; households that have purchased green energy, such as energy from wind turbines, through their energy retailer.

In effect, the feed-in tariff double-charges this group for green energy.

Not only is there an argument that there is double-charging to this group, there is the potential for this to result in a decline in the take-up of market-initiated green energy. Fewer households may sign up to green products, believing they are already purchasing some form of green product through the feed-in tariff levy.

Conclusion

Australians face a significant challenge in climate change. The St Vincent de Paul Society Australian believes that any meaningful response must ensure that the financial and other burdens that arise from any initiatives must be equitably shared in our community.

The St Vincent de Paul Society does not support the Minister setting a feed-in-tariff levy rate to raise revenue on the electricity grid to fund the feed-in-tariff levy scheme. For this reason the St Vincent de Paul Society can not support the Renewable Energy (Electricity) Amendment (Feed-in-Tariff) Bill 2008 as it is a socially regressive tax that further marginalises low income Australians and abandons social equity principles.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Falzon', written in a cursive style.

Dr John Falzon
CEO
National Council of Australia