

Save Our Solar (Solar Rebate Protection) Bill 2008 [No. 2]

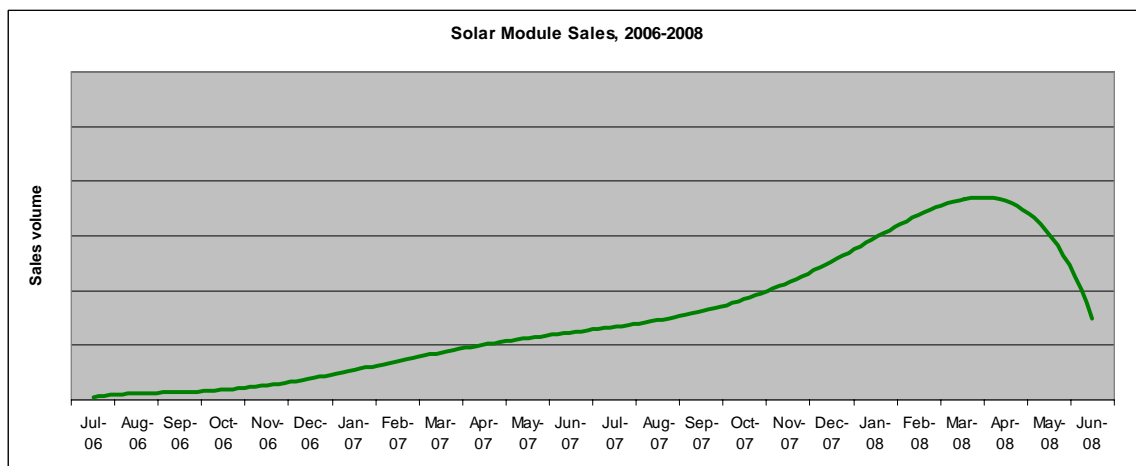
The recent decision to means test the \$8000 SHCP rebate at \$100k of household income has caused immense confusion in our industry. More worryingly, it sends mixed signals concerning the government's commitment to the long term role of renewable energy in our community.

All it has achieved so far is the destabilising of what was a fledgling one year old grid connect market that gave wholesalers the chance to:

- ✓ Build inventory to a sustainable levels to support their dealer networks.
- ✓ Provided the investment to train and educate the new bred of installers necessary to meet the challenges.
- ✓ Provide employment to all levels of the industry.
- ✓ Attract the investment to the industry necessary for growth
- ✓ Increase the volumes that allow better buying power and reduction in costs.
- ✓ Enable us to plan the supply chain better with production schedules to bring full container loads more frequently and cost effectively.

The kinds of changes we have been forced to make in the last few months since the announcement are:

- ✗ Cancellation of volume orders from dealers, the consequent reduction in inventory, and rise in operating costs.
- ✗ Renegotiation of quotas with suppliers, and consequent 3 month lag times
- ✗ An estimated 60% reduction in sales to the grid connect market budget.
- ✗ Proposed applications cancelled for grid connect systems by over \$100k income earners to dealers. The full extent can not be known until pre budget approvals are processed and dealer's record numbers in eligible post budget.
- ✗ This graph shows many things about a fledgling industry but mainly the immediate decline in Solar PV sales as a result of the means test introduction in May 2008, far beyond the government's expectations.
- ✗ **Solar Sales, PV sales chart residential roof tops:**



Fear of Success

While most industry members recognise that the rate of PV market growth was unsustainable, the knee jerk reaction by Minister Garrett in response to an 'overheating' rebate program does not send the right message to the Australian people.

Given the challenges of switching a population from fossil fuels to renewable energy, this unexpected reaction is extinguishing the demand we have all worked so hard to encourage; A demand that the Rudd Labor Government was elected to support:

"A Rudd Labor Government will help all Australians play their part in the fight against climate change by making it easier to take practical action in their own homes, their schools and their local communities"- ALP Election 2007 Commitment.

A sense of proportion is needed. A few hundred more houses with renewable energy in a country of 20 million, does not constitute rampant growth by any financial definition.

The Wrong Target

With little disposable income, lower income earners can rarely afford to be early adopters of new technology. In addition, the majority of households that earn less than \$100k per annum are in rented accommodation and therefore cannot take advantage of the SHCP rebate and install solar PV technology.

The Power of Disincentives

By means testing the rebate, the fully-installed cost of a standard 1kW system to those able to afford it has been tripled. What does this say to consumers about what the government would have you do to address global warming and climate change?

Natural Regulation

If the policy's aim is to slow the consumption of government funding, we must first acknowledge that there are natural speed-bumps already in place:

- ✓ There are only 450 BCSE registered installers (nationally), who must personally approve each and every system installed.
- ✓ The majority of solar modules are allocated and imported well in advance, precluding any 'sudden' increase in supply.
- ✓ PV system installation is a skill that must be learnt through experience as well as qualifications – this takes time.

Obstacles to an Industry

In the recent Green Paper, power generators are to be compensated for increased costs under an emissions trading scheme, on the basis of 'potentially reduced investment'. This quick decisive action must be contrasted with the stop-start policy that the Australian PV industry has historically been subjected to.

The recent change to the PVRP rebate is yet another short term obstacle with a long term impact on the growth of our industry causing immediate behavioural change at the importer level.

By creating a climate of uncertainty, the global manufacturers and suppliers of PV products are also discouraged from investing in local operations and establishing a base, essential for ongoing support and assistance.

The importance of solar

In his recent Climate Change Review, Professor Garnaut stated that:

Solar photovoltaic generation that provides energy during high demand periods is significantly under compensated for its lower levels of losses, network benefits and timing of supply. This will increasingly be the case as temperature rises, since daytime peaks in demand as a result of air conditioner use would correlate more strongly with solar photovoltaic output.

This must be addressed either by a meaningful rebate to reduce initial capital cost (thereby reducing the lifecycle cost of the system) or by the introduction of gross metered feed-in tariffs. Neither of these steps are currently in place, resulting in a daily decline in the uptake of solar PV systems.

Recommendations

The key requirement that we hear from our dealers and suppliers is one of a predictable regulatory environment. The current means test for the SCHP is an overreaction and must be corrected via interim measures:

First preference

\$100 to \$150k for \$8k rebate then \$4/W up to a maximum of \$4000 above that level.

Second preference

\$6/w up to \$7500 restricted to households less than \$150k and \$3w up to \$4500 above that level or any mix second

Points 1 & 2 should be considered on the understanding that we move to a **20 year gross feed in tariff by 1 July 2009 and stop the reliance on rebates.**

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