

# **Inquiry into the Save our Solar (Solar Rebate Protection) Bill 2008**

Submission by Conergy Pty Ltd

## **About Conergy**

Conergy AG is a leading international supplier in the field of solar system integration. The group produces, installs and plans solar systems and wind power stations for its customers in more than 20 countries. The Conergy Group is now represented by branch offices on five continents.

Conergy Pty Ltd is the Australian subsidiary of Conergy AG established in January 2005 with head office in Sydney and other offices in Brisbane, Melbourne and Perth.

Conergy engineers have installed over 70,000 solar systems worldwide, making the company the market leader in solar system integration.

## Introduction

**(1) That the Save Our Solar (Solar Rebate Protection) Bill 2008 [No. 2] be referred to the Environment, Communications and the Arts Committee for inquiry and report by 15 August 2008, together with the following matters:**

**(a) the impact of the means test threshold of \$100,000 on the \$8,000 solar rebate per household on the solar industry;**

The announcement of the means test comes at a critical time for the industry, which has been rapidly investing and gearing up capacity to deliver on the recent increase in demand from the community.

The Prime Minister's assertion that high income earners do not warrant this support mechanism is a statement we find difficult to understand. Households with incomes of just over \$100,000 include those "working families" employed in professions of police, teachers, and nurses. These are not households of wealthy individuals with excessive disposable incomes and as such the ability to put aside approx \$14,000 for a solar PV system is limited. They have mortgages to pay with rising interest rates or huge rents, increased cost of food, rising petrol costs etc. To this end, is it any wonder over 60% of households have cancelled orders of solar systems due to the cost being prohibitive.

Conergy's research shows that 60% of PV consumers have household incomes of over \$100,000. However, the Government has access to data to refute this claim and if they can show that this is not correct we would welcome inclusion of this information in the Senate Inquiry.

This introduction of the means test does not encourage the renewable energy industry to grow and for all Australians to reduce their emissions, it's just yet another hiatus to the fledgling solar industry.

The demand created by the PV Rebate program has driven large-scale investment by businesses, individuals and training institutions in the solar PV power industry. This has meant an up-skilling of many electricians, investment in new technologies and installation methodologies.

#### Sales –

We have seen a reduction in sales of 60% to the target market of household incomes over \$100,000.

#### Industry development –

The PV Rebate Program was originally introduced as an industry development measure that's aim was to build industry capacity in order to continue to drive cost reductions in solar power.

To meet the emissions reductions required to avoid climate change, which the Federal Government has highlighted in their recently released Green Paper, increasing amounts of solar PV power will need to be deployed on a larger scale. A cost-effective way to do this is to drive the cost of solar power down, before a large-scale roll-out of solar PV becomes essential to contribute to the increasing abatement task. Cost reductions can be accelerated by deploying increased volumes of solar PV *now*. The increased scale of deployment drives “learning by doing”, resulting in cost reductions driven by technological developments as well as local economies-of-scale, driving local market supply chain efficiencies.

Solar PV Programs have been successful at driving cost reductions to date – over the last eight years the real price of grid-connected PV has dropped by more than 32% (excluding GST).  
*(Ric Brazzale, Carbon Market Economics – ex BCSE May2008)*

Jobs & Training– Current direct employment in the solar industry stands at approx. 2000 *(PVPS Report to December 2007)*. This has increased 2 – 3 fold in the last twelve months. BCSE accredited Installers in the industry have doubled in the last twelve months and more than double again are ready to complete their training around Australia. Many companies have invested in up skilling labour to grow the ‘Green Collar’ Workforce.

Skills Tech in Brisbane has 500 potential students to complete their training to become accredited installers; Private providers are investing in training; GSES just finished the Centre of Excellence and Swinburne University just completed \$1.1M training facility in Wantirna, Vic.

230 accredited installers – 2007

470 accredited installers – Q1 2008

*Figures from Clean energy Council (19/05/2008)*

Apart from the householders who have made the (environmental & financial) choice to go green and reduce their emissions now missing out, it's the ‘working families’ losing their jobs in the industry who are also missing out.

**(b) the effect on the uptake of solar panels by Australian households, comparing state-by-state results;**

All states appear to be effected equally; it is uniformly spread across Australia. We do however note that regions with a higher socio economic level, i.e. some areas of Canberra have been affected more so than others, compared to areas with retiree (low income and asset rich) population.

**(c) the impact on the number of applications for the \$8 000 since the budget decision to impose the means test;**

From our Installer market -

- *A property group developing up to 450 residential homes with 1 to 2kW PV systems and a solar water heater for each residence in the estate, south of Perth, WA has had to cancel orders. The estate, featuring green designs and technologies developed to reduce household pollution, would have been Australia's first residential estate running entirely on solar energy. Up to 667,890Kg of CO2 annually, would have been saved across the estate.*
- *"At a recent Expo in Melbourne one of our installers declared that 60% of people at the expo fell into the \$100-150K area and chose not to get a system due to the rebate being removed"*
- *"Another installer recently opened a shop in Sydney, selling general sustainable products, including solar power systems. They kicked off their recent opening with a special offer on grid connect solar systems and received 25 interested buyers. Within one week of the Budget announcement, all but 1 customer pulled out as they could no longer afford it without the rebate – and these were households above the \$100k. The 1 that went ahead anyway has a high enough income to absorb the lost \$8k and said he had wanted to go solar for a long time so went ahead anyway. All others couldn't."*
- *68% of Conergy installer customers are on a combined income above \$100k;*
- *"I can advise that I have (had) a project to establish 36 x 1kW PV systems as a part of a new luxury residential apartment development in NSW. The project would have realised over 50 tonnes of GHG savings per annum and undoubtedly started a trend for establishing PV systems in new apartment buildings right from the outset. No one moving into these apartments will qualify for the means tested rebate so I expect the buildings will be built without the PV."*

Conergy has tried, unsuccessfully to get access to the number of installations and applications for the rebate since the budget. The current installation figures on the website are only up until April 2008 and we are now in July. We have always been able to get access to these figures with a quick phone call to the Department. On the most recent phone call, we and others who called were told, the Department was "instructed from above not to release any information regarding installations for the solar rebate". Organisations require this information to formulate business plans, order product, forecast supply requirements etc.

**(d) the impact on jobs in the solar industry, comparing state-by-state results;**

Conergy is aware of redundancies throughout the industry and moves to embargo further employment throughout our installer network around Australia.

**(e) the impact on emissions reductions as a consequence of this decision, comparing state-by-state results;**

The reduction in PV panels distributed around the country means the emission reductions occur at a greatly reduced rate. Isn't the idea to have as many solar panels on roofs in order to reduce our emissions? Emissions are not means tested so why should the rebate be means tested?

**(f) the consultation that occurred within government, including departments and agencies, prior to the decision and the input of each department and agency on the measure;**

Conergy's understanding is that consultation took place with various State based Government departments prior to the Budget announcement and the advice that the Rudd Government received was, "do not introduce a means test", "there are other ways to extend the life of the funding". Clearly the government ignored this advice and introduced the means test anyway.

**(g) the economic and environmental modelling underpinning the decision to impose the means test;**

Conergy is unaware any economic modelling was completed to underpin this decision, and if there was modelling undertaken then Conergy has certainly not been privy to any calculations or analysis, despite requests.

**(h) the extent of the discussion prior to the decision with the solar panel industry on the impact of the decision;**

The Industry was in no way consulted on the Government's decision to introduce a means test to the PVRP Rebate, either with individual businesses or the industry lobby group, the Clean Energy Council. Even when industry approached the Government in late 2007/early 2008, to alert them to the real possibility that Programme funding would run out before the end of the financial year, there was no indication the introduction of a means test was being contemplated as a solution. This lack of industry consultation was confirmed by the Minister for Climate

Change, Senator Penny Wong during the Senate Estimates in a recent Parliamentary sitting in Canberra.

**(i) the future viability of, and effects on, the solar industry as a result of the means test;**

Substandard Installations - for those households above the threshold there is no incentive to use accredited panels or installers. This may lead to a flood of cheap, inferior quality panels being installed by untrained people. This will limit industry development in Australia and damage the credibility of the industry. Apart from the above there is also the situation that potentially dangerous installations could occur that do not comply with Australian standards, resulting in possible hazardous situations in households i.e. house fires, loss of life etc

GST - Will result in less income for Govt., due to less solar take-up. PV customers use tax paid money to pay for their systems - it is a RESIDENTIAL rebate, so it is not available for business etc. to use as a tax deduction or to depreciate it. So for every PV system sold, there is a GST component which finds its way back to the Federal Government. The same applies for SHW - but obviously the dollar values are smaller.

Looking at a minimum of 1kW (retail cost ≈\$14,000) system installed, you could assume that the GST paid per system is a minimum of \$1400. That figure is higher for systems greater than 1kW installed.

This is not the case for the other government payments, which they are now means testing - child care fees do not carry GST and the baby bonus does not necessarily mean any GST comes back to the Federal Government. But the PV rebate does - it is unavoidable.

Privacy Issues – The new rebate application form which will be seen by the installers includes the household's income details. This is not something that is inline with Privacy of Information act, and something the Privacy Commissioner should be investigating.

**(j) the impact on the Solar Cities programs at various sites around Australia and other related programs; and**

Not applicable to Conergy Pty Ltd

**(k) other relevant matters**

The future of the Australian Solar Industry

Technology – PV solar technology is ready now, it is proven technology and it's available to be installed immediately. Yes, it's expensive but that's the point of the rebate, we should be providing incentive to consumers to build scale and to ultimately decrease price, so everyone has the choice to do their part for the environment.

State based Feed-in Tariffs – three states in Australia (SA, QLD, & Vic) have recently announced solar Feed-in tariffs based on various metering systems. These states relied on PVRP being the main industry investment driver – now what? This outlines the absolute need for a National Gross Feed-in Tariff.

More effective use of Funding -

“This program was fully subscribed; one way of actually making it work responsibly was to means test it” (*Wayne Swan 180508*). Yes Mr. Swan, introducing a means test is one way, but not the right way to effectively use the remainder of the funding and encourage solar panel take-up to reduce greenhouse gas emissions. Here is selection of other ways;

The Government should consider implementing the following options to amend the poor policy initiatives announced in the Budget –

1. If Government won't reverse the decision, then limit PVRP to no more than 50% of the installed cost, capped at 2kW or \$12,000 – this will stem the flow of funds from the PVRP while still encouraging more people to take-up solar energy; however
2. If the Government insists the SHCP (ex PVRP) has to be means tested, then bring the threshold into alignment with other budget means tested programs. Whereby household incomes of \$150,000 receive \$8000 rebate and then reduce the rebate to \$4000 for those above \$150,000 threshold,
3. Have a smooth transition from the end of the rebate program into a National Gross Feed-in Tariff for various renewable SGU technologies, by 2010, so it falls in line with the introduction of the proposed Emissions Trading Scheme. An effective Gross FiT should provide a maximum payback period of 10years for householders and 15years for commercial consumers.

**(2) That, as a minimum, the committee hold hearings in all Australian capital cities and hears evidence, inter alia, from Australia's solar industry.**

Conergy is prepared to be part of a hearing into this matter and will provide evidence as required.