

18 April 2008

Committee Secretary
Senate Economics Committee
Department of the Senate
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Response from Solco Ltd to the Renewable Energy Legislation Amendment (Renewable Power Percentage) Bill 2008

Increasing the Australian Mandatory Renewable Energy Target (MRET) is a very significant initiative for the renewable energy industry, and we commend the Government on its foresight in increasing this measure.

The Commonwealth Mandated Renewable Energy Target (MRET) is about developing local capability and capacity so as to enable Australia to achieve this. The target level needs to be able to attract and retain capital. In today's global economy we compete internationally for capital and know-how – across the renewable technologies. The target needs to be sufficient to underpin and expand local manufacturing, wholesale, retail and installations of solar photovoltaic (PV) systems, otherwise, Australia will lose the majority of benefits (economic and environmental) that this booming global renewable industry offers.

We agree that expanding MRET from 2008, rather than wait until 2010 will create certainty and a stable investment environment for the ongoing development of renewable energy industry. We agree that waiting until 2010 could cause the renewable energy industry in Australia to stall. This would lead to a reduction in skilled people working in this important industry, increased imports of technology and skills in the longer term, and stalled investment in people, skills, technology and market development.

Solco Ltd supports the Amendment to bring forward the MRET to 2008 for the following reasons:

1. **The PV industry in Australia will stall unless the target is increased from 2008.**
 - The target is already full and therefore there is no need for additional Renewable Energy Certificate (REC) creation until 2010, unless the target is brought forward until 2008.
 - The sale of RECs substantially assists householders in making the purchase decision for renewable energy technology. Currently trading at around \$48/REC, this makes a saving of over \$800 in Climate Zone 4 alone.
2. The PV industry grew 27% in Australia in 2006 and it is estimated that 2007 saw growth above that figure. This amounts to direct sales of around \$189 million, with indirect sales and jobs worth as much again. **Being able to create and trade RECs has contributed to this growth and investment, and, it is hoped will continue to do so in the future.**

3. **The PV industry is particularly vulnerable to financial 'boom and bust' cycles**, which neither helps its credibility as an industry sector, nor inspires customer confidence.
 - In 2003, the Government's PV Rebate Program (PVRP) was over-subscribed, which resulted in grants being capped and then suspended for two months. As a result, domestic PV sales dropping drastically, causing severe financial hardship for installers with many leaving the industry permanently.
 - An additional \$800 received from REC's is often enough for a consumer to make the purchasing decision.
4. **The PVRP is again about to be oversubscribed** and the industry is concerned that, by the end of 2008, the \$8,000 rebate for homeowners will again be suspended. If this happens, along with the lower price for RECs, the Australian PV industry would be decimated once again. And this is at a time when PV is one of the quickest growing industries globally - 30% growth annually.
 - The Government's stop-start approach to rebates makes it more difficult for private sector planning and investment. Certainty of Government policy assists businesses, such as Solco, to have the confidence to invest in people, technology development and new routes to market strategies.
 - For smaller companies, uncertainty prevents them from taking on apprentices and expanding their business.
5. One of the important assumptions behind MRET is to **stimulate the Australian market** and thus provide Australian companies with a stable market from which to **export their goods and services**.
 - The REC price is a key determinant for how Solco markets products in Australia. From this base, we invest in the marketing of products overseas. Recent international sales activity includes exports to East Timor, Fiji and other areas in the Pacific, along with agents in Indonesia, Malaysia, Sri Lanka, Portugal etc.

I would be very happy to provide additional material, or to elaborate on any of the above points. Solco is looking forward to continuing to be a main player in the Australian renewable energy market.

Yours sincerely



Alex Lamond
Chief Executive Officer

Notes:

1. Solco Ltd was listed on the Australian Stock Exchange in 2000, originally as Solar Energy Systems, a manufacturer and distributor of solar powered (PV) pumps.
2. Since then Solco has grown its business nationally to include all PV products – particularly PV systems and components suitable for either on or off the electricity grid. One of our subsidiary companies, Choice Electric, has been a Solar Industry leader for 24 years.