

BRIEFING

Will Australians be starved of a renewable energy Feed-in Tariff?

On Monday 10 November, the Australian Senate will release a report following an inquiry (established by the Coalition and Greens) into creating a national renewable energy Feed-in Tariff (FIT). 129 submissions were received, the vast majority supporting a FIT. However, the Federal Government is yet to indicate their support for a national FIT. How will the Federal Government respond to the Senate's report, which is expected to be a glowing reference for the FIT?

The FIT is the most effective, and economic, policy driver for renewable energy in the world. The booming successes of the renewable energy industries in Germany and Spain have been attributed to FITs used to develop solar and wind technologies. *It is likely that establishing strong national FITs in Australia would be the single-biggest incentive for the renewable energy industry in this country.*

A FIT is a premium rate paid for electricity generated by renewable sources, which is fed back into the grid. The most effective FITs are designed to ensure small-scale generators (i.e. domestic owners of rooftop PV systems) are rewarded by paying them for the renewable energy they generate. This creates a level energy playing field, allowing large-scale renewable generators to compete with fossil fuel energy sources. In the USA, FITs are being called 'Renewable Energy Payments', which more clearly articulates to the public the policy outcome.¹

Because the FIT rate is guaranteed, usually for 10-15 years, the renewable energy industry has long-term certainty, an advantage of the FIT over other policy options such as rebates and bulk purchase schemes. The FIT has also been shown to be more effective than certificate-based schemes such as Renewables Portfolio Standards or MRETS.²

¹ <http://www.allianceforrenewableenergy.org/>
<http://www.onlinepact.org/>

² Huber, C., et al, *Economic Modeling of Price Support Mechanisms for Renewable Energy: Case Study on Ireland*. Energy Policy, 2007.

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A key design element in FITs for solar PV is whether the rate is net (paid only for surplus energy exported to the grid) or gross (paid for all of the energy produced by the system). Net schemes have proved to be largely ineffectual for solar PV development because they do not provide enough incentive to households. The German policy is a gross national FIT.

Germany's status as a world leader in renewable energy is largely attributed to the use of FITs. By the end of 2007, Germany had installed 22,247 Megawatts (MW) of wind energy capacity (27 times the installed capacity of Australia) and 2,800 MW of grid-connected solar PV. Germany is also reaping the economic and social benefits of a burgeoning renewable energy industry. In 2006, US\$14 billion was invested in the German renewable energy industry, which employed 249,300 people in 2007, a figure that is projected to rise to 400,000 by 2020. The cost of the FIT is borne by electricity consumers; the German Government estimates that the average cost of their FITs is a tiny 35 Euro-cents per consumer per month.

Greenpeace raised the option of a FIT with the Federal Government, which stated that a FIT would not be necessary in the context of the Carbon Pollution Reduction Scheme and that a FIT would not generate emissions abatement additional to the CPRS. Greenpeace finds this argument difficult to support, given the German FIT operated in the context of a European emissions trading scheme, which is similar to the proposed CPRS. It is believed that the EU emissions trading scheme was not responsible for any renewable energy industry development.³

FITs for solar PV have been introduced in many Australian states, however those that are currently in operation have been net tariffs, and as a result been largely ineffectual. The ACT has passed a FIT law which models the German policy and this will come into effect in March 2009. The Federal Government has spoken of harmonising the state-based FIT schemes through the COAG process.

Greenpeace recommends a national gross FIT framework for Australia, available for all renewable energy technologies. Greenpeace calls on the Federal Government to back the support for the FIT evident in the inquiry's submissions. Greenpeace's submission to the inquiry, which provides options for introducing a FIT in tandem with emissions trading, as well as existing renewable energy policies, such as the MRET can be found here: http://www.aph.gov.au/SENATE/committee/eca_ctte/renewable_energy/submissions/sub98.pdf

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