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Climate Change Budget slays solar silently

By means testing the $8,000 solar rebate the Rudd Government has done irreparable damage to Australia's burgeoning solar industry. To fix it, and at the same time reclaim its tattered climate-friendly credentials, the government must introduce country-wide gross feed-in tariff laws now.

Australia is once more being denied the environmental and economic benefits, which a well-developed local solar power installation network could bring to the country. This sudden demise of the solar industry is taking place despite the Rudd's Government pre-election hype about climate change. By excluding households earning over $100,000 from the solar rebate, Mr Rudd and Mr Swan have ensured there will be less solar panels on Australian roofs.

It is therefore obvious the Government is either suffering from climate ignorance, is beholden to the powerful clean coal lobby, or simply does not realise what this decision will do to the local solar industry. This backward step is happening in a country which receives twice the sunshine as the whole of continental Europe, yet produces only 5% of solar electricity.

Labor's solar rebate means test has once again shunned the logical harnessing one of Australia's most abundant natural resources - the sun. It's ironic that this initiative was part of the same budget which sold itself as the "Climate Budget", while earmarking $500 million for clean coal, at a time when the coal industry achieves record profits.

This particular decision brings the solar industry back into the boom/bust cycle of earlier years, something that most of its operators thought they had been left behind.

Since the Howard Government introduced the $8000 rebate last year in a rather desperate looking initiative to win the green vote, the rebate program has been "too successful", creating a budget shortfall of more than $20 million against the originally budgeted amount of $30 million per annum. Rudd's budget razor gang obviously saw a savings opportunity and has stomped hard on the brakes.

A solar system which produces about 50% of the typical household's consumption still costs $13,000 after the rebate, and 80% of the purchasers of grid-connect solar power systems in the last 12 month were households earning over $100, 000. So the $8000 rebate allowed the industry to go through a mini boom, with a number of positive outcomes.

Firstly, the price of systems came down by more than 10% over the past 12 months, because manufacturer discounts increased as buying volumes increased. In order to stimulate business in a competitive market, the industry passed these saving on to customers. Secondly, a reliable network of solar installers started to spread across the country, stimulating small business and creating the vital infrastructure in the field of local renewable energy, infrastructure Australia desperately needs if we are serious about tackling climate change. Thirdly, the purchasers of solar power systems started to monitor the use of their own electricity consumption, which in households earning over $100,000, with large fridges and plasma TVs, can only be a good thing.

The Rudd Government has made much use of the term "working families", but means testing the solar rebate denies those same working families, which were freed from the Medicare surcharge, the opportunity to go solar and lower their carbon footprint.

Since budget night the solar industry has reported widespread cancellations of solar power systems, especially in Sydney and Melbourne. This exactly what the Government hoped to achieve. After all, who in Sydney or Melbourne can afford to purchase a home on less than $100,000 household income? After all, you need a home to put a solar power system on the roof.

Even the future purchasers of luxury vehicles got a better deal from the Rudd Government, with new increased luxury car tariffs coming into effect on 1 July, while the solar rebate means test came into effect immediately.

So, where to go from here? Since the $8,000 rebate was introduced, the solar industry has always felt it was too good to be true in the long run, despite the signing of the Kyoto Protocol and the Garnaut report. What the solar industry wants and needs now is a framework for a sustainable solar power support mechanism rather than boom/bust rebates, announced at the eve of an election and throttled down soon after.

One such successful framework has been operating overseas for nearly ten years and in the 50 or so counties worldwide which have seen solar power take off, it has been thanks to gross feed-in laws.

Gross feed-in laws require electricity retailers to pay renewable energy producers such as roof-top solar panel owners a prescribed price over a guaranteed period of time for all the clean renewable electricity generated by their systems and fed back into the grid.

Because the energy retailer pays the owner of the solar power system on the entire electricity production, the owner will gain a specific return on investment and, as overseas examples demonstrate, can pay their solar power system off in between seven to nine years. This certainty has also allowed banks to become financiers of solar power systems.

However, the feed-in schemes introduced in South Australia, Queensland and Victoria recently are net feed-in tariffs, meaning they only pay homeowners for the electricity exported to the grid minus what is consumed in the home at the time of production. This system of metering significantly discriminates against both owners of smaller grid-connected systems and those who are more likely to consume electricity during the day, such as pensioners or stay-at-home parents.

Alternatively, double incomes families who are typically away from home during the day do OK under net metering, but now it is these households who have become ineligible for the solar rebate, due to the $100 000 per household income means test.

When Germany introduced gross feed-in tariffs in 2000 it set its 2010 renewable electricity target at 12.5% of total consumption. It has now doubled the amount of electricity it generates from renewable energy sources and reached the 2010 target three years ahead of schedule. As a consequence of this success, Germany recently increased its renewable energy target to 27% of all electricity generation by 2020. Also the gross feed-in tariff has created nearly 250,000 new jobs in the renewable energy industry, which will soon surpass the car industry as that nation's number one employer. The German solar power sector is now creating three times the number of jobs per installed megawatt as the coal fired electricity industry - all of this in a country receiving half the sunshine Australia does.

International experience tells us that gross feed-in tariffs can be very successful in stimulating the uptake of renewable energy, addressing climate change and creating strong local industries and employment. However our state governments, through inventing a net feed-in tariff have made a fine mess of a policy, which has delivered so much for the solar power industry overseas. By the way, the only other place that decided for a net feed-in tariff was Texas. It's time for the Federal Government to introduce a gross feed-in tariff as the sustainable and fair support mechanism for the local renewable industry. Only then can the solar means test make any sense.

Many years ago when working in local government a local Mayor explained to me a poor decision this way – if Government has made a decision, which turns out to be a poor decision, then it was either made deliberately or because of stupidity – please always assume stupidity, because as a Government we do not make stupid decisions deliberately. Let's hope the solar means test was not one of those decisions and that something positive can be gained from this decision.

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