



THE HON GREG COMBET AM MP
Minister for Climate Change and Energy Efficiency
Minister for Industry and Innovation

MEDIA RELEASE

GC 307/12

16 November 2012

SOLAR CREDITS PHASE OUT TO MODERATE PRICE IMPACT

Due to continued strong demand for household solar, the Federal Government will phase out the Solar Credits mechanism six months ahead of schedule on 1 January 2013. This will lower the impact of the high uptake of solar PV on electricity costs for homes and businesses.

Phasing out the multiplier early will strike the appropriate balance between easing upward pressure on electricity prices and supporting households and suppliers who install solar PV. The overall reduction in electricity bills is estimated to be in the order of \$80 to \$100 million in 2013.

Installation of small-scale systems and solar hot water heaters continues to be supported under the Renewable Energy Target scheme, with solar PV systems benefiting from generous arrangements that provide support for 15 years worth of generation upfront.

The Solar Credits mechanism has provided additional support for installations of small-scale solar PV by multiplying the number of certificates these systems would usually create under the RET scheme. As this benefit was never available to solar hot water heaters, the phase out puts solar PV and solar water heaters back onto a level playing field.

The multiplier was always designed to reduce over time. Bringing forward the phase-out of the multiplier to 1 January 2013 will help place the industry on a sustainable path and ease pressure on electricity prices. By 2014 the small-scale scheme is expected to cost electricity consumers around 70 per cent less than in 2012.

The carbon price improves the economics of household solar and this change will enhance the complementarity of the RET support with the incentive the carbon price provides. States and Territories are also examining the complementarity of their climate change policies in light of principles agreed by COAG in 2008.

Consistent with a previous reduction in the multiplier announced in May 2011, legally binding contracts to install supported systems, already entered into before today and made on the basis of the current rules, will be preserved. The same applies to systems installed before 1 January 2013. See www.climatechange.gov.au.

Media contact: Mark Davis, Gia Hayne 02 6277 7920

Industry growth and decline in system costs

Since the Labor Government came to power in November 2007, over 880,000 rooftop solar PV systems and over 560,000 solar and heat pump water heaters have received support under the Renewable Energy Target (RET). This period of unprecedented growth has been driven by the upfront support under the RET scheme, rapidly declining system costs, a high Australian dollar, State and Territory feed-in tariffs and rising network prices.

The following chart shows the continued decline of system costs and low out-of-pocket expenses despite reduction of the multiplier from 5 to 3 on 1 July 2011 and 3 to 2 on 1 July 2012.

