



Fact Sheet

SUPPORTING SMALL GENERATION SYSTEMS UNDER THE RENEWABLE ENERGY TARGET SCHEME

The Australian Government is supporting the deployment of renewable energy in Australia's electricity supply through the Renewable Energy Target scheme. The scheme guarantees a market for additional renewable energy generation, using a mechanism of tradeable renewable energy certificates known as RECs (backed by a legislative obligation).

The Australian Government set a target to achieve a 20 per cent share of renewables in Australia's electricity mix by 2020. The Government is increasing the legislated target under the Renewable Energy Target scheme more than four times from 9500 gigawatt-hours in 2008 to 45 000 gigawatt-hours in 2020. The expanded scheme will absorb state and territory renewable energy targets into a single national scheme.

The design of the RET scheme is also being amended to provide support to households for installing small scale solar, wind and hydro electricity systems. The Government is continuing to meet demand in the Solar Homes and Communities Plan, and will work with industry in the transition to these new arrangements, which will begin from 1 July 2009.

Treatment of small scale renewable energy systems under the scheme

The scheme's current rules allow owners of small-scale solar photovoltaic (PV) systems, small wind turbines and micro-hydro systems to create at the time of installation, Renewable Energy Certificates (RECs) equivalent to the output of up to 15 years operation depending on the system type. This provides an upfront capital subsidy to householders, who are able to sell their renewable energy certificates (RECs) on the market.

'Solar Credits' concept

The COAG Working Group on Climate Change and Water has released exposure draft legislation for the expanded Renewable Energy Target scheme as a basis for public consultation. The draft legislation includes a mechanism to generate multiple Renewable Energy Certificates from small scale renewable energy systems, creating 'Solar Credits'.

Solar Credits will assist with the upfront cost of installing roof top PV and other small scale renewable energy systems.



Solar Credits will apply to new installations of household scale renewable energy generators eligible under the scheme. The number of additional credits will be based on the multiple as set out in the following table.

| Year | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | From 2015-16 onwards |
|------------|---------|---------|---------|---------|---------|---------|----------------------|
| Multiplier | 5 | 5 | 5 | 4 | 3 | 2 | No multiplier (1) |

The credits will commence from 1 July 2009 and will be phased out by 2015-16. This recognises that technology costs are going down and the Carbon Pollution Reduction Scheme will also be providing incentives for renewable technologies.

The timing of the phase means that Solar Credits will not adversely affect reaching the 20 per cent target by 2020.

Solar Credits will apply to the first 1.5 kilowatts of capacity installed. Generation from capacity above 1.5 kW will still be eligible for the standard 1:1 rate of RECs creation. The credits will only apply to the first small scale generation system installed at an address.

Appropriate safeguards will be put in place to prevent double dipping in relation to Solar Credits and the Solar Homes and Communities Plan rebate.

Under the renewable energy target, home owners can receive certificates for the lifetime generation of the system either upfront or over longer time periods of one, five or (in the case of solar photovoltaic systems) fifteen years (the so-called 'deeming period').

To assist with administrative efficiency and for maximum upfront assistance, the additional Solar Credits will only apply in the first time period that certificates are created for a system.

This means that home owners can receive the full lifetime benefit of the solar system upfront at point of sale, helping with the upfront costs of installing the system.

Example

Under the existing MRET scheme, a 1.5 kilowatt solar PV system is eligible for RECs valued at around \$1500. Under Solar Credits, the household would receive five times that amount, or around \$7,500, depending on the market value of the RECs.

The exact level of subsidy will depend on a number of factors, including the price of Renewable Energy Certificates (RECs), the deeming period chosen by the applicant (see above), the location of the solar PV system and the size of the system.