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HIDDEN SOLAR SUBSIDIES PAID BY GAS CONSUMERS

New analysis released by the Energy Networks Association (ENA) finds that gas bills for residential and commercial customers would be about \$50 per year (or 5.4%) lower in 2034 than current levels if distortionary subsidies to solar technology paid for by energy customers were removed.

ENA CEO, John Bradley said many of Australia's 4.5 million household gas users and 120,000 business gas users would be surprised to learn that Government policy on solar technology is one of the key factors determining whether their prices will rise or fall in future.

He said the analysis, by Core Energy Group, highlights the risk that government policy settings could unnecessarily distort the ability of gas to compete as a 'fuel of choice' for consumers.

"Recent public debate about the Renewable Energy Target has focused on impacts for electricity users or the renewables sector – but there is a hidden cost for gas consumers", Mr Bradley said.

"The Small Scale Renewable Energy Scheme (SRES) distorts energy appliance choices by subsidising solar hot water systems by up to 30% based on greenhouse gas abatement with no recognition of the abatement achieved by gas hot water systems.

"Gas hot water appliances can achieve abatement equal to or greater than appliances subsidised by the SRES but will look comparatively more expensive to a consumer - meaning Australia is not achieving least cost emissions abatement."

Mr Bradley said the SRES directly contributes to inflating retail gas prices by reducing gas volumes in the shared network, which pushes up the unit price of gas to consumers.

The key findings of the Core Energy Group report include:

- » Despite eastern Australian wholesale prices doubling, residential and commercial gas consumers could pay lower retail gas bills in 2034 if the distorting subsidies to solar technology were removed. Retail gas bills for residential and commercial customers in 2034 would be about \$50 per year (or 5.4%) lower than current levels, with 7% more gas consumed.
- » If Governments were to extend solar subsidy programs (such as through the previously proposed Million Solar Roofs program), it could exacerbate wholesale price impacts to result in retail gas bills which are about \$80 per year (or 8.24%) higher than current levels in 2034.
- » The reduction in demand due to solar subsidies could remove annual direct and indirect capital investment of up to \$200 million and lead to a potential loss of economic value of \$1.5 billion.

"Studies like the Federal Government's Smart Grid Smart City report show the solar industry has a big future in Australia and may increase solar panel capacity by 6 or 7 times in the next 20 years – but it can stand on its own feet", Mr Bradley said.

"It is absurd for Australians to keep subsidising a proven technology like solar panels at a cost of up to \$200 per tonne of abatement but particularly if it adds \$50 per year to gas consuming households already grappling with Australia's transition to an internationally-linked wholesale price.

"It would be sensible public policy to level the playing field in the energy sector, either by abolishing the SRES or making it technology neutral, treating all appliances equally based on emissions abatement.

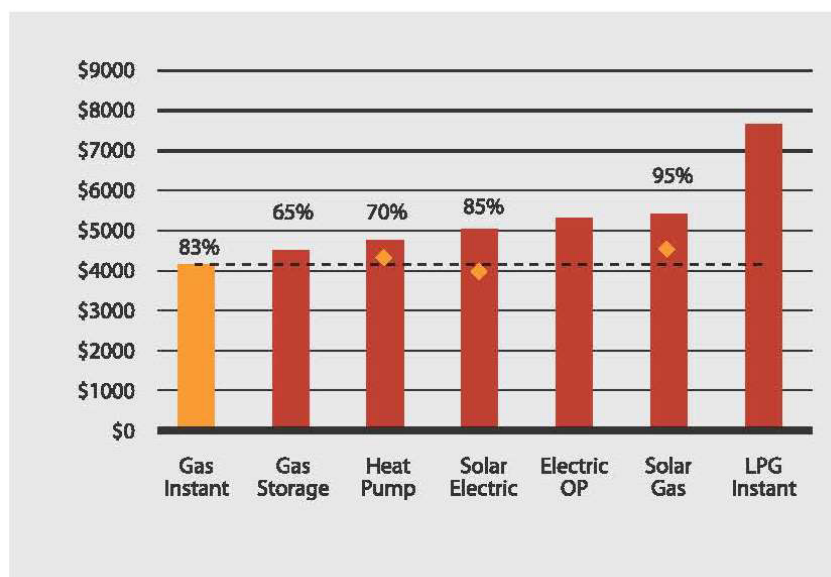
"There is an opportunity for the Australian Government to take action that is in the long term interests of consumers, and which has the potential to reduce gas prices without comprising Australia's international commitment to reducing greenhouse gas emissions," Mr Bradley said...

Table 1: Summary of policy impact analysis

*Including expected wholesale gas increases

	SCENARIO		
	Business as usual (2034)	Pro solar (2034)	Fuel neutral (2034)
Retail price increase* (% increase above CPI)	1.9%	8.24%	-3.46% ¹
Impact of policy alone on retail prices (% increase above CPI)	-	4.52%	-3.72% ²
Impact of policy changes alone on residential and commercial gas use	-	9% less gas use	7% more gas use ³
Number of gas customers (2034)	6.23 Million	6.1 Million	6.41 Million ⁴

FIGURE 5: WATER HEATING COSTS WITH REBATES



Source: Core Energy Group

Figure 5 shows the full life cycle costs of various water heating options. The orange diamonds indicate the effective cost after taking into account solar incentives. The percentage values over the grey bars demonstrate the potential abatement from each technology.

Download the ENA Factsheet: [Taking the Pressure of Gas Prices: Fixing Australia's energy policy distortion](#)

Download the Core Energy Group Report: [ENA | Gas Network Sector Study](#)

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ENA is the peak national body for Australia's energy networks; and represents gas distribution and electricity network businesses on economic, technical, environment and safety regulation as well as national energy policy issues.

¹ ENA Gas Network Sector Study, Core Energy Group, August 2014, table 8.3 page 67.

² Ibid, table 8.4 page 67.

³ Ibid, these figures are derived by taking the figures for total demand in table 8.2 on page 66 and dividing by the 2013 demand figure in the same table.

⁴ Ibid, table 8.2 page 66.