

13 October 2008

Media release

For comment, please contact

David Richardson (02) 6162 4140

Subsidise renewables and stimulate jobs

The Commonwealth Government is being advised to stimulate jobs and investment in renewable energy in a submission to the Henry Tax Review. In The Australia Institute's submission, *The tax treatment of capital investments in renewable energy*, Senior Research Fellow David Richardson argues that the current system is encouraging pollution and stifling investment in renewables.

“The Government says that it is committed to rapidly reducing greenhouse gas emissions but the tax system is currently working in the opposite direction. Industries like trucking and aviation have access to tax concessions that cost hundreds of millions of dollars each year, while the renewable energy industry is missing out” said David Richardson.

The submission calls for the introduction of accelerated depreciation provisions for investment in clean energy. It argues that because the price of this equipment is likely to fall sharply in the coming years, firms who invest today will experience ‘first mover disadvantage’.

“The problem is that we are asking investors to build expensive wind, solar and gas-fired power plants and at the same time people are assuming that the price of these plants will fall sharply over the coming years. If we are serious about encouraging these sorts of investments, we need to make sure the tax system isn't creating additional barriers” said David Richardson.

“The government also needs to be conscious of the fact that, because renewable power plants are so capital intensive, they are particularly vulnerable to rises in interest rates, investor uncertainty and technological obsolescence.”

“The global financial crisis is not an excuse to go soft on climate change. Instead, it should provide impetus for ensuring that investment in critical infrastructure like renewable energy goes ahead.”

“If the government is serious about tackling climate change, and about encouraging jobs and investment in the Australian economy, then providing tax concessions that match the economics of renewable energy would be a good place to start,” concluded David Richardson.