

**TITLE: Solar subsidies just the tip of energy policy confusion iceberg**

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**PUBLICATION: Crikey**

**PUBLICATION DATE: 02/03/12**

**LINK: <http://www.crikey.com.au/2012/03/01/solar-subsidies-just-the-tip-of-energy-policy-confusion-iceberg/>**

Is it any wonder that Australia's energy and climate change policy is in a permanent state of confusion when we have Martin Ferguson as the Minister for Resources, Energy and Tourism, Greg Combet as the Minister for Climate Change and Energy Efficiency, Anthony Albanese as Minister for Infrastructure (but not energy infrastructure?) and Tony Burke as Minister for Sustainability, not to mention a few parliamentary secretaries thrown in for good measure.

There has been much talk about the political need to reshuffle the cabinet after Martin Ferguson, Kim Carr and Robert McClelland outed themselves as not-so-happy little Vegemites, but what about the policy case for doing so? For example, if Greg Combet is the Minister for Energy Efficiency does that make Martin Ferguson the minister for using energy?

This week's decision to scrap the \$1000 subsidy for replacing old solar hot water systems highlights the portfolio, policy and public confusion around energy and climate change.

Let's start with the big picture. Australia has introduced a cap on greenhouse gas emissions and a carbon price to kick in shortly. The emissions cap means that it doesn't matter how many solar hot water systems we install Australia's emissions will be exactly the same. Sure, solar hot water systems can reduce the amount of energy that individual households use, but that just means that the industrial polluters can pollute a bit more. That's what the "T" in Emissions Trading Scheme means. If one sector pollutes less, they sell the right to pollute more with another sector.

So what's that got to do with the price of solar? Everything. It means that after we spend \$320 million subsidising solar hot water systems Australia's greenhouse gas emissions won't be any lower than if we hadn't.

Which brings us to the soon-to-be-introduced carbon price. The whole point of a carbon price is to make the cost of energy higher and, in turn, the benefits of installing things like solar hot

water systems even greater. It doesn't make a lot of sense to introduce a price on carbon if you don't think it will change behaviour. And if you do think it will change behaviour, there is no need to double up with a subsidy to install a good idea like solar hot water.

Ah, but what about equity I hear you ask. Indeed, what about equity? There was no means test to ensure that only low-income earners were getting access to the solar hot water rebate, so it is hard to argue it was designed to help the poor. Of greater concern is the fact that the lowest income earners are likely to live in public housing or rental properties and these properties are the least likely to benefit from the solar subsidies.

Well, it's about jobs then. Isn't it? The subsidy did not apply only to Australian-made solar hot water systems and if governments really wanted to drive demand for solar hot water systems they could simply regulate to make their installation mandatory on all new homes and with all major home renovations.

Solar hot water systems make a lot of sense, so much sense that you shouldn't need a \$1000 subsidy to make them attractive to "rational" people. And if the people jumping up and down about the removal of the subsidy don't believe people are rational then it is strange that they have been pushing for market-based mechanisms.

Of course the solar subsidies are just the tip of the energy policy confusion iceberg. Consider, for example, the government's simultaneous support for a price on carbon pollution and more than \$10 billion per year in subsidies to the users and extractors of fossil fuels.

On the one hand Combet is telling us that introducing a price on pollution will drive energy efficiency and "transform" the economy. And on the other hand we have Ferguson thundering away in cabinet on behalf of the mining industry ensuring that we keep pouring taxpayer-funded fuel on the mining boom fire.

All this while the government is allegedly trying to reduce greenhouse gas emissions at "least cost" and while the search is allegedly on for all the potential budget savings that can be found.

If the government really does want to transform the economy, drive greenhouse gas emission reductions at least cost, roll out the infrastructure of tomorrow and get the budget back into surplus as quickly as possible then there is no better place to start than tidying up the ministerial portfolios for energy, energy efficiency, climate change and infrastructure.

Our energy markets are poorly regulated, we are simultaneously introducing a carbon price and subsidising the use of fossil fuels, and different arms of government are fighting zero sum games in the effort to reduce greenhouse gas emissions.

Tidying up the ministerial responsibility for energy would seem like a good place to start, even if Ferguson hadn't just thumbed his nose at his cabinet colleagues.

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