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RENEWABLE ENERGY TARGET SHOULD BE ABOLISHED: IPA

Rather than being reduced, the Renewable Energy Target (RET) should be abolished entirely, according to free market think tank the Institute of Public Affairs.

"While the deal between the Federal Government and Opposition to reduce the Renewable Energy Target from 41,000GWh to 33,000GWh announced today represents a small step in the right direction, a better alternative would be its complete abolition," says Brett Hogan, Director of Energy and Innovation Policy at the Institute of Public Affairs.

"The innocuously sounding RET actually works as a federally mandated tax on power companies, forcing them to buy more expensive renewable energy. These extra costs in turn are passed on to consumers through their electricity bills."

"The RET was initially introduced at a modest 9,500GWh level by the Howard Government in 2001 to support emerging renewable energy generators. However, like most government schemes it soon developed a life, bureaucracy, and taxpayer-supported fan base of its own."

"Arguments by both sides of politics over the last twelve months about whether to trim the target to 26,000GWh or 32,000GWh or 39,000GWh or the settled 33,000GWh miss the point."

"With a total renewable generating capacity of over 34,000GWh already (including hydro) at the end of 2013 and with solar rooftop penetration of up to 22% in some States, the RET has clearly achieved its original policy intent."

"Its continuation will only encourage higher targets down the line, or calls as we saw with Victoria last week, for the States to impose their own RETs on top of the national system."

"Australia has some of the world's highest land, transport and wages costs, a small internal market and is a long way away from many of our major trading partners. Access to cheap energy is one of Australia's few areas of international competitive advantage. Every energy tax, surcharge or additional regulatory impost chips away at Australian competitiveness," says Mr Hogan.

The Australian Government's own Review Panel found in 2014 that the 41,000 GWh RET would require an additional $22 billion in cross-subsidies to the renewables sector to 2020.

"Price and reliability are the things currently blocking more investment in renewable energy – not a lack of regulation and taxes," says Mr Hogan.

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