Parliamentary Budget Office

ECR-2025-3343

<table>
<tr><th colspan="2">Give renters rights to solar</th></tr>
<tr><td>Party:</td><td>Australian Greens</td></tr>
<tr><td colspan="2">Summary of proposal:

The proposal would provide $10 billion to the Commonwealth Electricity Corporation to establish a ‘renters’ right to solar’ program.

The ‘renters’ right to solar’ program would allow renters to request the installation of an average-sized solar panel system, up to 8kW, to be installed at their rental properties. Landlords would only be permitted to refuse such requests on reasonable grounds. Legitimate reasons would be if body corporate rules prevent it, engineering considerations, or the property being unsuitable.

The solar systems and their installation would be paid for through a new $10 billion fund established though the proposed publicly-owned electricity company Commonwealth Electricity Corporation. The cost of purchasing and installing the solar panels would be listed as an asset on the Commonwealth Electricity Corporation’s balance sheet, with a caveat placed on the title of the property.

The interest rate would be whichever is lower between the annual change in either the Consumer Price Index (CPI) or Average Weekly Ordinary Time Earnings (AWOTE).

Landlords could elect to pay this amount off early if they choose; otherwise, the Commonwealth Electricity Corporation would be entitled to be repaid the amount owing when the property is sold or its ownership transferred.

The proposal starts on 1 July 2025</td></tr>
<tr><td colspan="2">Additional specifications (based on further advice provided):

The Commonwealth Electricity Corporation would be created out of Snowy Hydro Limited (ECR-2025-3787 refers).

The $10 billion funding would be provided over six years, from 2025-26 to 2030-31.</td></tr>
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Costing overview

The proposal would be expected to decrease the fiscal balance by around $1.1 billion, increase the underlying cash balance by around $5 million, and decrease the headline cash balance by around $5.5 billion over the over the 2025-26 Budget forward estimates period, including public debt interest (PDI) impacts (see Table 1). These impacts reflect interest payments and the flow of loan principal.

The proposal would be expected to have an impact beyond the 2025-26 Budget forward estimates period. A breakdown of the financial implications over the period to 2035-36 is provided at Attachment A.

For concessional loans, the fiscal, underlying cash and headline cash balance impacts differ in the treatment of interest and dividend payments, and the flow of equity and loan principal. In particular, only the fiscal balance reflects the impact of the loan being provided on a concessional basis, which is included as a concessional loan discount expense with associated unwinding income. Only the headline cash balance includes transactions related to loan principal amounts. A note on the accounting treatment of concessional loans is included at Attachment B.

The impact on gross debt will be broadly consistent with movements in the headline cash balance (Table A3 refers). The estimated impact on gross debt each year reflects the headline cash balance impact, including PDI. This is around -$5.5 billion over the forward estimates period and around -$6.9 billion over the medium term.

Table 1: Give renters rights to solar – Financial implications ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	**Total to 2028-29**
Fiscal balance	-293.8	-261.8	-272.8	-251.8	**-1,080.2**
Underlying cash balance	32.2	17.2	-9.8	-34.8	**4.8**
Headline cash balance	-1,521.8	-1,421.8	-1,332.8	-1,242.8	**-5,519.2**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
- Indicates nil.

Consistent with PBO Guidance 02/2015, public debt interest expense impacts have been included in this costing because the concessional loans provided under this proposal involve financial asset transactions.

Sensitivities and uncertainty

The financial implications of this proposal are uncertain and sensitive to a wide range of assumptions and uncertainties relating to:

- Take-up rates of the concessional loans under this proposal. The rates of uptake are impacted by various factors including the number of suitable eligible rental properties, changes to the current financial incentives and schemes for electricity generation, interactions of new/existing state/territory schemes with this policy, technological advancements, legislative/regulatory changes, climate/weather-related factors and the perceived benefits (or risks) of installations.
  - The number of Australian rental properties in which solar PV systems could feasibly be installed is uncertain. According to the 2021 Census of Population and Housing, there were approximately 2.03 million rental properties in Australia that were stand-alone houses, townhouses, or similar – properties likely to be most suitable for the installation of a solar PV system. The Parliamentary Budget Office (PBO) has assumed that the total $10 billion funding committed would be deployed across the policy timeframe. This means systems would need to be installed in around 60% of all rental properties for which a solar PV system could possibly be installed, based on an estimated out-of-pocket cost for an 8kW residential solar PV system of $7,700.[1]
- The applicable loan and comparative market interest rates. The assumed interest rates over the proposal timeframe are significantly uncertain given potential volatility in the macroeconomy.
- The assumptions relating to the deployment profile of the loan commitments, the overall credit risk profile, the assumed default rates for non-repayment, and the timing of those defaults.

[1] Solar Choice (2023) *Pricing, electricity yield and returns for 8kW solar PV systems*.

- The number of properties for which systems could not be installed due to exceptions on 'reasonable grounds' as provided for in the specification.
- Whether there would be sufficient supply of physical solar PV systems, or the skilled labour required to install them.
- According to the Department of Climate Change, Energy, the Environment and Water, there are currently around 300,000 rooftop solar PV systems installed in Australia annually.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- The total $10 billion loan funding would be evenly distributed over 6 years from 2025-26.
- The total $10 billion funding committed would be fully deployed across the policy timeframe of 2025-26 to 2030-31.
- The proposed concessional loans issued by Snowy Hydro Limited will remain unpaid until the next transfer of ownership of the property occurs, with no landlords electing to pay off their concessional loan early.
  - Around 70% of loans issued in each year would be repaid within 10 years.
  - Around 7% of the existing stock of investment properties would be sold each year.
- The credit risk profile of the proposed concessional loans is such that the proportion of debt not expected to be repaid (DNER) is assumed to be 1%.
- There will not be any significant changes in the overall credit risk of the proposed concessional loans over the life of the loans.
- There would be sufficient availability of solar panels and skilled workers to carry out the extra installations this policy would generate.
- Departmental costs associated would be provided in addition to the funding specified.

Methodology

The financial implications were calculated in accordance with the accounting framework for concessional loans, set out by the Department of Finance, taking into account the flow-on impacts on concessional loan discounts, their unwinding, and the associated interest accrual and repayments, with the key inputs into the model estimated as follows:

- The total $10 billion loan funding was deployed evenly over 6 years, as detailed in *Key assumptions.*
- The comparative market interest rate used to calculate the financial implications of concessional loans was based on the lending rates for outstanding personal credit loans secured by residential property, as of December 2024.
- Departmental expenses were estimated based on the departmental costs of providing other concessional loans.

Financial implications were rounded consistent with the PBO's rounding rules.[2]

[2] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

Data sources

Australian Bureau of Statistics (ABS) (2022) *Census of Population and Housing, reference period 2021, [ABS TableBuilder]*, Australian Government, accessed 23 May 2025.

Australian Energy Council (2023) *Solar Report: Second quarter 2023*, Australian Energy Council, accessed 23 May 2025.

Bandeira, G., Malakellis, M., & Warlters, M. (2022) *Holding periods of residential property buyers in NSW*, NSW Government, accessed 23 May 2025.

Department of Climate Change, Energy, the Environment and Water (DCCEEW) (2024) *Australia hits rooftop solar milestone* Australian Government, accessed 23 May 2025.

Reserve Bank of Australia (RBA) (2025) *Statistical Tables, Personal Lending Rates – F8*, RBA, accessed 23 May 2025.

Solar Choice, (2023) *Pricing, electricity yield and returns for 8kW solar PV systems*, Solar Choice, accessed 23 May 2025.

Commonwealth of Australia (2025) *Pre-election Economic and Fiscal Outlook 2025,* Commonwealth of Australia.

Attachment A – Give renters rights to solar – Financial implications

Table A1: Give renters rights to solar – Fiscal balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	**Total to 2028-29**	**Total to 2035-36**
Revenue													
Administered non-tax													
Income from unwinding of discounts	*41.0*	*79.0*	*117.0*	*152.0*	*184.0*	*210.0*	*197.0*	*183.0*	*168.0*	*152.0*	*135.0*	***389.0***	***1,618.0***
Interest accrued from loans	*41.0*	*82.0*	*116.0*	*149.0*	*179.0*	*206.0*	*189.0*	*171.0*	*154.0*	*136.0*	*119.0*	***388.0***	***1,542.0***
Total – revenue	**82.0**	**161.0**	**233.0**	**301.0**	**363.0**	**416.0**	**386.0**	**354.0**	**322.0**	**288.0**	**254.0**	**777.0**	**3,160.0**
Expenses													
Administered													
Concessional loan discount expense	*-359.0*	*-342.0*	*-365.0*	*-355.0*	*-345.0*	*-311.0*	-	-	-	-	-	***-1,421.0***	***-2,077.0***
Total – administered	***-359.0***	***-342.0***	***-365.0***	***-355.0***	***-345.0***	***-311.0***	-	-	-	-	-	***-1,421.0***	***-2,077.0***
Departmental													
Departmental expenses	*16.2*	*16.2*	*16.2*	*16.2*	*16.2*	*16.2*	-	-	-	-	-	***64.8***	***97.2***
Total – departmental	***16.2***	***16.2***	***16.2***	***16.2***	***16.2***	***16.2***	-	-	-	-	-	***64.8***	***97.2***
Total – expenses	**-342.8**	**-325.8**	**-348.8**	**-338.8**	**-328.8**	**-294.8**	-	-	-	-	-	**-1,356.2**	**-1,979.8**
Total (excluding PDI)	**-260.8**	**-164.8**	**-115.8**	**-37.8**	**34.2**	**121.2**	**386.0**	**354.0**	**322.0**	**288.0**	**254.0**	**-579.2**	**1,180.2**
PDI impacts	***-33.0***	***-97.0***	***-157.0***	***-214.0***	***-266.0***	***-315.0***	***-326.0***	***-301.0***	***-276.0***	***-251.0***	***-226.0***	***-501.0***	***-2,462.0***
Total (including PDI)	**-293.8**	**-261.8**	**-272.8**	**-251.8**	**-231.8**	**-193.8**	**60.0**	**53.0**	**46.0**	**37.0**	**28.0**	**-1,080.2**	**-1,281.8**

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

\- Indicates nil.

Table A2: Give renters rights to solar – Underlying cash balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	**Total to 2028-29**	**Total to 2035-36**
Receipts													
Administered non-tax													
Interest received on loans	*41.0*	*82.0*	*116.0*	*149.0*	*179.0*	*206.0*	*189.0*	*171.0*	*154.0*	*136.0*	*119.0*	***388.0***	***1,542.0***
Total – receipts	**41.0**	**82.0**	**116.0**	**149.0**	**179.0**	**206.0**	**189.0**	**171.0**	**154.0**	**136.0**	**119.0**	**388.0**	**1,542.0**
Payments													
Departmental													
Departmental expenses	*16.2*	*16.2*	*16.2*	*16.2*	*16.2*	*16.2*	-	-	-	-	-	***64.8***	***97.2***
Total – departmental	***16.2***	***16.2***	***16.2***	***16.2***	***16.2***	***16.2***	**-**	**-**	**-**	**-**	**-**	***64.8***	***97.2***
Total – payments	**16.2**	**16.2**	**16.2**	**16.2**	**16.2**	**16.2**	**-**	**-**	**-**	**-**	**-**	**64.8**	**97.2**
Total (excluding PDI)	**57.2**	**98.2**	**132.2**	**165.2**	**195.2**	**222.2**	**189.0**	**171.0**	**154.0**	**136.0**	**119.0**	**452.8**	**1,639.2**
PDI impacts	***-25.0***	***-81.0***	***-142.0***	***-200.0***	***-253.0***	***-303.0***	***-323.0***	***-307.0***	***-282.0***	***-257.0***	***-232.0***	***-448.0***	***-2,405.0***
Total (including PDI)	**32.2**	**17.2**	**-9.8**	**-34.8**	**-57.8**	**-80.8**	**-134.0**	**-136.0**	**-128.0**	**-121.0**	**-113.0**	**4.8**	**-765.8**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

\- Indicates nil.

Table A3: Give renters rights to solar – Headline cash balance ($m)[(a)]

	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	**Total to 2028-29**	**Total to 2035-36**
Receipts													
Administered non-tax													
Principal repayments	*116.0*	*231.0*	*347.0*	*462.0*	*578.0*	*693.0*	*693.0*	*693.0*	*693.0*	*693.0*	*693.0*	***1,156.0***	***5,892.0***
Interest received on loans	*41.0*	*82.0*	*116.0*	*149.0*	*179.0*	*206.0*	*189.0*	*171.0*	*154.0*	*136.0*	*119.0*	***388.0***	***1,542.0***
Total – receipts	**157.0**	**313.0**	**463.0**	**611.0**	**757.0**	**899.0**	**882.0**	**864.0**	**847.0**	**829.0**	**812.0**	**1,544.0**	**7,434.0**
Payments													
Administered													
Loans made	*-1,670.0*	*-1,670.0*	*-1,670.0*	*-1,670.0*	*-1,670.0*	*-1,670.0*	-	-	-	-	-	***-6,680.0***	***-10,020.0***
Total – administered	***-1,670.0***	***-1,670.0***	***-1,670.0***	***-1,670.0***	***-1,670.0***	***-1,670.0***	-	-	-	-	-	***-6,680.0***	***-10,020.0***
Departmental													
Departmental expenses	*16.2*	*16.2*	*16.2*	*16.2*	*16.2*	*16.2*	-	-	-	-	-	***64.8***	***97.2***
Total – departmental	***16.2***	***16.2***	***16.2***	***16.2***	***16.2***	***16.2***	-	-	-	-	-	***64.8***	***97.2***
Total – payments	**-1,653.8**	**-1,653.8**	**-1,653.8**	**-1,653.8**	**-1,653.8**	**-1,653.8**	-	-	-	-	-	**-6,615.2**	**-9,922.8**
Total (excluding PDI)	**-1,496.8**	**-1,340.8**	**-1,190.8**	**-1,042.8**	**-896.8**	**-754.8**	**882.0**	**864.0**	**847.0**	**829.0**	**812.0**	**-5,071.2**	**-2,488.8**
PDI impacts	***-25.0***	***-81.0***	***-142.0***	***-200.0***	***-253.0***	***-303.0***	***-323.0***	***-307.0***	***-282.0***	***-257.0***	***-232.0***	***-448.0***	***-2,405.0***
Total (including PDI)	**-1,521.8**	**-1,421.8**	**-1,332.8**	**-1,242.8**	**-1,149.8**	**-1,057.8**	**559.0**	**557.0**	**565.0**	**572.0**	**580.0**	**-5,519.2**	**-4,893.8**

(a) A positive number for the headline cash balance indicates an increase in receipts or a decrease in payments or net capital investment in headline cash terms. A negative number for the headline cash balance indicates a decrease in receipts or an increase in payments or net capital investment in headline cash terms.

\- Indicates nil.

Attachment B – Accounting treatment of concessional loans

A concessional loan is a loan provided on more favourable terms than the borrower could obtain in the financial market. The most common concession is a below-market interest rate, but concessions can also include favourable repayment conditions.

Budget impact[3]

The accounting treatment of concessional loans differs across each budget aggregate. The underlying cash balance only captures actual flows of interest related to the loans. The headline cash balance captures actual flows of principal as well as interest. The fiscal balance captures accrued interest, the value of the concession and any write-offs related to the loans. The interest cost of financing these loans is captured in all budget aggregates, and is separately identified by the PBO.[4] Table B1 provides information about the detail provided in a costing. The provision of concessional loans decreases the Australian Government's net worth if the liabilities issued (the value of Commonwealth Government Securities issued to finance the loans) are greater than the assets created (measured at their 'fair value' or price at which the loans could be sold).

Treatment of debt not expected to be repaid (DNER)

All budget aggregates take into account estimates of the share of loans not expected to be repaid when estimating the value of the concession that is being provided.. If a portion of loans are not expected to be repaid, an allowance is made for the expected credit loss on the loans' outstanding balance. Such reductions, both when loans are issued and if loans are subsequently re-valued, are recorded in the budget under 'other economic flows', which are also reflected in net worth.

Table B1: Components of concessional loan financial impacts in costing proposals

Budget item	Appears in	Comments
Interest accrued or received	All budget aggregates	Captures the interest accrued or expected to be received on the value of the debt
Concessional loan discount expense and unwinding revenue	Fiscal balance	The net present value of the concession (based on the difference between the market and concessional interest rates) is captured as an expense in the fiscal balance. As loans are repaid, the remaining value of the concession reduces, so this expense is 'unwound' with a positive impact on the fiscal balance. The concessional discount and its unwinding are not recognised in cash balances as there is no cash inflow or outflow.
Write-offs	Fiscal balance	Debt forgiveness, also known as mutually agreed write-downs (for example in the case of the death of the borrower of a HELP loan) are expensed when they occur, reducing the fiscal balance. These transactions do not affect the cash balances as no cash flows occur. An assessment by the Government that a loan (apart from HELP loans) will not be fully repaid is an 'other economic flow', not included in the fiscal balance.
Initial loan; principal repayments	Headline cash balance	Higher estimates of loans not expected to be repaid lowers principal repayments. These transactions are not included in the fiscal balance or underlying cash balance as they involve the exchange of one financial asset (loan) for another (cash).
Public debt interest (PDI)	All budget aggregates	The PDI impact is the cost of the change in the government's borrowing requirements to fund the loans. The net headline cash balance impact excluding PDI is used to estimate the proposal's impact on PDI payments.

[3] The PBO's treatment of these loans is consistent with the Department of Finance costing guidelines.

[4] This is in accordance with *PBO Guidance 02/2015* and the Charter of Budget Honesty Policy Costing Guidelines which specify that costings of proposals that 'involve transactions of financial assets' need to take into account the impact on PDI payments.