

Navigating Environmental Certificates: A Roadmap to ESG Compliance and Transparent Reporting

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Renewable energy certificates (LGCs, STCs, REGOs, I-RECs) represent renewable electricity attributes and support market-based Scope 2 accounting under GHG Protocol guidance. Energy efficiency certificates (VEECs, ESCs) represent energy savings and reduced consumption, leading to immediate Scope 2 emissions reductions regardless of whether certificates are sold. The key distinction: renewable certificates must be retired to support renewable electricity claims, while efficiency certificates create the underlying savings independently. We help clients establish the correct boundary and accounting treatment for each instrument type within their reporting framework.

Publication context: This article reflects its publication date. Market prices, program rules, reporting duties and deadlines may have changed. Confirm current official guidance before making a decision.

An important aspect of Environmental Certificates involves the appropriate treatment of the certificates under programs and reporting guidelines. Certificates and their markets serve as valuable economic tools to incentivise businesses to embrace decarbonisation and environmental responsibility. Understanding how Environmental Attribute Certificate (EAC) market's function and operate will help businesses design a EAC and Energy Procurement strategy that aligns with the national decarbonisation goals as well as their own corporate sustainability objectives.

The executive summary of the treatment of registered certificates:

Businesses wishing to claim renewable energy or emissions reductions from project-generating certificates need to adhere to the following rules. If the business does not make the claims they are free to sell the certificates or use them in other ways.

Renewable Energy Certificates (LGCs) must be surrendered to validate that a business is using renewable energy (see 5 for the exception).

Australian Carbon Credit Units (ACCUs) must be surrendered to validate emission reductions from specific projects (see 5 for the exception).

Small-scale Technology Certificates (STCs) provide an immediate discount on solar systems cost and the business will be able report lower grid-based emissions.

Victorian Energy Efficiency Certificates (VEECs) and Energy Saving Certificates (ESCs) lead to immediate energy savings and reduced Scope 2 emissions. Selling VEECs or ESCs has no impact on the emissions reductions.

There are arbitrage opportunities to sell LGCs or ACCUs and buy other recognized Environmental Certificates or Carbon Credits to surrender, which can be financially advantageous.

Businesses can sell VEECs and leverage the proceeds to buy and surrender LGCs or ACCUs, resulting in greater emissions reductions than just the original VEEC project.

The Northmore Gordon carbon advisory team has extensive knowledge in navigating the treatment of domestic and international certificates within programs such as NGERs, Climate Active , Science-Based Target Initiative (SBTi), Corporate Emissions Reduction Transparent (CERT) report, RE100 , and others. It equally applies to companies with decarbonisation targets or voluntary targets conforming to Greenhouse Gas (GHG) Protocol. This understanding allows us to maximise the monetary value whilst still meeting emissions reduction targets.

Environmental Certificates assist in different ways

I have a corporate target for renewable energy purchases

Can I use VEECs to demonstrate renewable energy purchases?

VEECs are not a Renewable Energy Certificate, instead they represent the energy savings.

VEECs are calculated on energy savings, and then converted to a tonne of CO₂e using factors set by the Victorian Government. For some processes (methods) under the VEEC scheme, a user can claim VEECs from energy savings that are forward created for the next 10 years with a discount factor and based on assumptions about the greenhouse gas intensity of the future grid. Hence it is difficult to demonstrate compliance with international GHG reporting standards that VEECs can be retired and used directly against a renewable energy purchase target.

Buying LGCs in Australia using money from sale of VEECs

For those companies aiming to achieve renewable electricity targets that comply with GHG Protocol Scope 2 guidance for emissions reductions, retiring LGCs or IRECs would be required.

A company may sell VEECs, and this would help to fund the purchase of Renewable Energy Certificates. It is recommended to begin the purchase and retirement of RECs in advance of any corporate target dates (e.g. 6 months) to ensure that any claims can be supported by the publicly available register.

Due to price differences, the total quantity of RECs purchased won't be the same as the number of VEECs sold.

Buying RECs from the global market using money from sale of VEECs

Whilst LGCs are solely acknowledged in Australia, companies with international operations, may purchase international RECs. These can be more cost effective than buying LGCs, increasing your renewable energy percentage in your global footprint.

RECs are a globally recognised mechanism to demonstrate renewable energy purchases. They empower a company to demonstrate its utilization of 100% renewable energy, decarbonize its supply chain, fulfill certification criteria for products, buildings, or companies, and enhance climate-related disclosure standards. There are many different REC types and registries, and knowing which ones to buy and how much to pay can be challenging.

International RECs are currently trading at both higher and lower prices compared to LGCs, depending on the country. Having a strategy in place helps you to optimise the amount of renewable energy per dollar spent.

I have a corporate target for carbon and need carbon offsets

Buying Carbon Offsets

Purchasing carbon offsets can mitigate emissions that can't be avoided by other means. They may also be needed for compliance - for example to meet the Safeguard Mechanism in Australia, to ensure you maintain Climate Active Accreditation, or to reduce the cost of a Carbon Tax (e.g. in Singapore). Alternatively, they could be voluntarily retired such as for Scope 3 emissions from employee travel.

Carbon offsets are created from both avoided emissions and removals and are available from the Australian and international markets. In Australia, Australian Carbon Credit Units (ACCUs) represent a tonne of CO₂-e that can be traded on the wholesale market, voluntarily surrendered to offset emissions, or sold against government contracts through auctions. Internationally, there are several registries and rating systems that are used to create high quality offsets such as Verra, Gold Standard, and Puro. Earth.

Price and Quality are key considerations when purchasing carbon offsets. The following factors are some that should be considered:

Additionality

Over-crediting

Vintage (year of creation)

Leakage

Non-permanence

Avoided vs Removal

Stakeholder perception

Developer profile

Community impacts

How do EACs fit into an integrated Strategy?

For any business, there are four typical 'Carbon Reduction Levers' available to decarbonise its operations. The availability of these levers differs from site to site, company to company. No one-size-fits-all.

An integrated strategy will draw on all these levers. However, what is common for every single site is the ability to create, monetise, and purchase Environmental Attribute Certificates.

At Northmore Gordon we believe that high-integrity environmental markets are critical for businesses to transition to clean energy. This will support businesses to adopt a nature-positive model, and strategically position them for enduring success.

Reporting and compliance context

Confirm the reporting entity and period, current thresholds, regulator guidance, evidence boundary and assurance obligations before applying the dated discussion to a live report.

Related guidance

Carbon advisory

Scope 1, 2 and 3 emissions

Contact us

Read the original article for the source publication and its full context.

What is the difference between renewable energy certificates and energy efficiency certificates in terms of emissions accounting?

Renewable energy certificates (LGCs, STCs, REGOs, I-RECs) represent renewable electricity attributes and support market-based Scope 2 accounting under GHG Protocol guidance. Energy efficiency certificates (VEECs, ESCs) represent energy savings and reduced consumption, leading to immediate Scope 2 emissions reductions regardless of whether certificates are sold. The key distinction: renewable certificates must be retired to support renewable electricity claims, while efficiency certificates create the underlying savings independently. We help clients establish the correct boundary and accounting treatment for each instrument type within their reporting framework.

Why can't VEECs alone demonstrate compliance with international renewable energy purchase targets like RE100?

VEECs represent energy savings rather than renewable generation. Some VEEC methods allow forward-created savings over 10 years using discount factors based on assumed future grid intensity, making it difficult to demonstrate compliance with GHG Protocol standards, which require actual renewable electricity attributes. To meet international targets like RE100's requirement for 100% renewable electricity by 2050, companies must purchase and retire actual renewable energy certificates (LGCs, I-RECs) that document generation from renewable sources. Selling VEECs and using proceeds to buy renewable certificates bridges this gap, though certificate quantities won't match due to price differences.

How should a business approach purchasing carbon offsets to address Scope 3 emissions under different regulatory regimes?

Offset selection depends on regulatory requirements and voluntary commitments. Under Australia's Safeguard Mechanism, ACCUs are required; Climate Active accreditation allows ACCUs, CERs, RMUs, VCU, or VERs with annual reporting; international frameworks like Science-Based Target Initiative (SBTi) and RE100 have specific quality criteria regarding additionality, vintage, and offset type (avoided versus removal). Key assessment factors include over-crediting risk, leakage, permanence, and stakeholder perception. Our carbon advisory team navigates these frameworks, helping clients select offsets that meet regulatory obligations while supporting voluntary decarbonization commitments.

What constitutes adequate evidence when retiring environmental certificates to support an emissions or renewable energy claim?

Evidence requirements include registry records showing ownership transfer and retirement/cancellation, the instrument type and vintage (creation year), generation location and period, exclusive claim rights, and the calculation linking certificate retirement to the public statement being supported. For renewable electricity claims, the consumption period, site locations, and reporting framework must align with instrument coverage. Our environmental-attribute due diligence service verifies certificate integrity before procurement and retirement, ensuring claims are supported by documented evidence traceable to authoritative registries. This protects against over-crediting and maintains compliance with GHG Protocol and scheme-specific requirements.

What role do environmental certificates play in an integrated decarbonization strategy?

Environmental certificates are one of four typical carbon-reduction levers available across most sites, though their availability differs by location and company circumstances. An integrated strategy draws on all levers: physical energy reduction, electrification, renewable energy procurement (via certificates), and offsets. Certificates enable monetization of efficiency improvements (selling VEECs/ESCs) and support renewable electricity claims (retiring LGCs/REGOs). What is common to every site is the ability to create, monetize, and purchase environmental certificates as part of a comprehensive transition

plan. We help identify which levers apply to each site and how certificate strategies integrate with broader decarbonization pathways.

How do international renewable energy certificates (I-RECs) compare to Australian LGCs in terms of cost and global coverage?

International RECs (I-RECs) and LGCs serve different markets. I-RECs apply to global operations and are recognized by frameworks like GHG Protocol and RE100, while LGCs are specific to Australia. I-RECs can be more cost-effective than LGCs for companies with international portfolios seeking to increase renewable energy percentage across multiple countries. Pricing varies by country and market conditions—both I-RECs and LGCs trade at varying prices depending on supply and demand. A strategic approach optimizes renewable energy procurement per dollar spent, balancing cost with geographic alignment to operations. Our moREnewable100 service supports multi-site procurement strategy with technology and due-diligence support across both domestic and international instruments.

What happens to emissions reductions when a business sells efficiency certificates rather than retiring them?

Selling VEECs or ESCs does not diminish the underlying emissions reductions. These certificates represent energy savings that occur immediately and reduce Scope 2 emissions regardless of certificate ownership or sale. The energy savings are real and remain with the site; the certificate is simply a tradeable instrument documenting and monetizing that saving. This distinction is critical: the physical improvement (less energy consumed) is separate from the financial benefit (certificate revenue). We help clients structure certificate sales to fund reinvestment while ensuring emissions accounting correctly reflects the underlying physical savings achieved.

What are the key assessment factors when selecting carbon offsets to ensure they support credible environmental claims?

Critical assessment factors include additionality (would the project have occurred without offset revenue), over-crediting risk, vintage (year created), leakage (emissions displaced elsewhere), permanence (durability of storage or avoided emissions), and offset type (avoided emissions versus carbon removal). Stakeholder perception, developer profile, and community impacts also matter for reputation and license to operate. High-quality offsets come from registries like Verra, Gold Standard, and Puro.Earth, which apply standards addressing these factors. Our environmental-attribute due diligence service conducts this verification before procurement and retirement, protecting against credibility risk and ensuring offsets meet both regulatory requirements and corporate sustainability commitments.

How should businesses reconcile different certificate requirements across multiple reporting frameworks like NGER, Climate Active, and SBTi?

Different frameworks have distinct certificate requirements. NGER uses ACCUs and renewable certificates within scope definitions; Climate Active requires offset purchase and retirement with specific allowed instruments (LGCs for Scope 2, ACCUs/CERs/RMUs/VCUs/VERs for Scope 1 and 3); SBTi and RE100 require renewable electricity attributes meeting GHG Protocol quality criteria with specific sourcing rules. Reconciliation requires mapping which certificates satisfy which framework obligation, tracking vintage and retirement evidence separately, and avoiding double-counting. Our reporting support service helps clients navigate this complexity, ensuring that certificate purchases and retirements are documented consistently across frameworks and that public claims are supported by proper evidence.