

Navigating the 2025 VEU Changes: What They Mean for Your Business

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The May 2025 extension to 2045 aligns VEU with Victoria's net-zero targets and signals sustained policy commitment. For businesses, this removes the risk of sudden scheme closure and justifies long-term energy strategy investment. It supports financing and confidence in multi-year energy management roadmaps. However, the reduction in 2026 - 27 VEEC targets (to 4.4 - 4.6 million from 7.3 million in 2025) indicates tightening supply, so early action captures current pricing. We help clients frame energy upgrades within both short-term certificate opportunities and longer-term decarbonisation pathways, ensuring projects align with scheme longevity and evolving compliance requirements.

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.

By Hamish McGovern, Group Managing Director, Northmore Gordon

The Victorian Energy Upgrades (VEU) program has undergone significant reforms in 2025, sending a clear signal to commercial and industrial (C&I) customers: the scheme is not only here to stay but is being substantially strengthened to accelerate electrification, heat recovery, and the transition away from gas.

For Northmore Gordon clients in the industrial and large commercial sectors, these changes represent unprecedented opportunities to access funding for energy productivity improvements.

In this article I summarise the key 2025 changes, and what's slated over the next 18 months, and how to engage with Northmore Gordon to capture the highest value from VEECs and grants.

Changes in 2025

- In May the VEU was extended in law to 2045; with stronger compliance and flexibility. This aligns with Victoria's net-zero targets and gives businesses much-needed certainty to plan and invest long-term. It changes to legislation also increased regulator's powers, introducing training, and modernising registry arrangements.
- 2026-27 targets locked & shortfall rate lifted. The Government set 4.4m VEECs (2026) and 4.6m VEECs (2027) and raised the shortfall penalty to \$100. Modelling suggests prices will ease in 2026 due to the lower targets, and additional activities coming online.
- Project-Based Activities (PBA) reforms (20 June 2025). New M&V; Specifications and Benchmark Rating specs announced; they add "specified measurement methods", tighten guidance and lower admin friction for multi-measure projects.
- C&I; heat pump hot water (Activity 44) updated in July. Minimum storage tanks now needs to be great than 700 L, scaling for <10 kW systems, and \$1,000 minimum customer co-payment, with Version 20 specs effective 25 July 2025. Aimed squarely at genuine commercial installs. This has reduced supply from what was a high-volume activity being used in "not fit-for-purpose" installations.
- Product & program housekeeping. Warranty rules for water heating and space heating/cooling began

31 March 2025; ESC published further clarifications across activities. - Enhanced Compliance with new civil penalty came into effect in May 2025. While adding some compliance friction, these changes strengthen the scheme's integrity and long-term viability and reduce VEEC volatility from bad actors undermining the program.

Expected Changes (Next 18 Months)

- The new EMIS (Energy Management Information System) activity (metering/sub-metering/analytics) consulted in Jan 2025; is slated to commence 2026; This helps Northmore Gordon manufacturing and large commercial buildings customer, by providing VEEC funding for implementing energy monitoring and control systems - a critical first step in any energy productivity journey. - New Insulation activity (ceiling insulation) prepared for early 2026; this residential will add scheme supply and could reduce the VEEC price. - Business Electrification - Phase 1 & Electric Motors update under development through 2025. Northmore Gordon is waiting for more details for applicability to C&I; customers. - Thermal activities review; the space heating/cooling, water heating consultation planned for late 2025; - Consumer price transparency updates land into 2026; the government is looking at mechanisms to enable customers to better transparency on the value of the VEECs they are receiving for an activity.

Why this helps C&I; Customers

- Smoother path for complex projects. The PBA/M&V; changes reduce admin time and uncertainty for multi-measure retrofits (e.g., process heat pumps + heat recovery + controls). - Electrification tailwinds. Activity 44 is now tuned to proper commercial hot water loads; pairing heat pumps with heat recovery can materially lift VEEC yield. - Better data, better savings. An EMIS activity in 2026 should support persistent savings and easier M&V; across industrial sites. - Program & Compliance confidence. With a 15-year extension to the program and updated guidelines, warranties and increased regulatory oversight, business now has greater certainty for the program, and integrity of energy savings .

VEEC Price Context The VEEC price in the first half of 2025 was trading above \$105, until the announcement of the 2026/27 targets saw the price fall to as low as \$85.00. The update and reset of Activity 44 (which had reasonable creation volume) caused a brief squeeze and saw prices jump above \$100 and is trading around \$95.00.

Once the impacts of the sudden changes to Activity 44 are absorbed, the new targets 2026/27 and growing range of activities are expected to maintain supply and hence prices are may well soften.

The Ideal Engagement Model Northmore Gordon's approach to maximising value from the VEU follows a proven pathway, as demonstrated by our long-term with business such as Greenham:

1. Initial Energy Audit: Comprehensive site assessment identifying all efficiency and renewable opportunities (often grant-funded) every 2-3 years. 2. Feasibility Studies: Detailed engineering and financial analysis of priority projects, incorporating VEEC revenue streams. 3. Funding and Grant Applications: Leveraging government co-funding programs alongside VEECs to improve project returns. 4. Implementation Support: Technical specification, contractor management, and commissioning oversight. 5. VEEC Creation & Compliance: Registration, measurement & verification, and certificate creation. 6. Ongoing Optimisation: Annual performance reviews and identification of new opportunities as VEU activities expand.

Case Study - Greenham Multi-year engagement by Northmore Gordon with audits, feasibility, VEECs, and grants. Demonstrates how staged projects can compound savings and funding over time.

This integrated approach delivered over \$4.5 million in combined grant and VEEC funding for Greenham's Tongala cogeneration project alone, while their Smithton site generated over \$175,000 in carbon credits through our ongoing support.

Read more:

Why Act Now? The 2025 VEU reforms represent a watershed moment for industrial energy users. With the scheme's 20-year extension, enhanced support for electrification, and new activities specifically targeting C&I customers, there has never been a better time to develop a comprehensive energy strategy.

The reduction in 2026-27 VEEC targets (from 7.3m in 2025 to 4.4-4.6 million in 2026/27) signals that certificate prices may face downward pressure from reduced demand. Early movers will benefit from current pricing and the full suite of complementary grant programs currently available.

Northmore Gordon's Competitive Edge As Australia's C&I leader in measurement and verification, Northmore Gordon combines deep engineering capability with unmatched expertise in VEEC creation and grant funding with market intelligence. Our team identifies energy saving opportunities that others miss, engineering solutions that deliver real operational benefits, and structures funding packages that maximise project returns.

Whether you're considering heat pump integration, cogeneration, process electrification, or comprehensive energy management systems, our integrated approach ensures you capture maximum value from the evolving VEU landscape.

Interested to know more? Call or email Craig Morgan or submit your interest here today.

References

1. DEECA Industry Market Update & Work Program 2. ESC - VEU Guidelines v13 3. Victorian Energy Efficiency Target Amendment Act 2025 4. ESC - New VEU Registry 5. Northmore Gordon Market Prices 6. Northmore Gordon - Greenham Case Study

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.

Why did the Victorian Government extend the VEU program to 2045, and what does this mean for long-term energy project planning?

The May 2025 extension to 2045 aligns VEU with Victoria's net-zero targets and signals sustained policy commitment. For businesses, this removes the risk of sudden scheme closure and justifies long-term energy strategy investment. It supports financing and confidence in multi-year energy management roadmaps. However, the reduction in 2026–27 VEEC targets (to 4.4–4.6 million from 7.3 million in 2025) indicates tightening supply, so early action captures current pricing. We help clients frame energy upgrades within both short-term certificate opportunities and longer-term decarbonisation pathways, ensuring projects align with scheme longevity and evolving compliance requirements.

What does the \$100 shortfall penalty and the 2026–27 VEEC target reduction mean for certificate pricing and my project timeline?

The raised penalty to \$100 increases the floor value for VEECs, supporting price stability. However, the drop from 7.3 million VEECs (2025) to 4.4–4.6 million (2026–27) reflects reduced demand, which typically exerts downward pressure on certificate prices. Prices traded above \$105 in early 2025, fell to

\$85 post-announcement, then recovered to ~\$95 following Activity 44 reforms. This volatility favours early movers who lock in current pricing before further reductions materialise. Our advisory approach compares project economics with and without certificate revenue, allowing you to make investment decisions resilient to price changes and to time nominations strategically within scheme windows.

How should I interpret the Activity 44 changes, and does this affect my hot-water system eligibility?

Activity 44 (C&I; heat pump hot water) was tightened in July 2025 to require minimum storage tanks >700 L with scaling for systems <10 kW, and introduced a \$1,000 minimum customer co-payment. This change targets genuine commercial installations and eliminates not-fit-for-purpose residential conversions that had inflated activity volume. If you operate a qualifying commercial facility with genuine thermal loads, the updated requirements are straightforward; small residential or undersized systems no longer generate certificates. We assist with feasibility assessment, heat-load definition and equipment specification to confirm your project meets the new Version 20 standards and qualifies for the pathway before proceeding to procurement.

What are the new Measurement & Verification and Benchmark Rating specifications, and how do they affect project complexity?

The June 2025 reforms introduced 'specified measurement methods' and tightened guidance for project-based activities (M&V; and Benchmark Rating), while simultaneously lowering administrative friction for multi-measure projects. This means your evidence standards and method choices are more clearly defined upfront, reducing uncertainty and rework, but also requiring earlier planning. The reduction in administrative burden makes it more feasible to combine multiple upgrades (e.g., heating + controls + insulation) under a single project boundary. Our M&V; specialists help you select the appropriate method early, establish baseline and boundary requirements, and build evidence collection into your project schedule to meet the new tighter specifications without delays.

How does the new EMIS activity support my energy productivity journey, and when can I apply?

The EMIS (Energy Management Information System) activity, expected to commence in 2026, provides VEEC funding for metering, sub-metering and analytics implementation. This addresses the critical first step in energy management: establishing visibility of where energy is consumed. Rather than jumping directly to equipment replacement, EMIS funding supports data-driven decision-making and baseline establishment, which informs all subsequent upgrades. It aligns with best practice guidance emphasising early measurement planning. We can help you scope metering requirements now, identify eligible sub-systems, and prepare your business case so you are positioned to apply immediately when EMIS becomes available, avoiding delays and securing certificates early in their crediting period.

What role do project-based activities play compared to prescribed activities, and how do I choose between them?

Prescribed activities (e.g., Activity 44) use fixed equipment and calculation methods—simpler to verify but restrictive. Project-based activities (M&V; and Benchmark Rating) investigate complex sites using agreed boundaries and baselines, supporting customised solutions for industrial operations, multi-system interactions, and larger financial cases. Choose prescribed activities when they match your equipment and premises exactly; choose project-based when your site is unique, upgrades interact (e.g., insulation reducing heating load), or you need larger certificate quantities to justify investment. Our screening process identifies which pathway—or combination—matches your site's characteristics, ensuring you pursue the most efficient route to certificates and avoiding wasted effort on ineligible prescribed approaches.

How can Northmore Gordon's approach to grants and certificates increase my project funding like it did for Greenham?

Our engagement with Greenham delivered over \$4.5 million in combined grant and VEEC funding for the Tongala cogeneration project, plus over \$175,000 in carbon credits for the Smithton site. This integrated approach separates funding streams (grants, certificates, finance) and assesses each on its own merits while checking compatibility. Rather than assuming one incentive subsumes another, we identify the activity, equipment specifications, timing, measurement and evidence requirements for each programme independently, then sequence nominations to maximise total support. This coordination ensures you capture all eligible funding, avoid double-counting, and maintain evidence integrity across multiple scheme applications—a critical advantage for complex industrial projects with multiple funding sources.

Given the 2026–27 target reduction and current VEEC pricing, what is my business case for acting now rather than waiting?

The reduction in annual VEEC targets signals tightening supply and downward price pressure ahead. Certificates traded above \$105 in early 2025; further reductions to \$85–\$95 are plausible as demand falls. Early movers benefit from current pricing, securing revenue certainty before potential further declines. Additionally, the 2025 slate of complementary grants (e.g., for EMIS preparation, feasibility work, and project support) may face budget constraints or closure as policy shifts to tighter targets. Our counsel is to assess your energy productivity opportunities now, prioritise high-impact projects, and seek nominations while certificate eligibility windows remain stable. Waiting incurs pricing risk and may result in missing grant programmes that support early-stage work before equipment selection.

How do I ensure my project meets the new VEU specifications and avoids the compliance risks the article warns about?

The May 2025 reforms strengthened compliance requirements. Non-compliant installations—such as undersized Activity 44 systems or projects lacking proper measurement baselines—are now riskier and may face retroactive certificate clawback or rejection. To mitigate: (1) confirm your equipment and premises against current (not historical) specifications; (2) establish baseline and boundary documentation before equipment changes; (3) engage accredited providers and M&V professionals early; (4) document all eligibility assumptions in your project file. We provide a screening service that compares your proposal against current activity specs, identifies eligibility risks upfront, and recommends evidence and sequencing to satisfy compliance. This proactive approach avoids costly rework and certificate rejection after installation.

What should I include in an investment case for a VEU-eligible project to make it decision-ready?

A robust investment case separates energy savings (quantity, boundary, method), tariff/demand benefits (specific tariff and load), maintenance savings (estimated value), certificate proceeds (eligibility, quantity, price date, charges), and grants (specific programme, approval status). State operating requirements upfront, compare alternatives against identical assumptions, distinguish replacement capex from incremental investment, and identify which items are quoted versus estimated. Crucially, present the project's merits with and without conditional certificate or grant support, so management understands the decision if funding is delayed or unavailable. Our investment-case guidance helps you structure these components, validate commercial assumptions, and identify gaps (e.g., missing baseline data or unclear M&V boundaries) before seeking approvals. This disciplined approach increases approval confidence and resilience to funding volatility.