

VEEC Market Update - Price Declines May 2025

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As of 19 May 2025, VEEC spot prices had declined to approximately \$85.00 per certificate. This represents roughly a 20% drop from highs exceeding \$110 in late 2024. The price decline accelerated following the Victorian Government's 16 May 2025 announcement of revised VEEC targets for 2026 and 2027, which triggered an immediate price fall from \$91.00 to \$85.00. This correction reflects market adjustment to clearer regulatory visibility and an improved supply outlook after years of uncertainty-driven speculative activity.

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.

Insight from Northmore Gordon

At Northmore Gordon, we continue to monitor the dynamic Victorian Energy Efficiency Certificate (VEEC) market. Two weeks ago, the Government passed legislation to extend the VEU to 2045, and last Friday 16 th May, they announced the 2026 and 2027 targets.

Latest Price Movements

As of 19 May 2025, VEEC spot prices have declined to approximately \$85.00 per certificate, marking a substantial correction from highs of over \$110 in late 2024. This represents a ~20% drop in recent months, underscoring a shift in market sentiment and fundamentals. The announced targets resulted in a sudden drop from \$91.00 to \$85.00 where prices have stabilised for the moment.

The latest VEEC price can be found on Northmore Gordon website. Filter on VEECs.

A Look Back: VEEC Price History

VEECs were trading at around \$30 back in 2020, steadily climbing to over \$110 by late 2024. This increase was driven by:

Regulatory tightening that limited certificate creation.

Increased compliance demand from energy retailers.

Market uncertainty that spurred speculative buying.

Declining supply from lighting and market saturation in certain activities

What's Driving the May 2025 Price Drop?

Several key developments have contributed to the recent decline in prices:

Regulatory Certainty : On 16 th May 2025 Victorian Government has announced VEEC targets for 2026 (4.4 million) and 2027 (4.6 M), this is lower than the proposed revised interim VEEC targets for 2026 (5

M) and 2027 (6 M) and substantially lower than the 2025 target of 7.3 million.

Removal of Vintage Requirements: Legislation removed the requirement for certificates prior to 31 st January to be used for surrender for the prior year's obligation. This provides more supply.

Extended Surrender Deadline : The VEEC surrender deadline has been extended to 30 June 2025, giving liable entities more time to meet their obligations, reducing short-term pressure. This may well happen again in 2026

Increased Supply: Space heating and cooling, as well as commercial heatpump installation activities have steadily increasing creation rates.

Improved Supply Outlook : With greater clarity and easing of speculative activity, supply has improved, leading to more stable pricing.

What This Means for Business

For those involved in energy efficiency projects or VEEC-generating activities , these market shifts present both challenges and opportunities . Staying informed and strategically timing your projects can help optimise returns and ensure compliance.

At Northmore Gordon , we help clients navigate the certificate markets with confidence-providing strategic advice, regulatory insight, and market intelligence to maximise value from sustainability initiatives.

Reach out to our team if you'd like a deeper conversation about how VEEC trends affect your energy strategy and consider hedging VEEC projects you have underway.

For more information about Solar VEECs and LGCs contact: Madonna Ghajar

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 was the VEEC spot price as of 19 May 2025 and how does it compare to late 2024?

As of 19 May 2025, VEEC spot prices had declined to approximately \$85.00 per certificate. This represents roughly a 20% drop from highs exceeding \$110 in late 2024. The price decline accelerated following the Victorian Government's 16 May 2025 announcement of revised VEEC targets for 2026 and 2027, which triggered an immediate price fall from \$91.00 to \$85.00. This correction reflects market adjustment to clearer regulatory visibility and an improved supply outlook after years of uncertainty-driven speculative activity.

What are the newly announced VEEC targets for 2026 and 2027, and what do they signal?

On 16 May 2025, the Victorian Government announced VEEC targets of 4.4 million for 2026 and 4.6 million for 2027. These figures are substantially lower than both the previously proposed interim targets (5 million for 2026, 6 million for 2027) and the 2025 target of 7.3 million. The lower targets signal a shift toward supply constraint management and reflect the Government's approach to balancing compliance

demand with certificate availability. For project participants, these targets establish clearer expectations for compliance obligations and certificate market dynamics over the planning horizon.

How does the extended VEEC scheme to 2045 and the removed vintage requirement affect certificate creation and timing?

Two weeks before the May 2025 update, legislation extended the Victorian Energy Upgrades (VEU) scheme to 2045, providing long-term regulatory certainty for investment planning. Simultaneously, legislation removed the requirement that certificates created prior to 31 January must be used for surrender against the prior year's obligation. This change removes a supply bottleneck and provides more flexibility to the certificate market. The extended deadline to 30 June 2025 for surrender obligations further reduces short-term pressure on liable entities, creating a more balanced market environment for both certificate creators and compliance buyers.

What supply-side factors are contributing to VEEC price pressure in May 2025?

Increased supply from rising certificate creation rates in space heating and cooling activities, combined with growing commercial heat pump installation activities, is putting downward pressure on VEEC prices. This supply growth reflects improving regulatory clarity following the Government's May 2025 announcements and the extension to 2045, which encourages broader participation in these activities. The improved supply outlook, combined with easing speculative activity that characterised earlier years, suggests a market moving toward equilibrium. For project developers, this environment may reduce near-term certificate values but improves long-term market stability and participation certainty.

Why did VEEC prices climb from \$30 in 2020 to over \$110 by late 2024?

The VEEC market experienced sustained price growth driven by multiple factors: regulatory tightening that limited certificate creation, increased compliance demand from energy retailers, market uncertainty that spurned speculative buying, and declining supply as lighting activities saturated and other measures faced market constraints. This period reflected a market undersupplied relative to compliance obligations, creating strong upward pressure. The May 2025 price correction reverses this dynamic through clearer policy signals, extended scheme certainty to 2045, and improved supply pathways. Understanding this history is relevant for investment planning: project economics that relied on \$100+ VEEC values now require reassessment.

How should project economics be adjusted following the May 2025 VEEC price decline and legislative changes?

Projects relying on VEEC revenue should recalibrate assumptions to reflect the \$85 May 2025 price level rather than late 2024 highs above \$110. The legislative changes—extended scheme to 2045, removed vintage requirements, and improved certificate creation pathways—establish a more predictable market but with lower near-term pricing. Investment cases should separately model base case economics (valuing certificates at conservative levels) and optimistic scenarios, rather than assuming prices will remain at previous highs. We can assist by updating feasibility studies and investment cases to reflect current market conditions, revised target announcements, and supply-side expectations, ensuring project decisions are grounded in realistic pricing and longer-term regulatory visibility.

What do the lower 2026 and 2027 targets imply for certificate availability and compliance planning?

The 2026 target of 4.4 million and 2027 target of 4.6 million represent a planned reduction in allowed certificate creation relative to 2025's 7.3 million, indicating the Government's strategy to balance continued scheme operation with tighter supply management. This reduction may create periodic tightness in certificate availability if creation rates exceed targets or if demand from liable entities remains high. Compliance planning should account for potential volatility in certificate pricing and availability within these constrained target ranges. Organisations relying on VEECs for project funding

should evaluate timing, activity selection, and alternative funding sources (grants, financing, internal capital) as part of funding-pathway assessment to reduce dependence on uncertain certificate contributions.

Why is the extended VEEC surrender deadline to 30 June 2025 significant, and what should liable entities expect?

The extension from the standard deadline (typically earlier) to 30 June 2025 reduces immediate pressure on liable entities to secure certificates for compliance, allowing more time to source available supply at current market prices. This breathing room supports market stability and reduces forced-buying volatility. The article notes this extension may recur in 2026, suggesting the Government may use deadline flexibility as a market management tool. For liable entities, this implies it is prudent to monitor Government communications regarding future surrender deadlines and plan procurement strategies accordingly, rather than assuming deadlines will remain fixed. We can support compliance planning and procurement strategy to optimise timing and cost across multiple compliance periods.

How does the May 2025 VEEC market update affect project investment decisions for energy efficiency upgrades?

The market correction from \$110+ to \$85 per certificate materially affects project economics: upgrades previously justified partly by \$100+ VEEC assumptions must now be evaluated at lower valuations. However, the legislative changes—extended scheme to 2045, clearer targets, and improved supply pathways for heating and cooling—provide long-term market certainty that justifies continued investment in these activities. Project sponsors should prepare investment cases showing the project remains viable based on energy savings alone, with VEEC contributions treated as an optimistic upside. This approach ensures decisions are resilient to future price movements. We can reassess opportunity registers, update financial models, and prepare revised investment cases reflecting both current market conditions and revised supply-side expectations.