

VEEC prices have soared - Will they stay high?

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VEEC prices have surged due to multiple structural factors: annual targets have increased from 6.3 million in 2020 to 7.3 million in 2025, creating higher baseline demand. Simultaneously, declining emission factors mean more energy savings are needed to generate the same certificate volume compared to 2019. High-volume activities like replacing electric resistance hot water with heat pumps now generate fewer VEECs per installation. Current supply is lagging the 2025 target run rate, pushing prices toward the tax-effective penalty price of \$128. Market uncertainty from regulatory announcements also influences buyer behaviour, contributing to volatility around the \$110 level.

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.

The VEEC market has hit record highs, trading near \$110 per certificate, with demand outpacing supply. Businesses relying on the Victorian Energy Upgrades (VEU) program are asking: Will prices hold, climb even higher, or drop?

In this article, we break down the key drivers, market outlook for the next 6-12 months, and smart strategies to manage price risks.

Who should pay attention?

The current VEEC price trends directly impact businesses planning energy efficiency upgrades under the VEU program. Industries that can benefit the most include:

Manufacturing - Optimising industrial processes and equipment.

Retail & commercial buildings - Solar installations and HVAC systems.

Aged care & healthcare - Upgrading heating and cooling for patient comfort.

Cold storage & food processing - Improving refrigeration efficiency.

Hospitality & accommodation - Reducing energy use in commercial kitchens and laundries.

Animal processing & agriculture - Lowering energy costs in operations such as refrigeration, heating, and irrigation.

Whether you're a Small to Medium Enterprise upgrading equipment or a large enterprise managing multiple sites, understanding the VEEC market can help you maximise financial returns on your projects.

What determines the VEEC price?

The VEU program requires energy retailers to meet annual targets by purchasing VEECs, which are created when businesses complete eligible energy-saving activities. Supply and demand dynamics dictate certificate pricing.

Currently, VEEC supply is lagging behind the run rate required for the 2025 target of 7.3 million certificates, pushing prices toward the tax-effective penalty price of \$128 per VEEC.

Why is the VEEC price near \$110?

Several key factors have driven VEEC prices to their current levels:

Increasing annual targets - Rising from 6.3M in 2020 to 7.3M in 2025, increasing demand.

Declining emission factors - More energy savings are now required to generate the same number of VEECs compared to 2019.

Diminishing opportunities - Key activities like replacing electric resistance hot water systems with heat pumps have fewer VEECs per upgrade due to emissions factor adjustments.

Market uncertainty - Regulatory announcements and program updates create volatility, influencing buyer behaviour.

Will the VEEC price go higher?

It's possible that the price could touch \$120, but further increases are unlikely unless there is an extreme supply shortage. The market is already close to the penalty price, and buying activity is slowing down.

What could cause the VEEC price to drop?

VEEC prices remain volatile, fluctuating by around \$10 regularly. The key trigger for a significant price drop would be a new (or existing) method, that unlocks high-volume certificate creation.

Examples to changes in the VEEC price include:

From 2020-2021 the new targets, along with shortages in supply led the price up to \$80

Past government interventions (e.g., introducing refrigerated display cabinets in 2022) temporarily increased supply and softened prices to \$49

The phase out of lighting activity and shortage in supply has led the price back up

Lower 2026/2027 VEEC targets initially led to a price drop but were later offset by ongoing supply shortages.

Space heating and cooling upgrades are growing but remain high-cost activities, requiring sustained high VEEC prices to be viable.

Until a scalable, cost-effective method is introduced-perhaps residential battery storage or expanded industrial energy efficiency projects-substantial price reductions are unlikely.

Though keep in mind past Government announcements, changes in activities, and policies have had big price impacts and the government has now released the strategic review of the VEU .

Eligible activities under the VEU Program

Businesses can earn VEECs by implementing energy-saving projects, including:

Appliance upgrades: Installing high-efficiency refrigerators, freezers, televisions, clothes dryers, induction cooktops, and in-home display units.

Water heating: Replacing old water heaters with energy-efficient models and installing water-efficient showerheads.

Space heating and cooling: Upgrading existing heating and cooling systems with more energy-efficient options.

Lighting upgrades: Replacing old lighting fixtures with energy-efficient options in buildings and public spaces.

Gas efficiency improvements: Installing gas efficiency controls and upgrades on gas appliances.

Commercial and industrial upgrades: Businesses can also access upgrades for lighting, cold rooms, and other energy-consuming equipment.

How Northmore Gordon helps businesses navigate VEEC price risks

At Northmore Gordon, we work closely with businesses across multiple sectors to optimise their energy efficiency projects and navigate the complexities of the VEEC market.

Read our case study

A large manufacturing client sought to replace its gas-fired boiler system with a high-efficiency heat pump. Northmore Gordon: - Conducted an energy audit to quantify VEECs generated. - Locked in forward contracts to hedge against price fluctuations. - Secured government incentives, reducing project payback time to just 2.5 years.

As a result, the company reduced gas consumption by 60%, cut emissions, and saved over \$200,000 annually.

Recommendations for managing VEEC price risks

For businesses planning energy efficiency projects, it's essential to proactively manage price risks. Here's how:

Secure forward contracts - Lock in VEEC prices with Northmore Gordon for future projects to mitigate potential price increases.

Diversify eligible activities - Explore underutilised methods such as M&V; projects to create VEECs efficiently.

Stay informed - Monitor government announcements and VEU policy updates via Northmore Gordon's market insights.

Leverage expert guidance - Work with Northmore Gordon's energy consultants to identify cost-effective solutions, manage compliance, and maximise VEEC creation.

Looking ahead: What's next for the VEEC market?

The VEEC price is likely to stay high unless the government introduces new, large-scale efficiency measures. Over the longer term, high prices are not sustainable and could lead to policy adjustments or additional supply-side interventions.

For businesses, the key to success is staying ahead of market shifts. By leveraging expert guidance, securing contracts early, and exploring diverse energy efficiency options, companies can protect themselves from volatility and maximise returns on their sustainability investments.

Take action with Northmore Gordon

Need expert guidance on your VEEC strategy? Whether you're looking to secure forward contracts, explore energy-saving opportunities, or navigate compliance requirements, Northmore Gordon can help.

Contact us today to discuss your energy efficiency goals and VEEC strategy. Let's turn sustainability into a competitive advantage for your business.

Want to find out more? Contact Madonna Ghajar at m.ghajar@northmoregordon.com

Disclaimer: The information in this article is general only and has been prepared without taking into account your businesses particular circumstances and needs. You should assess or seek advice from Northmore Gordon Environmental (AFSL 533927) on whether it is appropriate for your businesses objectives.

Scheme and certificate context

Before using a certificate or grant figure, confirm the current scheme method, eligible activity, effective date, evidence requirements, price date and registration or application process.

Related guidance

Certificate services

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

Why have VEEC prices risen to near \$110 and what factors are driving this trend?

VEEC prices have surged due to multiple structural factors: annual targets have increased from 6.3 million in 2020 to 7.3 million in 2025, creating higher baseline demand. Simultaneously, declining emission factors mean more energy savings are needed to generate the same certificate volume compared to 2019. High-volume activities like replacing electric resistance hot water with heat pumps now generate fewer VEECs per installation. Current supply is lagging the 2025 target run rate, pushing prices toward the tax-effective penalty price of \$128. Market uncertainty from regulatory announcements also influences buyer behaviour, contributing to volatility around the \$110 level.

What are the realistic upper and lower bounds for VEEC prices in the near term?

Prices could potentially reach \$120 under sustained supply pressure, but further increases are unlikely unless extreme shortages emerge, given the market's proximity to the \$128 penalty price and slowing buyer activity. Conversely, prices remain volatile—fluctuating by around \$10 regularly—but significant drops require a structural supply increase. The key trigger for substantial price reduction would be a new, scalable method unlocking high-volume certificate creation, such as residential battery storage or expanded industrial energy efficiency projects. Without such supply-side innovations, prices are likely to remain elevated relative to historical 2020–2021 levels of \$49–\$80.

How should manufacturers evaluate whether high VEEC prices make efficiency projects economically viable?

Manufacturers should conduct energy audits quantifying VEEC generation potential, then model project payback under current elevated pricing. High VEEC prices can improve investment cases for capital-intensive upgrades like gas-boiler replacement with heat pumps, particularly if the underlying energy savings justify the project independently. Our six-stage delivery approach—from assessment through build-the-case to capture-value—helps manufacturers isolate the business case merits (energy cost reduction, operational benefit) from certificate revenue, ensuring decisions remain sound even if VEEC prices decline. Forward contracting can lock in prices, reducing uncertainty. Historical precedent shows payback periods of 2.5 years are achievable when audit findings, government incentives, and certificate value align strategically.

Which industries benefit most from current high VEEC prices under the VEU program?

Industries with significant, capital-intensive energy upgrades benefit most: manufacturing (industrial process optimization), retail and commercial buildings (solar and HVAC), aged care and healthcare (heating/cooling upgrades), cold storage and food processing (refrigeration efficiency), hospitality (kitchen and laundry systems), and animal processing (refrigeration and heating). These sectors generate substantial VEEC quantities per project, making elevated prices more financially attractive. High-volume, lower-cost activities like lighting retrofits or appliance replacements remain viable but generate lower absolute certificate revenue. Our sector expertise—documented in case studies spanning animal processing, food and beverage, and commercial buildings—helps clients identify which activities maximize VEEC creation for their operational context.

What documented government policy changes have most affected VEEC pricing historically?

Government interventions directly shape VEEC supply and price. Introduction of refrigerated display cabinet methods in 2022 temporarily increased supply, softening prices to \$49. Conversely, phase-out of lighting activities and subsequent supply shortages pushed prices back up. Lower 2026/2027 targets initially depressed prices but were offset by ongoing supply shortages. These examples show that regulatory announcements—program updates, new prescribed activities, or method discontinuations—create measurable price volatility. We recommend staying informed through ongoing monitoring of government announcements and VEU policy releases via market insights. This intelligence helps clients time investments strategically and understand whether price momentum reflects temporary volatility or structural supply shifts.

How does Northmore Gordon help clients hedge VEEC price risk when planning major upgrades?

We employ a multi-layered approach. First, energy audits quantify VEEC generation potential before capital commitment, establishing clear eligibility and certificate assumptions. Second, forward contracts can lock in VEEC prices, mitigating exposure to market fluctuations. Third, the firm diversifies eligible activities, exploring underutilized methods to spread revenue risk. Fourth, investment-case development separates energy savings (the core business merit) from certificate revenue, ensuring projects remain viable without unconfirmed incentives. Our measurement and verification services confirm actual certificate eligibility post-implementation. This structured advisory approach—informed by monitoring policy trends—enables clients to make resilient investment decisions regardless of near-term VEEC price movements.

What is the practical difference between VEEC price volatility and structural price trends for project planning?

Short-term volatility—around \$10 fluctuations—reflects market sentiment and timing of buyer decisions but does not fundamentally alter project economics if the underlying energy savings justify the investment. Structural trends (like sustained supply-demand imbalance pushing toward \$128) signal longer-term market conditions. For project planning, we recommend building business cases around energy cost reductions and operational benefits as the primary justification, treating VEEC revenue as a secondary benefit that improves payback but is not essential. Government policy changes introducing new methods or altering targets represent structural shifts. By distinguishing volatility from trend, clients avoid overweighting short-term price movements in capital allocation decisions and retain optionality if prices move unexpectedly.

Why do space heating and cooling upgrades remain viable at high VEEC prices despite declining certificate quantities?

Space heating and cooling upgrades address genuine operational needs—maintaining comfort and compliance in aged care, healthcare, hospitality, and commercial buildings—creating a floor of demand independent of certificate value. Although emission factors have declined since 2019 (reducing VEEC per installation), these systems generate meaningful certificate volumes, and high VEEC prices

improve project payback sufficiently to justify replacement cycles. Commercial buildings guidance emphasizes aligning control, performance, and investment decisions; high prices accelerate the investment timeline for HVAC modernization. Our sector expertise across commercial buildings and animal processing (which require sophisticated temperature control) helps clients identify where baseline operational requirements combine with certificate economics to create compelling cases, rather than relying on VEECs alone to justify projects.