

REC - Northmore Gordon

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REC

REC stands for Renewable Energy Certificate. RECs are tradeable instruments that represent renewable electricity attributes and can be purchased separately from physical electricity supply. According to GHG Protocol's Scope 2 Guidance, renewable energy certificates serve as contractual instruments used in market-based accounting for purchased electricity. A renewable-electricity claim requires the certificate to be properly retired and the ownership and retirement evidence to be documented. The specific scheme, registry, project, issuance record, period and retirement treatment must all be specified to validate the claim.

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What does REC stand for and how does it relate to renewable energy claims?

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How do REGOs differ from other Australian renewable energy certificates like STCs and LGCs?

REGOs (Renewable Energy Guarantee of Origin) record renewable electricity attributes as a separate scheme from Australia's Renewable Energy Target. STCs and LGCs are part of the Renewable Energy Target scheme itself, with different eligibility and creation rules. Critically, a facility cannot create REGOs and LGCs for the same electricity generation. REGOs can continue beyond 2030 when the Renewable Energy Target ends. The choice between REGO, STC and LGC pathways depends on the technology, facility capacity, installation date and intended claim.

What process should an organisation follow to procure renewable energy certificates for Scope 2 accounting?

Our moREnewable100 service provides a framework for procuring renewable energy certificates without changing existing electricity supply contracts. The process begins by documenting the

organisation, consumption period, electricity volumes, site locations and applicable reporting framework. The intended claim—whether renewable-electricity, market-based Scope 2 accounting, or a voluntary commitment—must be clearly established before selecting instruments based on price alone. A procurement evidence checklist should address instrument type, generation location, ownership, registry transfer and retirement evidence, ensuring the certificate and actual consumption are handled consistently.

Why is it important to keep renewable certificates separate from carbon offsets or physical energy reductions?

Renewable electricity attributes, carbon credits and physical energy savings serve fundamentally different accounting purposes. Buying a renewable certificate does not offset all emissions categories or eliminate Scope 1, 2 and 3 emissions. Each instrument type belongs to its own programme with distinct eligibility, quantity and value implications. GHG Protocol guidance distinguishes between purchased-electricity attributes and other abatement mechanisms. An organisation must establish its inventory boundary and the specific claim it intends to make before selecting an instrument, then maintain a claim file with exact wording, supporting calculations and retirement evidence to prevent unsupported or conflicting claims.

What role do certificate registries play in managing renewable energy certificates?

Certificate registries are systems or institutions responsible for tracking ownership, transfer and retirement or cancellation of renewable energy certificates. When a renewable certificate is created, it must be recorded in a registry with supporting documentation including the scheme, project details and issuance record. As certificates are transferred between parties, the registry maintains the audit trail. Upon retirement, the registry records the cancellation and confirms the environmental attribute has been claimed. This registration and retirement evidence is essential for validating any renewable-electricity claim and satisfying both scheme requirements and accounting standards.

How should certificate pricing and availability be treated in an energy project investment case?

Certificate price and quantity are separate variables that should be treated as distinct uncertainties in revenue projections. An investment case should show certificate proceeds separately from energy savings, tariff effects and maintenance benefits. The certificate price assumption must include a date, source and any associated trading costs or commissions. Rather than assuming a price based on a historical case, compare a base case without unconfirmed certificate proceeds alongside an incentive scenario. This approach helps management understand the resilience of the project if certificate prices change or eligibility is delayed, and prevents overstating returns from conditional or unverified certificate revenue.

What does Northmore Gordon identify as the first step in selecting the appropriate renewable energy certificate pathway?

The first step is to gather the technology, rated capacity, output profile, commissioning or installation date and details of any existing or expanded system, then document the entity controlling the facility and rights to environmental attributes. Three distinct questions must then be separated: which scheme can the facility participate in; which certificates can be created for the relevant generation or activity; and what claim, if any, can the purchaser or owner make after certificates are transferred, surrendered or retired. Selling attributes and retaining the ability to make an equivalent renewable-use claim must not be assumed compatible without checking the applicable reporting framework and certificate treatment.

What environmental attributes must be handled consistently when claiming renewable electricity?

Renewable electricity attributes are rights and benefits associated with renewable electricity generation that must be handled consistently with generation and consumption data. The period represented by an

instrument, the generation location, the consumption location and the organisational boundary must all align to support a credible claim. When certificates are transferred or retired, the environmental attributes they represent must be carefully managed to ensure exclusive ownership and prevent double-counting. GHG Protocol's Scope 2 Guidance provides quality criteria for this consistency, and organisations should maintain a claim file documenting which attributes were acquired, when, and how they were retired to support the specific public statement made.

How do RECs relate to Australia's energy reporting and sustainability requirements?

RECs support renewable-electricity claims within Australia's carbon-accounting frameworks. For mandatory reporters under NGER, sustainability reporting (ASRS) and other schemes, renewable-electricity attributes acquired through certificates can be part of market-based Scope 2 accounting when properly documented. However, certificates do not automatically satisfy all reporting obligations or emissions-reduction targets. Organisations must establish the relevant reporting framework, maintain boundary statements clearly distinguishing renewable-electricity attributes from physical reductions, and ensure the period and retirement evidence match the reporting period. Our carbon advisory services can help connect inventory evidence with certificate treatment and transition planning.