

Targets for the Energy Savings Scheme announced for 2022 to 2050

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About this update

This dated government-scheme update is preserved as a historical record and connected to current scheme guidance.

Publication date: February 17, 2021.

Status note: Rules, methods, product requirements, regulators and certificate markets can change after publication. The current legislation, regulator guidance and method documents prevail.

What this article reported

In case you missed it, the NSW government quietly released the targets for the Energy Savings Scheme (ESS) in December for 2022 to 2050, cementing their commitment to the ESS out to mid-century. The energy saving targets are set based on a percentage of the electricity purchased for supply to end customers and places on obligation on energy retailers to surrender an equivalent amount of Energy Savings Certificates (ESCs) each year.

This announcement increases the previous targets for 2022 to 2025, announced in 2016, by 0.5% per year, meaning the 2025 target has increased from 8.5% to 10.5% of electricity supplied. This rate of increases continues year-on-year through to 2030, targeting savings of 13% of all electricity supplied to end customers. In line with previous target setting, the goal for 2030 to 2050 is currently set at 13% per year, but as the government has done before this likely to be reviewed at the five-yearly target setting. Importantly, this is the first time a target has been set more than ten years in advance and indicates that the ESS is likely to be a key part of NSW goal to achieve net-zero by 2050.

The final certificate target for 2020 is yet to be released by the regulator as the annual compliance deadline doesn't fall until April, but the 2019 target was 4.6M ESCs. The creation for 2020 activities to date is 3.7M ESCs, down 24% on 2019 with the 2020 compliance surrender yet to be completed. If the 2020 target is similar to 2019, there will be a surplus of 4.3M ESCs - or another way to look at it the program is 11 months ahead of the target.

Looking forward it is hard to know what the annual ESC target will be, as the future energy consumption is not known, but based on the latest NSW consumption forecasts by AEMO out to 2030, the 2021 target could be 5.5M ESCs increasing to 8.4M ESCs per annum by the end of the decade.

During 2019, activities under the ESS saved 2.8 TWh of electricity, 520 TJ of gas, avoided 2.6M tonnes of green house gases, and saved NSW consumers \$235M. The cost of the program to electricity customers was estimated to be \$88-112M representing a return on investment of 109%. These savings also contribute to demand reduction across the state reducing the cost of transmission and distribution assets.

The Energy Savings Scheme is a market-based mechanism that was implemented in 2009 with the goal to provide financial incentives for business and residential consumers to undertake energy

efficiency upgrades. The approved activities cover "deemed" upgrades - where there is a pre-determined level of savings based on the upgrade and is available for specific technologies - there is also the technology-neutral "Measurement and Verification" approach. Whilst an M&V approach is more complex and takes longer to complete it enables the full value of the savings to be realised. The program supports many types of upgrades ranging from industrial boilers, refrigeration, improving NABERS ratings, air-conditioning and HVAC, LED lighting, high-efficiency appliances, and many bespoke upgrades in the commercial and industrial sectors. The NSW government has continued to make the ESS an integral part of their energy strategy, expanding the program into the Energy Security Safeguard which will incorporate a future demand response mechanism.

How to use this information now

Confirm the activity or method, effective dates, accreditation and product rules, baseline, evidence, audit and registration timing before procurement or implementation. Historical certificate values are not current quotes.

Separate source-reported facts from forecasts, targets and commentary. For a current project, retain the official source, version, effective date, assumptions and decision record in the evidence file.

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What is the Energy Savings Scheme (ESS) and what role do the 2022-2050 targets play in its development?

The ESS is a market-based mechanism established in 2009 that creates Energy Savings Certificates (ESCs) from eligible energy-saving activities. Retailers must surrender certificates annually based on a percentage of electricity supplied. The December announcement setting targets through 2050 represents a major policy commitment, being the first time targets extend beyond ten years ahead. This signals ESS as a key instrument for NSW's net-zero 2050 goal, moving from the previous 2016 targets that only covered 2022-2025. The extended timeframe helps businesses and service providers plan long-term investment in energy efficiency projects.

How do the new ESS targets from 2022 onwards compare to the previous 2016 targets?

The new targets increase the 2022-2025 baseline by 0.5 per cent per year compared to 2016 expectations, raising the 2025 target from 8.5% to 10.5% of electricity supplied. This acceleration continues year-on-year through 2030, targeting 13% of all electricity supplied. From 2030 to 2050, the goal remains at 13% annually, though this will likely be reviewed at five-yearly intervals. For project developers and certificate providers, this upward trajectory increases the market opportunity for eligible upgrades across deemed technologies and measurement-and-verification activities.

What types of energy efficiency upgrades are eligible for Energy Savings Certificates under the ESS?

The ESS supports two pathways: 'deemed' upgrades with pre-determined savings for specific technologies, and a technology-neutral 'Measurement and Verification' (M&V;) approach for more complex projects. Eligible upgrades include industrial boilers, refrigeration systems, NABERS-rated

building improvements, air-conditioning and HVAC systems, LED lighting, high-efficiency appliances, and bespoke commercial and industrial activities. We assist organizations by identifying which pathway suits their project, establishing measurement boundaries, calculating scheme-recognised savings, and managing the certificate creation process through accredited providers.

What operational and financial benefits did ESS activities deliver in 2019, and what do the projections suggest?

During 2019, ESS activities achieved 2.8 TWh of electricity savings, 520 TJ of gas savings, avoided 2.6 million tonnes of greenhouse gas emissions, and delivered \$235 million in savings to NSW consumers. The program cost was \$88-112 million, representing a 109% return on investment. Projections based on AEMO consumption forecasts indicate 2021 ESC targets of 5.5 million, rising to 8.4 million per annum by 2030. These figures demonstrate the scheme's material contribution to emissions reduction and consumer benefit, supporting business cases for energy efficiency investment and scheme participation.

How does the 2020 ESC creation data indicate program performance relative to targets?

By the article date, 2020 ESC creation totalled 3.7 million—down 24% on the 2019 target of 4.6 million—with the compliance surrender period still incomplete. If the 2020 target matched 2019 levels, a surplus of 4.3 million ESCs would indicate the program was 11 months ahead of schedule. This early achievement reflects growing uptake of eligible activities and suggests strong market conditions for certificate creation. However, actual target figures vary annually with consumption forecasts. Organizations planning certificate-dependent projects should confirm current year targets and market conditions with regulators and accredited providers.

What does the extension of ESS targets to 2050 mean for long-term project planning and commercial strategy?

Setting targets through 2050 provides unprecedented visibility for businesses planning energy efficiency investment and environmental strategy. It signals sustained policy support for certificate schemes, making long-term energy optimization and M&V projects more commercially viable. However, targets are subject to review every five years from 2030 onwards, so businesses should treat the 13% plateau as indicative rather than guaranteed. We help organizations build flexible energy strategies that remain valuable regardless of target adjustments, establishing robust measurement and verification foundations that support both internal performance tracking and scheme participation over decades.

How should organizations interpret the difference between ESS 'deemed' and 'Measurement and Verification' pathways when planning projects?

Deemed upgrades offer simplicity and pre-determined certificate quantities for specified technologies, making investment decisions straightforward but potentially undervaluing actual savings. The M&V pathway is more complex, requiring baseline establishment, measurement planning, and professional verification, but captures the full value of savings for tailored or interaction-heavy projects. Choice depends on project specificity, evidence availability, and whether conservative estimates suit the business case. We assist by assessing which pathway aligns with your project boundary, baseline data, and intended outcomes, then managing the scheme requirements and evidence file through to certificate creation.

How does NSW's ESS target expansion integrate with the broader Energy Security Safeguard?

The NSW government is incorporating the ESS into the Energy Security Safeguard, a broader policy framework integrating energy efficiency with future demand-response mechanisms. This reflects a strategic shift toward holistic energy management rather than supply-focused approaches. Organizations participating in the ESS position themselves advantageously for emerging

demand-response and grid-support opportunities that may offer additional value streams beyond traditional energy savings. Understanding this policy direction helps businesses design projects with flexibility to capture multiple benefits—energy cost reduction, certificate revenue, and potential demand-response participation—supporting resilient, multi-purpose investment cases.