

VEU Market Update and Target Setting

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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: March 1, 2023.

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

Victoria's Energy Upgrade (VEU) program has been making significant progress in reducing energy consumption and lowering carbon emissions since its launch in 2009 under the VEET Act and Regulations. The program provides rebates and incentives to households and businesses that undertake energy-efficient upgrades. The Energy Upgrade program has been legislated until the end of 2030 under the Victorian Energy Efficiency Target Act 2007.

The Victorian Government sets the VEU targets, with the current targets covering 2020 to 2025. The targets for 2026 to 2030 will involve consultation in (late?) 2024 and must be completed by May 2025. The government is committed to continuing the Energy Upgrade program beyond 2025, and the new targets will provide a clear direction for the program's future through to the end of 2030.

As of February 2023, 13.5 M Victorian Energy Efficiency Certificates (VEECs) are registered or pending in the VEU registry against the VEU target for 2022 of 6.7 M (due for surrender by the Energy Retailers in April 2023). This will leave a surplus of at least 7 million VEECs against the 2023 target of 6.9 M VEECs. The VEET targets are currently set to the end of 2025 and, in aggregate (2022 - 2025), amount to 28 M VEECs (against which 13M have already been created). See DEECA's 2026–27 target announcement.

The February 2023 DEECA market update discussed surplus VEECs in the VEU registry and price movements over 2010–2023. The chart referenced in the original article is no longer available at its published URL.

The VEEC price in February 2023 is sitting at \$69.00. This is reasonably high and surprising, given the surplus of 7 M VEECs. The VEEC price remains high because the phase-out of lighting under the program has created uncertainty about where the remaining VEECs will come from. Residential, commercial and street lighting has registered 59 M of the 80 M VEECs ever created; 74% of all VEECs have come from lighting. Hotwater Heatpump, weather sealing, HVAC upgrades, and (Northmore Gordon's favourite) PBA (Measurement and Verification) will generate significant numbers of VEECs as well as new methods yet to be announced, including Home Energy Rating Assessment (HERA), new HVAC and Hotwater methods, smart thermostats and potential building insulation.

For the past few months, the price has been relatively stable, in the past when new methods are released, or the market realises that substantial VEECs can be created from existing methods, then the VEEC price can move quickly. One such method is commercial and residential hot water replacing electric resistance. When new methods are announced or an existing method takes off then prices tend

to move suddenly. The other important consideration is that at the end of every January, the forward emission factor for electricity in the VEU drops by around 20% reducing the number of VEECs from electrical energy savings by this much.

The February 2023 Victorian Government Department of Energy, Environment and Climate Action (DEECA) roadmap and consultation described activities planned at that time. Its original graphic is no longer available at the published URL.

In addition to helping households and businesses save money on their energy bills, the Energy Upgrade program has helped to reduce carbon emissions by promoting the use of renewable energy sources and encouraging energy-efficient behaviour.

Disclaimer: This information is provided by Northmore Gordon based on factual market information and is not financial advice, businesses should make their own decision or seek professional advice by engaging with Northmore Gordon around their specific requirements.

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 Victorian Energy Upgrades (VEU) program and what are its current legislative timeframe and targets?

Victorian Energy Upgrades is a government energy efficiency scheme supporting eligible improvements through Victorian Energy Efficiency Certificates (VEECs) created by accredited providers. Legislated under the Victorian Energy Efficiency Target Act 2007, the program extends through 2030. Current targets cover 2020–2025 (aggregating 28 million VEECs), with targets for 2026–2030 determined through consultation completed by May 2025. As of February 2023, 13.5 million VEECs were registered or pending against a 2022 target of 6.7 million, indicating strong market performance and a growing surplus. Understanding this legislative certainty helps organizations plan long-term energy efficiency investments with confidence in scheme availability.

Why does the VEEC price remain elevated despite a current surplus of VEECs in the market?

As of February 2023, VEECs were trading at \$69 despite a projected 7-million-unit surplus against the 2023 target. This apparent contradiction reflects uncertainty about future VEEC supply sources. Residential, commercial and street lighting has historically generated 59 million of 80 million total VEECs—74% of all certificates ever created—but this activity is being phased out. Market participants price VEECs based on expected scarcity after lighting exits, anticipating that replacement methods (hot

water heat pumps, weather sealing, HVAC upgrades, project-based activities) will be insufficient to meet 2026–2030 targets. This creates volatility; sudden price movements often occur when new methods release or existing methods prove capable of generating larger volumes than previously expected.

What activities are expected to replace lighting as the primary source of VEECs after the phase-out?

Hot water heat pumps, weather sealing, and HVAC upgrades are anticipated to generate significant VEEC volumes going forward. Project-based activities using measurement and verification will also contribute. Additional methods expected to launch include Home Energy Rating Assessment (HERA), updated HVAC and hot water methodologies, smart thermostats, and potential building insulation. However, forecast VEEC supply from these replacement activities remains uncertain relative to the 28-million aggregate 2022–2025 target. Organizations considering VEU projects should recognize that new method availability and market pricing depend on Victorian Government specifications release timing and method design. We assist clients by assessing eligibility under current and emerging methods, helping position projects to capture certificates as new activities become available.

How does the annual electricity emission factor change affect VEEC generation from energy-saving projects?

At the end of every January, the forward emission factor for electricity in the VEU scheme decreases by approximately 20%, directly reducing the number of VEECs generated from electrical energy savings by that proportion. This annual reduction reflects declining grid emissions as Victoria's electricity supply shifts toward renewable energy. For organizations planning measurement and verification projects or energy efficiency upgrades generating electrical savings, this timing has material implications: a project registered before January generates more VEECs than an identical project registered afterward. Project timing decisions should account for this annual factor change. We advise clients on optimal project registration timing to preserve certificate quantity and commercial value, particularly when investigating project-based activities or phased implementation approaches.

What must be established before relying on VEEC revenue in an investment case for an energy project?

Before including VEEC proceeds in an investment case, confirm the specific eligible activity, prescribed equipment requirements or project-based method, implementation dates, evidence responsibilities, certificate calculation basis, and commercial treatment of certificates. The Victorian Government's specifications page is a starting point; exact current specifications and the Essential Services Commission's relevant approval scope must be matched to the proposed project. Request the governing activity document version, main eligibility assumptions, calculation basis, and whether quoted amounts are indicative gross values or net proceeds after provider charges. Avoid relying on historical case-study certificate values or pricing; they are tied to that project's period and method version. We conduct eligibility screening and commercial assessment, helping organizations understand certificate assumptions before committing to investments dependent on scheme participation.

What is the difference between a technically sound energy upgrade and an eligible VEU project?

Eligibility under Victorian Energy Upgrades depends on specific activity, premises, equipment, and scheme conditions; a technically sensible upgrade is not automatically eligible under VEU. Prescribed activities have defined equipment requirements; more complex sites may warrant project-based activities using measurement and verification or benchmark rating. The correct method choice is a technical and procedural assessment, not simply the route showing the largest estimated certificate quantity. Even suitable technologies must meet prescribed specifications or project-based method conditions. Early method selection helps identify evidence that must exist before equipment changes. Organizations should not assume that equipment installation alone qualifies for certificates without

scheme-specific assessment. We help clients determine the right project pathway by screening site conditions, equipment specifications, and applicable methods before design or procurement commitment.

How should organizations assess VEEC value and price assumptions when comparing energy upgrade options?

Treat certificate quantity, eligibility, verification cost, and sale price as separate variables in the investment case. Show certificate price and quantity assumptions separately, distinguishing indicative gross values from actual customer proceeds after agreed charges. Compare options using the same energy price assumptions, operating conditions, and analysis period to avoid distorted comparisons. A historical solar or heating project's certificate value and methodology are tied to that specific project and period; they do not establish today's eligibility or pricing for a new site. Use a separate incentive scenario alongside the base case to show the project's merit with and without conditional support. We provide scheme-specific certificate assessment and commercial modeling, helping organizations understand realistic certificate contributions and avoid overstating savings dependent on unverified pricing or eligibility assumptions.

What role does early measurement planning play in VEU project-based activities?

For project-based activities using measurement and verification, choosing the method early helps identify the evidence that must exist before equipment changes. The NSW Government's M&V guide explains why complete operating cycles and representative baseline data matter; leaving measurement until immediately before installation can make the intended analysis difficult or impossible. Baseline evidence must be gathered while existing conditions are still operational and unaffected by proposed changes. For Victorian projects, measurement and verification is one of two project-based methods (alongside benchmark rating); each has its own rules and evidence requirements. Organizations should establish measurement responsibilities, data collection procedures, and baseline conditions before construction commitment. We assist by planning measurement scope early, identifying necessary baseline data collection windows, and ensuring evidence readiness before project implementation.

How do prescribed activities and project-based activities differ in the VEU scheme?

Prescribed activities are standardized projects with defined equipment requirements used in the Victorian Energy Upgrades scheme; they offer simpler approval pathways but limited flexibility. Project-based activities warrant investigation of more complex sites beyond prescribed standards and include two methods: measurement and verification (comparing pre- and post-upgrade energy information) and benchmark rating (using NABERS ratings). Project-based methods require more evidence preparation and analysis but can accommodate site-specific conditions. Choosing the method early is critical, as it determines what evidence must exist and when data collection must begin. Prescribed activities may offer faster certification but may not fit all sites; project-based methods offer flexibility but require greater rigor and cost. We advise clients on method selection, helping determine whether prescribed or project-based pathways are most suitable and cost-effective for specific sites and upgrade types.

What information should be gathered in a screening file before committing to a VEU project?

A screening file should establish site address and premises use (confirming jurisdiction and applicable conditions), existing and proposed equipment (enabling activity selection and technical boundary definition), project stage and intended dates (identifying whether prerequisites and measurement remain possible), available energy data (revealing baseline and monitoring gaps), prior incentives and certificate arrangements (checking compatibility and ownership), and proposed provider and practitioner details (enabling professional-scope verification). The screening file is a project intake, not an exhaustive statement of mandatory evidence, but preparing it early prevents costly rework. It reveals whether the site meets basic eligibility, what evidence exists, and what gaps must be filled before detailed assessment. We assist organizations in preparing and reviewing screening files to clarify

project feasibility, evidence readiness, and appropriate next steps before design or procurement.