

Australian Certificate Markets – April Update.

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About this update

This dated news record has been reorganised for clear reading and connected to current guidance.

Publication date: May 3, 2026.

Status note: Present-tense statements, market figures, deadlines and program details in the archived record belong to its publication date. Check current official sources before making a decision.

What this article reported

Executive Summary by Hamish McGovern, Group Managing Director

Price Summary

| Certificate | Open | Close | Range | Movement/Reason | | --- | --- | --- | --- | --- | | ESC | \$23.50 | \$27.25 | \$23.50 - \$27.25 | ↑ CLF closure & forward supply uncertainty, even with v. large holdings | | VEEC | \$84.00 | \$88.00 | \$84.00 - \$90.00 | ↑ Compliance buying & heating & cooling co-payment consultation | | ACCU | \$36.10 | \$37.80 | \$36.10 - \$37.80 | ↑ Safeguard supply tightening | | LGC | \$3.00 | \$2.05 | \$2.05 - \$3.00 | ↓ Sub-\$2 territory tested; ongoing structural oversupply | | STC | \$39.60 | \$39.60 | \$39.55 - \$39.65 | and Stable |

ESCs rallied sharply from \$23.50 to \$27.25 - a 16% gain - as the market digested the post-CLF supply cliff. Despite ~20 million ESCs in registry holdings against the ~6.0 million 2026 surrender obligation, weekly creation rates have fallen sharply since the 31 March commercial lighting closure (from ~750,000+ certificates per week in late March to a fraction of that in April). With the tax-effective penalty around \$52, there is meaningful headroom for further price appreciation.

VEECs opened April at \$84 and closed at \$88, touching \$90 mid-month. The 30 April retailer surrender deadline drove compliance buying, while a consultation of an increased minimum co-payment for ducted heating and cooling upgrades appears to have re-priced expectations on the supply side. Creation volumes have remained healthy and ahead of the run-rate needed for the 2026 target - making the magnitude of the price move somewhat surprising.

ACCUs gained ground from \$36.10 to \$37.80, supported by the Safeguard FY25 surrender data release showing covered emissions exceeded baselines for the first time and a 1.6 million YoY step-down in SMC issuance.

LGCs continued their structural decline, opening at \$3.00 and closing just on \$2.05 - testing sub-\$2 territory for the first time. The forecast 64-66 million 2026 creations against a fixed 33,000 GWh LRET obligation continues to weigh on the market.

STCs remained stable around \$39.60 in a tight $\pm$ \$0.05 band - supply and demand are well balanced under the 2026 STP.

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Regulatory Update - Program by Program NSW Energy Savings Scheme (ESS)

Post-CLF Supply Collapse Confirmed: April was the first full month without the Commercial Lighting Formula (CLF) - the largest historical ESC creation activity. Weekly registration volumes have dropped sharply, and the market is now pricing the supply cliff that has been signalled since 2024. With ~20m ESCs in registry holdings against the 2026 surrender obligation of ~6.0m, the surplus is being run down rather than replenished - and with the 2026, 2027 and 2028 targets legislated at 11.0%, 11.5% and 12.0% (~6.0m, ~6.3m and ~6.5m ESCs respectively), the path to a meaningfully tighter market over 2026-2028 is now visible.

PIAM&V; Becomes More Attractive: With ESCs at \$27 versus ~\$15 a year ago, Project Impact Assessment with Measurement & Verification (PIAM&V;) and Metered Baseline Method (MBM) projects economics have changed materially. The tax-effective penalty headroom (~\$52) leaves upside if no new high-volume creating activities are introduced.

ESIA Snapshot Report: ESIA has published a Snapshot Report on the impact of recent activity changes - including job losses, stranded investment, sharp revenue declines, and loss of specialised delivery capability. The report has been provided to NSW DCCEEW officials.

Watch in May: Continued registration data; any policy signals from NSW DCCEEW following ESIA engagement; and any signal on new high-volume activities to replace CLF supply.

Victorian Energy Upgrades (VEU)

Compliance Surrender (30 April): Retailers were required to surrender 2025-vintage VEECs by 30 April. Compliance buying - particularly from smaller retailers - was a key driver of April's rally.

Heating & Cooling Co-Payment Increase: A proposed increase in the minimum co-payment for ducted & multi-split heating and cooling (Activity 6) upgrades from \$1,000 to \$3,000 was a material catalyst - re-pricing the marginal cost of supply and reinforcing the price rises in April. Consultation closed 29 th April.

Public consultation on the Industrial Heat Decarbonisation project-based activities (electric thermal energy storage, gas efficiency upgrades, behind-the-meter biogas) closed on 28 April.

The newly announced hydronic space heating consultation remains open until 22 May.

Imported Cost Pressure: Some market participants maybe factor potential supply-chain cost increases (Iranian conflict-related shipping/equipment) into a preference to buy now rather than later.

New Activities Going Live: The new ceiling insulation activity specifications and registry updates have been released, with first-stage prioritisation for accredited persons engaged with Homes Victoria / community housing. The induction cooktop activity will continue under the program with several simplifications announced.

Watch in May: Hydronic space heating consultation submissions (closes 22 May); ESIA VEU Seminar in Melbourne 21 May;

Safeguard Mechanism / Australian Carbon Credit Units (ACCUs)

FY25 Safeguard Surrender Data Released: Per the CER's mid-April release, 10.8 million ACCUs and 2.6 million SMCs were surrendered for the FY25 compliance period. Facility emissions exceed the baseline by 13.7 Mt and SMC issuance was 6.7 million - a 1.6 million step-down on FY24 (8.3m). The tightening supply of free SMCs combined with covered emissions exceeding baselines may signal ACCU demand.

New Savanna Fire Methods: Two new savanna fire management (SFM) methods commenced 11 April, with government estimating ~ 180 Mt CO2e abatement over 25 years and \$7.7 billion of potential value

for Northern Australia. The new methods are designed to deliver stronger benefits to First Nations communities. Earlier SFM methods are being revoked.

Permanent Exit Arrangement (1 July 2026): Government contract holders may exit permanently from 1 July, delivering $\geq 25\%$ of outstanding ACCUs at a 60% discount on the exit payment. The volume potentially released to the secondary market remains the largest near-term supply-side risk.

Safeguard Review (post-2030): The 2026-27 Safeguard Review will set decline rates for the 2030-35 period (and beyond). The current 4.9% per annum default decline rate runs through FY29-30. The big question is whether the Safeguard's coverage will be extended to capture more abatement from smaller sites.

Watch in May: Federal Budget; CER Q1 2026 Quarterly Carbon Market Report; pre-1 July signals on permanent exit volumes.

Large-scale Renewable Energy Scheme (LRET) - LGCs

Sub-\$2.00 Territory Tested: LGC spot tested below \$2.00 in April for the first time, closing the month at \$2.05. With CER forecasting 64-66 million LGC creations in 2026 against a fixed LRET obligation of ~33,000 GWh, the structural oversupply continues to deepen.

82% by 2030 Question: At current LGC prices, the LRET is no longer providing a meaningful support for new large-scale renewable investment. The Capacity Investment Scheme (CIS) is now the primary investment driver - but it remains an open question whether the federal 82% renewables-by-2030 target can be achieved with current policies.

Voluntary Demand Opportunity: With LGCs trading near \$2, this is an exceptionally cost-effective time for corporates with Scope 2 reduction obligations (e.g. SBTi) or voluntary net-zero commitments to surrender LGCs. For large manufacturers, the cost of using LGCs to address Scope 2 emissions has never been lower.

Watch in May: Net Zero Fund registrations of interest now open (\$5bn fund supporting hard-to-abate sectors); any further policy signals on data centre additionality requirements; Q1 2026 QCMR creation volumes.

Small-scale Renewable Energy Scheme (SRES) - STCs

Stable at ~\$39.60: STC spot moved within a $\pm \$0.05$ band through April. The 2026 STP balances supply with demand at this level; the Clearing House \$40 ceiling continues to act as the practical price anchor.

Cheaper Home Batteries Program - Step-Down from 1 May: From 1 May 2026, the rebate for solar batteries declines every 6 months (rather than annually) and is tiered by system size: 100% for 0-14 kWh, 60% for 14-28 kWh, and 15% for 28-50 kWh. Larger battery systems will earn materially fewer STCs from 1 May. Government continues to purchase battery STCs through a separate buy mechanism.

Spillover Effect on Solar PV: The April battery rush appears to have pulled forward some larger rooftop solar systems (battery + larger PV combinations). Post-1 May, expect slower large-system run rates as the battery uplift moderates.

Watch in May: Actual post-1 May battery installation volumes; clearing house queue dynamics; any indications of supply normalisation.

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How did ESC (Energy Savings Certificate) prices move in April and why?

ESCs rallied sharply from \$23.50 to \$27.25, a 16% gain, driven by the closure of the Commercial Lighting Formula and forward supply uncertainty. Weekly creation rates fell from over 750,000 certificates per week in late March to a fraction of that in April. Despite large registry holdings of around 20 million ESCs against a ~6.0 million 2026 surrender obligation, the dramatic reduction in new supply and a tax-effective penalty of around \$52 created meaningful headroom for further price appreciation. This dynamic suggests tighter ESC markets over 2026–2028 as the 20 million-ESC buffer is run down rather than replenished.

What happened to VEEC prices during April and what drove the movement?

VEECs opened April at \$84.00 and closed at \$88.00, reaching a high of \$90.00 mid-month (range \$84.00–\$90.00). The increase was driven by compliance buying ahead of the 30 April retailer surrender deadline for 2025-vintage VEECs, plus a consultation on an increased minimum co-payment for ducted heating and cooling upgrades (Activity 6) from \$1,000 to \$3,000. This proposed co-payment increase re-priced expectations on the supply side and reinforced upward pressure on VEEC prices by raising the marginal cost of supply for installers and providers.

What is the proposed change to the heating and cooling co-payment under Victorian Energy Upgrades?

A proposed increase in the minimum co-payment for ducted and multi-split heating and cooling (Activity 6) upgrades from \$1,000 to \$3,000 was floated as a material catalyst that re-priced supply-side economics. Public consultation on this change closed on 29 April. The increase raises the customer contribution requirement, affecting project feasibility and the commercial treatment of VEECs in investment cases. Organizations planning heating and cooling upgrades should assess the impact on project returns and timing, as the higher co-payment may alter the viability of certain projects

depending on the expected VEEC contribution.

How did ACCU prices perform in April and what supported the move?

ACCU's gained ground, opening at \$36.10 and closing at \$37.80 (range \$36.10–\$37.80), driven by Safeguard supply tightening. The FY25 Safeguard surrender data release showed covered emissions exceeded baselines for the first time, and SMC issuance declined 1.6 million year-on-year to 6.7 million from 8.3 million in FY24. However, the Permanent Exit Arrangement from 1 July 2026—allowing government contract holders to exit permanently by delivering 25% of outstanding ACCU's at a 60% discount—represents the largest near-term supply-side risk, potentially releasing substantial volumes to the secondary market.

What are the legislated ESS targets for 2026–2028 and what do they mean for ESC supply?

The NSW Energy Savings Scheme targets for 2026, 2027 and 2028 are legislated at 11.0%, 11.5% and 12.0% respectively, equating to roughly 6.0 million, 6.3 million and 6.5 million ESCs. With approximately 20 million ESCs in registry holdings being run down rather than replenished after the Commercial Lighting Formula closure, this points to a meaningfully tighter ESC market over 2026–2028. Organizations considering ESS-eligible energy-saving projects should assess timing and evidence requirements early, as higher ESC prices may improve project economics but tighter supply could extend credentialing timelines.

What new Safeguard Mechanism developments occurred regarding savanna fire management methods?

Two new savanna fire management (SFM) methods commenced on 11 April, with government estimating approximately 180 Mt CO₂e of abatement over 25 years and \$7.7 billion of potential value for Northern Australia. These methods are designed to deliver stronger benefits to First Nations communities, and earlier SFM methods are being revoked. For organizations exploring ACCU project opportunities in Northern Australia or considering participation in land-based carbon programmes, the new methods provide an updated pathway with potentially improved terms for Indigenous involvement and community benefit arrangements.

Why might LGCs currently near \$2 be an attractive opportunity for corporates?

LGCs continued their structural decline, opening at \$3.00 and closing at \$2.05 (range \$2.05–\$3.00), testing sub-\$2 territory for the first time. This reflects a forecast of 64–66 million LGC creations in 2026 against a fixed 33,000 GWh LRET obligation. For corporates with Scope 2 reduction obligations (such as Science Based Targets initiative or voluntary net-zero commitments), surrendering LGCs at historically low prices is exceptionally cost-effective. Our moREnewable100 service can help corporates assess LGC procurement timing and integration into market-based Scope 2 accounting strategies.

What changes are coming to the Cheaper Home Batteries Program from 1 May 2026?

From 1 May 2026, the rebate for solar batteries will decline every 6 months instead of annually and will be tiered by system size: 100% for 0–14 kWh, 60% for 14–28 kWh, and 15% for 28–50 kWh. Larger battery systems will earn materially fewer STCs from this date, and the government continues to purchase battery STCs through a separate buy mechanism. Installers and project developers should reassess project economics for battery systems above 14 kWh, as reduced STC revenue combined with faster rebate declines will materially shorten payback periods and may require revised investment cases or pricing strategies.

What was the impact of recent NSW Energy Savings Scheme activity changes, and why does it matter?

The Energy Savings Industry Association (ESIA) published a Snapshot Report detailing the impact of recent activity changes in the NSW Energy Savings Scheme, including job losses, stranded investment, sharp revenue declines, and loss of specialised delivery capability. The report was provided to NSW DCCEE officials. This demonstrates the real commercial and employment consequences of scheme rule changes for installers, accredited certificate providers, and service providers. Organizations planning ESS-eligible projects should factor in potential availability constraints and delivery timelines when scoping energy-saving initiatives, particularly for specialized activities affected by recent closures.

How can organizations navigate timing and certificate strategy in the current April market environment?

The April market update reveals divergent dynamics: ESCs and VEECs rallying on tighter forward supply, ACCUs supported by Safeguard tightening but exposed to exit-arrangement volumes, LGCs collapsing on structural oversupply, and STCs stable. Organizations should prepare investment cases with and without conditional certificate support, establish measurement and baseline evidence early while projects are still scoped, and verify current scheme eligibility and rule versions before detailed financial commitments. Our six-stage delivery approach—assess, build the case, capture value, deliver, procure and perform—provides a structured framework for navigating these dynamics while preserving evidence and funding options.