

Clean Energy Regulator's latest report shows Australia is on track for a low carbon future

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About this update

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

Publication date: July 1, 2021.

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

Australia's progression towards a low carbon future is gaining momentum, with the latest government estimates showing that emissions reduction schemes are on track to deliver bumper growth this year.

The Clean Energy Regulator's latest Quarterly Carbon Market Report predicts that the schemes will provide 57.1 million tonnes of emissions savings in 2021. That figure would represent an increase of more than 7% on the result delivered in 2020, when the schemes produced 53.1 million tonnes of emissions savings. The "conservative" estimate is based on the average emissions intensity of generation from all fuel sources.

However, the report notes that this emission intensity from all fuel sources is falling as the country continues to move towards more renewables. The March Quarter 2021 report also shows the continuing success of the Emissions Reduction Fund (ERF).

Key Takeaways from the quarterly report are:

Auction 12, held on 12 and 13 April 2021, contracted 6.8 million tonnes of forward carbon abatement from 10 contracts at an average price of \$15.99 per tonne, for a total commitment of \$108 million.

The Regulator expects the ERF to deliver Australian Carbon Credit Units representing 17 million tonnes this year, an increase of more than 6% on the record 16 million tonnes of 2020

The Large-scale Renewable Energy Target (LRET) is on track to drive down emissions by 24.3 million tonnes - also an increase of 6%

The third key pillar of the government programs - the Small-scale Renewable Energy Scheme (SRES) - is expected to provide the largest growth in emission reductions, with its 15.8 million tonnes of savings representing a 12% increase from 2020

Rooftop solar was the strongest growth area under the SRES umbrella, with 792 megawatts (MW) worth installed in the first three months of 2021 - up 28% on the same period last year

A total of between 3.5 and 4 gigawatts (GW) of rooftop solar capacity is now expected to be added across the country this year

The report also showed the Large-scale Renewable Energy Target of 33,000 gigawatt hours (GWh) was met by the end of January and that Australia has added a record 7.0 GW of renewable energy capacity in 2020. This is expected to result in an increasing oversupply in Large Scale Generation Certificates (LGCs) and may result in a softening of the LGC wholesale price over time.

No major large-scale renewable energy projects reached final close in the first quarter of the calendar year, but the Regulator expects between 2 and 3 GW of capacity will come online by the end of 2021 amid strong indications of healthy investment.

Voluntary private and state and territory demand for Australian Carbon Credit Units (ACCUs) and large-scale generation certificates (LGCs) reached record highs, rising 39% compared to the same quarter last year to 532,000 units and certificates.

Part of this was attributed to significant corporate commitments, with Coles Group becoming the latest major supermarket to commit to a target of net-zero emissions by 2050, joining Woolworths Group and ALDI.

The three major supermarket chains were responsible for a combined 1% of Australia's reported emissions in 2019-20.

The Clean Energy Regulator is now assessing expressions of interest for the development of an Australian carbon exchange, with predictions that the implementation of such a program could slash business costs by as much as \$100 million by 2030.

The exchange would make trading of Australian carbon credit units simpler and reduce transaction costs to support the rapidly increasing voluntary demand from the corporate sector.

More information on the Clean Energy Regulator's March Quarter 2021 Quarterly Carbon Market Report can be found in the highlights video below or the Clean Energy Regulator's March quarter 2021 report

Watch the video

How to use this information now

For current use, confirm the applicable scheme rules, regulator notices, market date and reporting period. Keep historical prices or forecasts separate from present quotes and verified outcomes.

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 emissions reduction did Australia's key government schemes predict for 2021?

The Clean Energy Regulator's March Quarter 2021 report predicted 57.1 million tonnes of emissions savings in 2021, a 7% increase on 2020's 53.1 million tonnes. This total comprised three major schemes: the Emissions Reduction Fund delivering 17 million tonnes of ACCUs (a 6% increase), the

Large-scale Renewable Energy Target providing 24.3 million tonnes (also 6% growth), and the Small-scale Renewable Energy Scheme contributing 15.8 million tonnes (12% increase). The prediction was described as conservative, based on average emissions intensity across all fuel sources. These projections demonstrated Australia's emissions reduction trajectory through established regulatory mechanisms rather than relying on voluntary action alone.

Why did rooftop solar installations accelerate in early 2021, and what does this mean for renewable energy?

Rooftop solar was the strongest growth area within the Small-scale Renewable Energy Scheme, with 792 megawatts installed in the first quarter of 2021—a 28% increase on the same period in 2020. Total installations across 2021 were expected to reach between 3.5 and 4 gigawatts. This acceleration reflected growing corporate and household interest in renewable energy, supported by policy schemes and falling technology costs. For businesses considering renewable pathways, this trend demonstrated increasing market viability and competition among installers. We assist clients in evaluating renewable-energy eligibility, comparing STCs and other incentives, and preparing feasibility assessments for rooftop and larger installations.

What did the report reveal about Australia's renewable energy capacity and the Large-scale Generation Certificate market?

Australia added a record 7.0 gigawatts of renewable energy capacity in 2020 and met its Large-scale Renewable Energy Target of 33,000 GWh by January 2021. The report predicted 2 to 3 GW of additional capacity would come online by end of 2021. This oversupply of renewable capacity was expected to increase Large-scale Generation Certificates (LGCs) in circulation and potentially soften wholesale LGC prices over time. For businesses evaluating renewable pathways or investment timing, this indicated a maturing market with improving technology availability but potentially lower certificate prices. We support clients in assessing LGC eligibility, comparing renewable certificate pathways, and timing installations to optimise both physical benefits and financial returns.

How did voluntary corporate demand for carbon credits change, and what drove the increase?

Voluntary private and state/territory demand for ACCUs and LGCs reached record highs in the quarter, rising 39% compared to the previous year to 532,000 units and certificates. Significant corporate commitments drove this increase, including major supermarket chains—Coles Group, Woolworths Group and ALDI—committing to net-zero emissions by 2050. These three retailers accounted for 1% of Australia's reported 2019–20 emissions. This surge reflected growing corporate recognition of climate risks and investor expectations around sustainability reporting. For businesses developing carbon strategies, this demonstrated market acceptance of net-zero commitments and increasing demand for verified emissions reductions to support public claims.

What was the Emissions Reduction Fund's Auction 12 outcome, and what does it indicate about project viability?

Auction 12, held on 12 and 13 April 2021, contracted 6.8 million tonnes of forward carbon abatement from 10 projects at an average price of \$15.99 per tonne, totalling \$108 million in commitment. This pricing level and volume indicated continued investor confidence in the abatement market and project delivery. For organisations considering ACCU projects, the auction result provided evidence of realistic market pricing and investment appetite. We advise clients on ACCU project eligibility, registration requirements, newness tests, and commercial modelling—helping establish auditable forecasts of abatement delivery and revenue timing to support robust investment decisions.

Why was the Clean Energy Regulator pursuing an Australian carbon exchange, and what commercial benefit was predicted?

The Clean Energy Regulator assessed expressions of interest for developing an Australian carbon exchange to simplify trading of ACCUs and reduce transaction costs for the rapidly increasing voluntary corporate demand. Implementing such a programme was predicted to save businesses as much as \$100 million by 2030 through lower trading costs and improved market efficiency. For businesses managing ACCU portfolios or planning to retire certificates to support net-zero claims, a centralised exchange would reduce complexity and improve price discovery. We provide environmental certificate services including project registration, certificate creation and trading support, helping clients navigate current trading arrangements and prepare for evolving market infrastructure.

What practical steps should a business take to align with Australia's low-carbon trajectory?

The report demonstrated multiple regulatory pathways available to businesses: large-scale renewables via LGCs or REGOs; small-scale solar via STCs; energy efficiency via state-based schemes (NSW ESS, Victorian Energy Upgrades); and emissions reductions via ACCU projects. The surge in voluntary corporate net-zero commitments indicated that management needed a transition strategy identifying which pathways suited the business, when to implement them, and how to measure progress. We assist with this strategic foundation through energy audits to identify opportunities, carbon and energy strategy development to prioritise investments, measurement and verification to demonstrate actual outcomes, and carbon advisory services connecting emissions inventories with engineering and financial decisions. The company can also support transition planning addressing implementation dependencies, ownership and financial implications of decarbonisation.