

VEEC Market Update: Managing Certificate Price Fluctuations

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About this update

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

Publication date: December 4, 2024.

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

VEEC prices have risen dramatically since 2020, when certificates were priced at \$30, at that time lighting was still the bulk of the upgrades, and the government set increasing targets (6.5M growing to 7.3M by 2025) along with a declining emissions factor. This mean more MWh of electricity savings are now represented by one VEEC. Increased demand and reduce supply led to price inflation over the past five years. In response, and as part of the strategic review, the government to announce plans for an overhaul of the VEU program, with the aim of easing cost pressures and ensuring the program is sustainable into the future.

Proposed changes include extending the program's timeline to 2045 and relaxing the time limits for certificate validation which could release more certificates into the market and help bring prices down. There has been an ongoing discussion regarding how the VEEC price will be affected in the coming months, while there is still room for increases in price, there is growing downside risk on prices that could see the wholesale VEEC price fall back from current highs, potentially suddenly.

Managing Your Risk

The VEU is a market-based incentive program and as such there can be volatility in the market. The graph showcases how the VEEC prices can suddenly drop following any government announcements.

Looking at 3 different market-based incentive programs - Victorian Energy Upgrades Program (VEECs), NSW Energy Savings Scheme (ESCs), and the Small-Scale Renewable Energy Target (STCs), you can see that the government policy and market conditions have led to 3 very different outcomes in certificate pricing over the past 6 years

What Steps can you Take?

Complete the paperwork and submit your jobs for processing as soon after installation as possible and respond to pending RFI's quickly to reduce the time job claims are outstanding.

Check our spot price newsletter issued every Monday and Wednesday so you are aware of any market changes - if you are not receiving this, please let us know.

Regularly review the incentive amounts that you are offering to your customers and keep a buffer for yourself, so you are not caught short.

Talk to us about hedging or forward contracting if this is the right option for you. This allows you to lock in the price for a set amount of VEECs to be delivered in an agreed period of time.

Consider other activities for additional submissions to diversify your product and service offerings to customers.

Key Factors That Influence Certificate Prices

The Environmental Certificate Program operates on a market-based model, requiring electricity retailers to purchase millions of certificates annually. By removing the strict timeline for certificate validation, the government hopes to increase the supply of certificates, which could relieve some of the price pressures. However, this will only have a margin impact on VEEC price through changing the timing, not the overall quantity of certificates available.

Supply and Demand: the demand for certificates by retailers is set by the annual government targets. The targets are set in 5-year blocks, with the current targets set to the end of 2025. The government has announced that they will set an interim target for 2026 and 2027, while the VEU Strategic review is undertaken. The 2026 and 2027 targets need to be announced by May 2025, however, could be announced earlier. While the target was growing each year in the 2020 to 2025 period, there is a possibility that the government could set a lower target for 2026-2027 which would put downward pressure on pricing by reducing the demand. Supply of certificates is also determined by the government by setting the allowable activities and setting the number of VEECs each activity will produce. Bringing new activities to the program could increase the supply of certificates and reduce the price.

Stronger Regulatory Oversight: Planned reforms also include giving the Essential Services Commission greater authority to regulate appliance installers. While this increased oversight is aimed at ensuring compliance and preventing fraud, it may also slow down the generation of new certificates if installers face additional regulatory hurdles■.

Political and Economic Pressures: The debate surrounding the VEU program is highly polarized. Critics argue that the scheme is unfairly driving up costs for low-income households at a time of economic difficulty, while supporters maintain that it has successfully reduced power bills, distribution infrastructure costs, and the upfront cost for many energy-efficiency upgrades. How the government balances these competing concerns will significantly affect the future pricing of VEECs■.

What Can We Expect Moving Forward?

While the current wholesale price of VEECs remains high at \$105-\$114 per certificate, the upcoming reforms are expected to create more activities into the future and potentially lower prices over time. The increase in certificate supply, combined with improved regulatory oversight, could provide some relief to both consumers and electricity retailers. However, it remains uncertain how significant these price reductions will be and how long they will take to materialize.

With the VEU program now extended to 2045, businesses and consumers can plan for long-term participation in a more refined and efficient system. The key will be to monitor the ongoing review and regulatory changes closely, as these will ultimately shape the Future landscape of Energy efficiency in Victoria.

In conclusion, while VEEC prices are currently high, upcoming reforms have the potential to bring them down gradually (or suddenly). Stakeholders should prepare for a period of transition and keep a close eye on legislative developments as the Victorian government seeks to leverage this critical emissions reduction program as part of the government electrification strategy.

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 was the price of a VEEC in 2020, and how does it compare to current wholesale prices?

In 2020, Victorian Energy Efficiency Certificates (VEECs) were priced at \$30. As of December 2024, the current wholesale price of VEECs remains high at \$105–\$114 per certificate. This dramatic increase reflects growing demand from retailers against constrained supply, driven by government targets rising from 6.5M to 7.3M by 2025 and declining emissions factors that require more electricity savings to create each certificate. Understanding this price trajectory is essential for project investment cases, as certificate revenue assumptions directly affect payback periods and project viability. We help clients model certificate value separately from energy savings and adjust incentive assumptions as market conditions change.

What factors caused VEEC prices to rise dramatically since 2020?

VEEC prices rose due to the government setting increasing targets (6.5M growing to 7.3M by 2025) combined with a declining emissions factor, meaning more MWh of electricity savings now represent one VEEC. This created a supply-demand imbalance: retailers must purchase certificates to meet fixed targets, but the supply of eligible activities did not grow proportionally. As a result, competition for available certificates drove wholesale prices upward. For businesses planning energy upgrades, this means earlier projects faced lower certificate values, while current projects benefit from higher revenue potential but also face higher market prices if they need to purchase certificates for other purposes.

What reforms has the Victorian government proposed to ease cost pressures in the VEU program?

The Victorian government announced an overhaul of the Victorian Energy Upgrades program including extending the timeline to 2045 and relaxing time limits for certificate validation. These changes could release more certificates into the market, helping bring prices down from current highs of \$105–\$114. The government has committed to setting interim targets for 2026–2027 by May 2025 while the VEU Strategic Review is undertaken. For project planning, this signals that certificate valuations may stabilize or decline, making it important to lock in current price assumptions when submitting jobs and to plan for longer-term program participation. We can advise on timing submissions and forward contracting strategies to manage this uncertainty.

What five practical steps does the article recommend for managing VEEC price risk?

First, complete paperwork and submit jobs for processing immediately after installation, responding quickly to regulatory information requests. Second, check the spot-price newsletter issued every Monday and Wednesday to track market changes. Third, regularly review incentive amounts offered to customers and maintain a buffer for price volatility. Fourth, consider hedging or forward contracting to lock in certificate prices for a set quantity over an agreed period. Fifth, diversify by pursuing other

eligible activities to expand product and service offerings. These steps help installers and energy service providers maintain project margins despite price fluctuations. We assist with pricing strategy, forward-contracting arrangements, and identifying additional eligible activities to strengthen project portfolios.

How are VEEC supply and demand determined, and what could change the balance?

Demand is set by annual government targets established in 5-year blocks; current targets run through 2025, with interim targets for 2026–2027 to be announced by May 2025. Supply is determined by the government specifying which activities are eligible and how many certificates each generates. Because demand is fixed by regulation while supply depends on activity participation rates, an imbalance emerges when eligible activities cannot meet target demand. Bringing new activities into the program or relaxing validation timelines could increase supply and reduce prices. For businesses evaluating projects, this means understanding which activities are recognized under current rules and planning accordingly, as future program changes could alter certificate availability and pricing significantly.

What regulatory oversight changes may affect VEEC generation and installer participation?

The Victorian government plans to give the Essential Services Commission greater authority to regulate appliance installers, aiming to ensure compliance and prevent fraud. While this oversight is necessary for program integrity, increased regulatory hurdles may slow installer certification and reduce the rate at which new certificates are generated. For businesses with installation operations, this means budgeting for compliance costs and administrative review timelines that could extend project cycles. We help clients navigate regulatory requirements, prepare evidence files that meet Essential Services Commission standards, and coordinate with installers to ensure timely processing and certificate creation under the enhanced compliance framework.

Why do VEEC, ESC, and STC markets show such different price outcomes despite similar design?

The article compares the Victorian Energy Upgrades Program (VEECs), NSW Energy Savings Scheme (ESCs), and Small-Scale Renewable Energy Target (STCs) to illustrate how government policy and market conditions drive three very different certificate prices. VEECs trade at \$105–\$114, ESCs at different levels, and STCs face their own dynamics. These differences reflect varying target levels, activity eligibility, emissions factors, and government policy changes in each jurisdiction. For multi-state businesses, this means investment cases must model each scheme separately according to its own rules and market conditions rather than treating certificates as interchangeable. We advise on jurisdiction-specific pathways and help clients compare state-by-state incentive value to prioritize implementation.

How should businesses incorporate VEEC price uncertainty into project investment cases?

Businesses should show certificate price and certificate quantity as separate variables in financial projections, reflecting that market price and scheme-eligible savings are independent uncertainties. High current prices (\$105–\$114) may not persist if supply increases from reforms or new activities. Investment cases should present a base scenario without unconfirmed certificate proceeds, then layer in conservative and optimistic incentive scenarios. This approach ensures management understands project viability independent of certificate revenue, reserves upside if prices remain high, and avoids over-committing to incentive-dependent payback. We help build resilient investment cases by separating energy savings, tariff effects, and certificate revenue, then stress-testing each against realistic ranges to support robust capital decisions.

What does the extension of VEU to 2045 mean for long-term business planning?

Extending the Victorian Energy Upgrades program to 2045 signals government commitment to a long-term market for energy-efficiency certificates, allowing businesses and manufacturers to plan with confidence that the incentive pathway will remain available for over 20 years. This stability supports

investment in training, equipment, and service capacity, knowing that certificate-eligible activities will continue generating revenue. However, the extension also indicates that current high prices may be temporary; pricing may stabilize at lower levels once reforms take effect and new activities are added. Businesses should view the 2045 horizon as an opportunity to build recurring revenue streams while managing price expectations. We assist in developing multi-year business strategies that leverage the extended program timeline while remaining agile to changing market conditions and regulatory changes.