Australian Government

Clean Energy Regulator

Quarterly Carbon Market Report

CLEAN ENERGY REGULATOR

December Quarter 2025

Contents

About this report

Report objective

Carbon markets play a key role in Australia's efforts to reduce emissions. The Clean Energy Regulator (CER) has prepared this report to support the effective operation of Australia's carbon markets.

This report consolidates information across the national carbon markets that the CER administers for the December Quarter 2025 (October to December 2025). It provides information on supply and demand trends and opportunities that may inform market decisions.

Questions? Suggestions? Please get in touch

To help ensure our Quarterly Carbon Market Reports (QCMRs) are as helpful and informative as possible, we welcome your feedback. Please provide feedback to: Manager, Renewable Energy Market Analysis via

- Email: enquiries@cer.gov.au
- Post: Clean Energy Regulator, GPO Box 621 Canberra ACT

Report disclaimer

All figures are sourced from the CER unless otherwise referenced. All statements in this report reflect current policy settings, other than in specific instances where the Australian Government has announced or is consulting on proposed policy changes.

This Quarterly Carbon Market Report (QCMR) represents the views of the CER at the date of publication. The CER is providing this information to the market to increase market transparency, help identify genuine low-cost carbon abatement opportunities, and assist entities that produce or need to source units and certificates under the schemes the CER administers.

The CER has used its best endeavours to ensure the quality of the information in this document but cannot guarantee its accuracy or completeness. The QCMR is not legal, business, or financial advice. You should obtain independent professional advice on your circumstances before making any investment decisions. The information is provided as general information only. Neither the CER, nor the Commonwealth of Australia will accept liability for any direct, incidental, or consequential loss or damage resulting from the QCMR, or the information provided through the QCMR, or the availability or non-availability of the QCMR.

Version history

Version	Date	Changes
1.0	27/02/2026	Initial publication

Glossary

The CER glossary includes definitions/explanations of many terms and acronyms used throughout this report.

Highlights

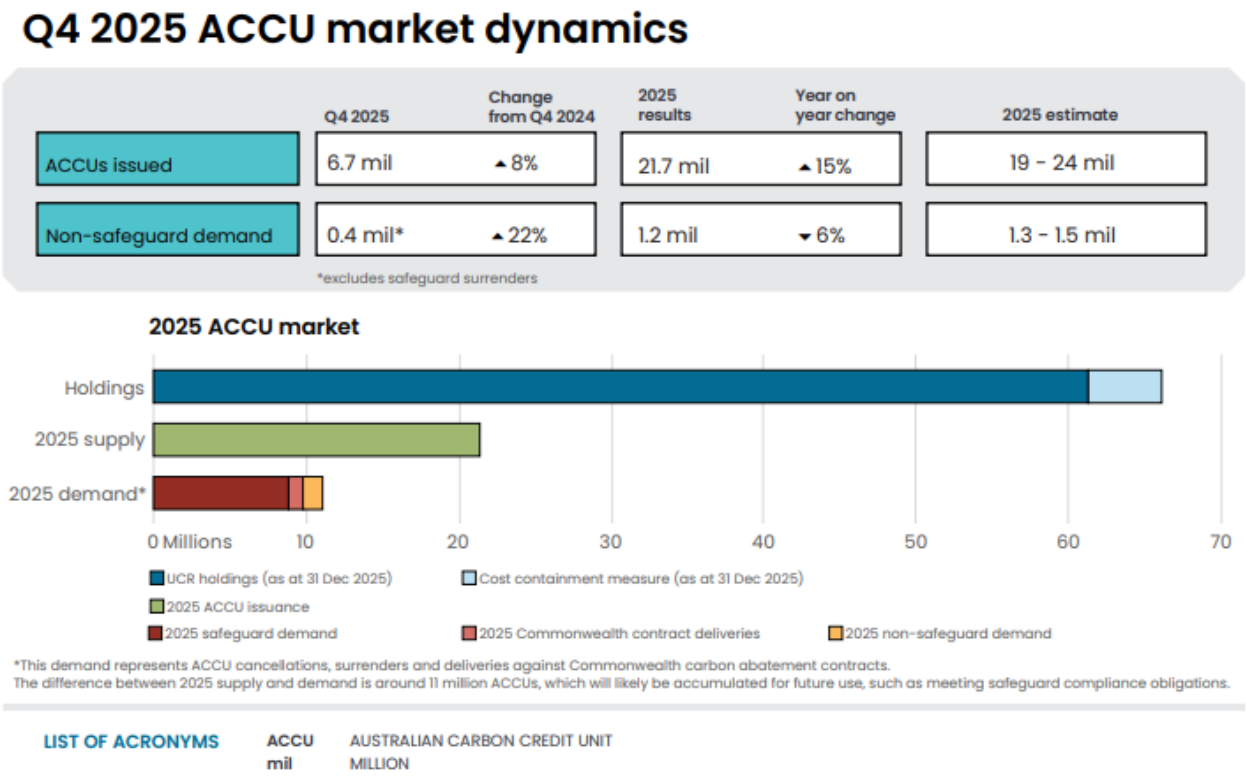
- In 2025, the Australian Carbon Credit Unit (ACCU) Scheme and the Renewable Energy Target (RET) are estimated to have reduced emissions by around 83.7 million tonnes of carbon dioxide equivalent (CO_2-e). This is similar to Australia's total estimated emissions from road transport in the same year.
- 2025 saw another strong year for the rollout of renewable energy generation capacity, with 6.8 gigawatts (GW) of renewable energy capacity added over the year. This comprises just under 4 GW of approved large-scale power stations and around 2.8 GW of small-scale rooftop solar installations from around 270,000 systems.
- Renewable energy accounted for 43.7% of electricity generation in the National Electricity Market (NEM) in 2025 and over 50% for Q4 for the first time, a significant milestone.
- Strength in Large-scale Renewable Energy Target (LRET) accreditations and better generation conditions resulted in large-scale generation certificate (LGC) supply exceeding demand in 2025, with 59.7 million creations, above our 54-57 million forecast.
  - » We expect 64-66 million LGC creations in 2026, with oversupply likely to persist in 2026 through to the end of the RET in 2030 despite ongoing growth in non-RET surrenders.
- Large-scale renewable project approvals remained strong in 2025, totalling 4 GW in 2025, including a record 3 GW of solar approvals.
- The Cheaper Home Batteries Program exceeded early expectations in its first 6 months. More than 193,000 valid batteries were installed in 2025, delivering 4.6 GWh of capacity, more storage capacity than the 12 largest in-service large-scale batteries in the NEM combined.
  - » We expect battery uptake to remain high in 2026. We anticipate that 350,000 to 520,000 batteries (8 to 12 GWh) will be installed throughout 2026. The wide range for this projection reflects the challenges in projecting uptake in a new program.
- Small-scale rooftop solar softened for part of 2025 compared to 2024 as installer capacity shifted to battery work but lifted towards the end of the year.
  - » We expect small-scale solar installations to recover to 3.0–3.7 GW in 2026, with the Cheaper Home Batteries program supporting demand for new and upgraded systems.
- ACCU supply remains strong, with a record 21.7 million ACCUs issued in 2025 and 2026 supply expected to be between 22 and 26 million ACCUs. As usual, issuance projections are subject to uncertainty. The higher end of our range reflects several potential upsides.
- ACCU holdings, excluding the cost containment measure, grew by 3.9 million during Q4 2025, reaching 60.7 million at the end of 2025.
- At the end of 2025, the cost containment measure held 4.8 million ACCUs. This is expected to grow in 2026 with the Australian Government announcing permanent exit arrangements for fixed delivery Commonwealth carbon abatement contracts in December 2025.
- ACCU issuances continue to outpace ACCU safeguard surrenders and voluntary cancellations on an annual basis. However, with the declining baselines under the reformed Safeguard Mechanism, annual demand will grow and may surpass annual supply later this decade, resulting in a draw-down of accumulated holdings.
  - » We will publish full results for the 2024-25 safeguard compliance year on 15 April 2026.

1. Australian environmental markets

Insights

- A total of 6.7 million Australian carbon credit units (ACCUs) were issued in Q4 2025, bringing total ACCU issuances in 2025 to a record 21.7 million.
  - This was in the middle of our estimated 2025 range of 19-24 million.
- ACCU issuances continue to outpace ACCU safeguard surrenders and voluntary cancellations on an annual basis. However, with the declining baselines under the reformed Safeguard Mechanism, annual demand will grow and may surpass annual supply later this decade, resulting in a draw-down of accumulated holdings.
  - In Q4 2025, 1.9 million ACCUs were surrendered for safeguard compliance. Of these, 1.7 million were surrendered for the 2024-25 compliance year, showing some entities are already managing their excess emissions ahead of the 31 March compliance deadline.
  - Full results for the 2024-25 safeguard compliance year will be published on 15 April 2026. Preliminary data published on 27 November 2025 shows a 2.4% reduction in covered emissions from 135.9 million tonnes of carbon dioxide equivalent ($MtCO_2$-e) in 2023-24 to 132.7 $MtCO_2$-e in 2024-25. Responsible emitters of 59 facilities may be eligible to receive approximately 7 million Safeguard Mechanism credit units (SMCs).
- The Australian Government has announced permanent exit arrangements for fixed delivery Commonwealth carbon abatement contracts. Under the permanent arrangements, eligible sellers will receive a 60% discount on their exit payment fees if they deliver at least 25% of the outstanding volume of ACCUs as of 1 January 2025.
- ACCU holdings grew as expected, reaching 60.7 million at the end of 2025. This excludes the cost containment measure which reached 4.8 million. Total ACCU holdings are expected to dip in Q1 2026, with surrenders for the second year under the reformed Safeguard Mechanism due 31 March 2026, before continuing to increase by the end of 2026.
- In 2026, the CER expects ACCU issuances of between 22 to 26 million. As usual, projecting issuance, particularly from projects yet to report, is subject to high levels of uncertainty. The higher end of the range reflects several potential upsides to issuance.
- The ACCU supply pipeline is healthy, supported by the development of new ACCU methods and new and existing project registrations.
  - In Q4 2025, 68 ACCU Scheme projects were registered. This brought the total registered projects for 2025 to 407, similar to the record 421 total registrations in 2024.
- Non-safeguard demand remains a minor component of ACCU demand. In Q4 2025, 0.4 million ACCUs were cancelled bringing the 2025 cancellations to 1.2 million.

Image 1.1 Q4 2025 ACCU market dynamics



ACCU and Safeguard Mechanism credit unit (SMC) market dynamics summary

Table 1.1 ACCU supply and demand summary for Q4 2025 and 2025

	Q4 2025		2025 annual change	
ACCU	Supply	Demand	Supply	Demand
Balance carried forward from respective period	56.8m	-	49.9m	-
ACCU supply	+6.7m	-	+21.7m	-
ACCU Scheme contract deliveries*	-	-0.4m	-	-0.9m
Safeguard surrenders	-	-1.9m	-	-8.7m
Non-safeguard cancellations	-	-0.4m	-	-1.2m
Net balance at the end of Q4 2025	**60.7m**			
Cost containment measure	4.8m			

*Totals may not sum due to rounding. *This refers to ACCUs delivered under Commonwealth carbon abatement contracts in the quarter. These ACCUs are held in the cost containment measure and are available to eligible Safeguard entities to purchase at a fixed price of $82.68 for 2025-26, rising at the Consumer Price Index plus 2% each year.*

Table 1.2 SMC supply and demand summary for Q4 2025 and 2025

	Q4 2025		2025 annual change	
SMC	Supply	Demand	Supply	Demand
Balance carried forward from respective period	6.9m	-	-	-
SMC supply	+<0.1m**	-	+8.3m	-
Safeguard surrenders	-	-<0.1m	-	-1.4m
Net balance at the end of Q4 2025	**6.9m**			

***SMC issuances generally occur around 31 January following the end of the relevant reporting period. However, there is no legislative deadline to apply for SMCs so issuances can occur throughout the year and across compliance years depending on when the CER receives the application.*

Safeguard Mechanism

The second compliance year of the reformed Safeguard Mechanism continues smoothly.

In Q4 2025, the CER published the safeguard preliminary data insights, to provide an early overview of Safeguard Mechanism outcomes and key market data for the 2024–25 reporting period. The report indicated a cumulative excess of 13.7 million tonnes of carbon dioxide equivalent (CO_2-e). Excess emissions can be managed by surrendering ACCUs or SMCS, or by applying and being approved to use flexibility arrangements, including borrowing baseline (with interest) from the following year, or using a multi-year monitoring period. As usual this preliminary data is subject to change and does not fully consider the approval of any ongoing flexibility measure applications, such as trade-exposed baseline adjustments.

The CER will continue with scheme administration including SMC issuances. Following the compliance deadline on 1 April 2026, the full results of the 2024-25 reporting year will be published on 15 April 2026.

Safeguard demand for ACCUs continues to grow

As responsible emitters can manage excess emissions by surrendering ACCUs or SMCs, safeguard compliance remains the main driver for ACCU demand. In Q4 2025, 1.9 million ACCUs were surrendered for safeguard compliance. Of these, 0.2 million was for 2023-24 compliance through an enforceable undertaking and the remaining 1.7 million was for 2024-25 compliance.

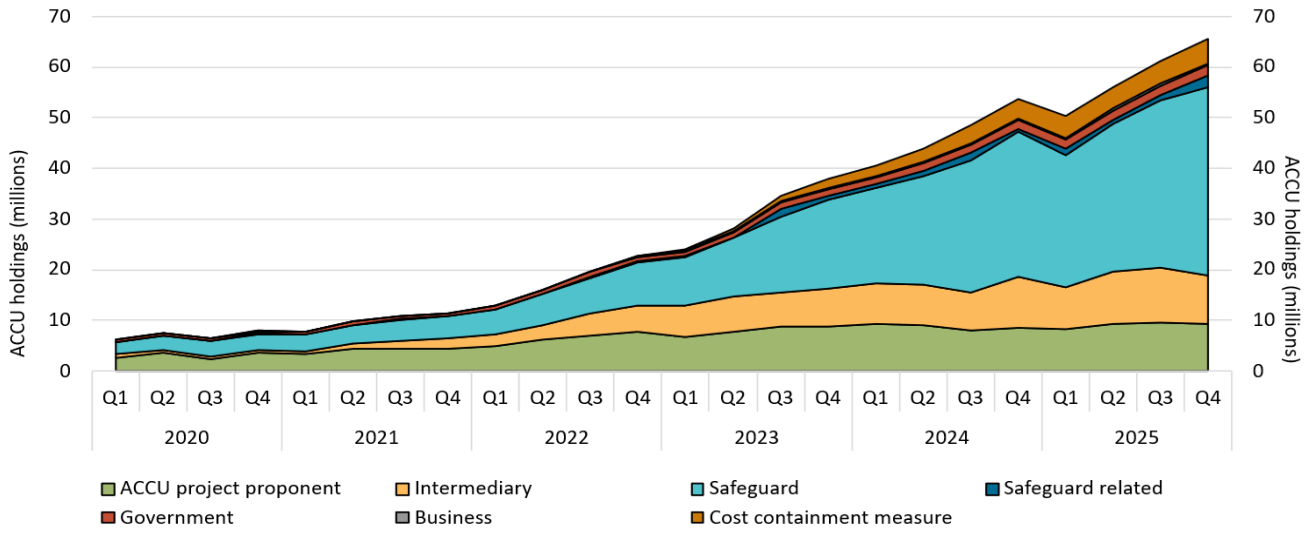
ACCU holdings increase ahead of Safeguard Mechanism surrenders

ACCU holdings, excluding the cost containment measure, rose by 3.9 million during Q4 2025, reaching 60.7 million at the end of 2025. This is an annual increase of 10.8 million compared to holdings at the end of 2024. Safeguard and safeguard-related accounts were the main drivers, with their holdings increasing by 10.2 million in 2025 to a total of 39.5 million ACCUs. This represents around two-thirds of total ACCU holdings at the end of Q4 2025. Holdings are categorised based on currently available information for accounts, so breakdowns should be treated as estimates.

As observed in 2025, ACCU holdings are expected to dip in Q1 2026 before continuing to increase over the rest of the year. This is mainly due to safeguard entities managing their excess emissions ahead of the 31 March 2026 compliance deadline for the second year of the reformed Safeguard Mechanism.

The consensus projection of market analysts is that compounding safeguard baseline reductions will result in net ACCU holdings beginning to decline in the later part of this decade. Annual safeguard demand is projected to outpace annual ACCU supply as we approach 2030, seeing the ACCU market tighten.

Figure 1.1 ACCU holdings (in millions) by market participation



At the end of Q4 2025, SMC holdings remained stable at 6.9 million. Most SMC activity is expected in Q1 each year. Most SMC issuances typically occur around 31 January and most SMC surrenders typically occur in the lead up to 31 March compliance deadline. The vast majority (96%) of SMCs continue to be held by safeguard and safeguard-related accounts.

Permanent exit arrangements for fixed delivery Commonwealth carbon abatement contracts

On 3 December 2025, the Australian Government announced the implementation of a permanent exit arrangement for fixed delivery Commonwealth carbon abatement contracts. These arrangements aim to resolve the management of fixed delivery carbon abatement contracts by providing an alternative pathway for sellers to meet their obligations. Under the permanent arrangements, eligible sellers will receive a 60% discount on their exit payment fees if they deliver at least 25% of the outstanding volume of ACCUs as of 1 January 2025. The permanent exit arrangement recognises market and policy settings have changed since the introduction of carbon abatement auctions and fixed delivery contracts in 2015.

ACCUs delivered under contract will still be paid the contract price. In total for 2025, 0.9 million ACCUs were delivered with almost half (0.4 million) delivered after the announcement of the permanent exit arrangements. At the end of Q4 2025, the cost containment measure held 4.8 million ACCUs. Contract deliveries are expected to increase in 2026 compared to 2025 as contract holders service the 25% minimum delivery under the permanent exit arrangement.

Sellers and authorised representatives must complete an expression of interest by 30 June 2026 before the permanent exit arrangement begins on 1 July 2026.

2025 ACCU issuances and project registrations

ACCU issuances in 2025 reached a record 21.7 million, with 6.7 million ACCUs issued in Q4. This is in line with our 2025 estimate of 19-24 million and is 2.9 million higher than 2024 issuances. Higher issuances were driven by vegetation projects with 2.5 million more ACCUs issued in 2025 than in 2024.

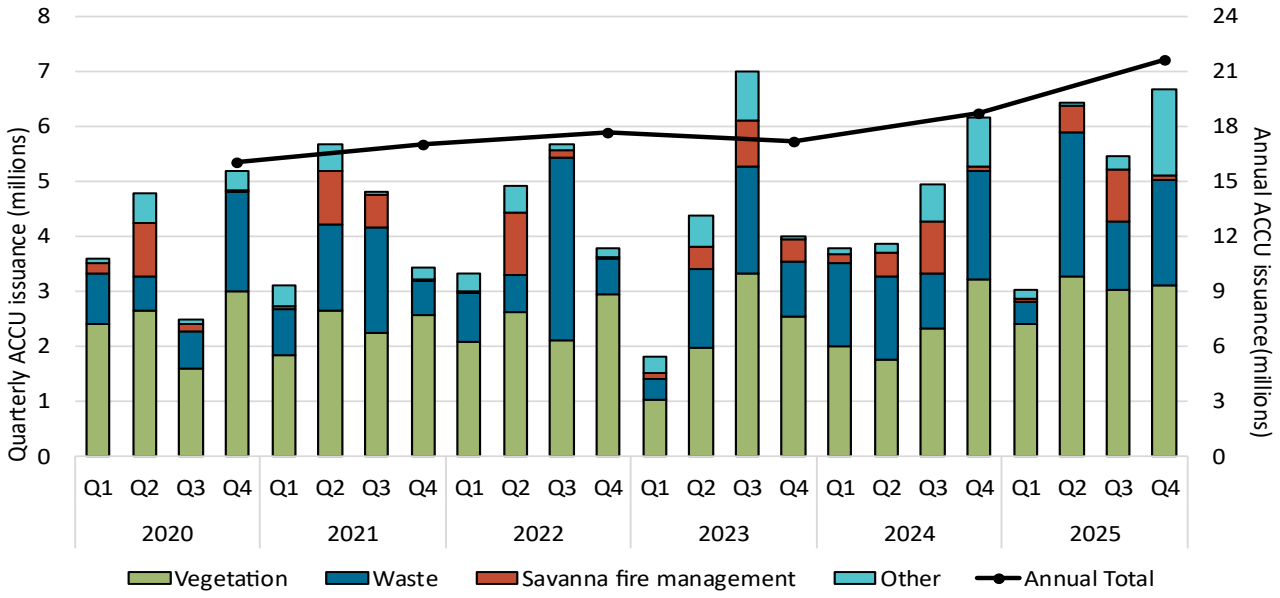
Of the 21.7 million ACCUs issued in 2025:

- 17.3 million were issued to projects that have previously reported.

- This was slightly below our expected range of 17.7 to 18.7 million.

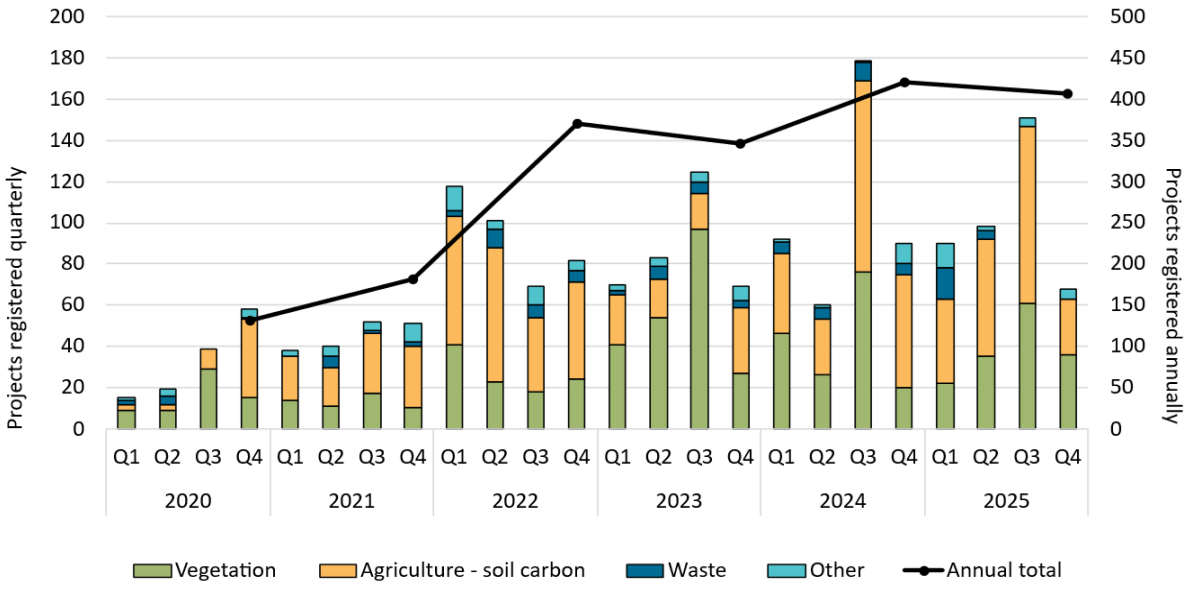
- 4.4 million were issued to projects reporting for the first time.
  - This was within our expected range of 1.5 to 5.5 million.

Figure 1.2 ACCUs issued by method type



In 2025, 407 ACCU Scheme projects were registered. This is comparable to the 421 ACCU Scheme projects registered in 2024. Plantation Forestry saw the biggest increase in registrations, reaching a record 100 registrations in 2025 compared to 66 in 2024. This made Plantation Forestry the second most registered method in 2025, behind Estimation of Soil Organic Carbon Sequestration using Measurement and Models, and ahead of Reforestation by Environmental or Mallee Plantings. These figures exclude revoked projects.

Figure 1.3 Registered ACCU Scheme projects by method type



The method development process continues:

- **Integrated farm and land management (IFLM)**: a draft IFLM method was made available for public consultation on 22 December 2025. The Emissions Reduction Assurance Committee (ERAC) accepted submissions between 27 January 2026 and 9 March 2026. The draft IFLM method is the first ACCU Scheme method to provide a modular framework for crediting multiple abatement activities on the same property. The method is designed to allow more activities, abatement estimation approaches, and carbon pools to be added over time.
- **Improved native forest management in multiple-use public native forests (INFM):** ERAC sought feedback on the proposed INFM method from 2 to 30 January 2026. The proposed method aims to generate greenhouse gas abatement by stopping or reducing harvesting in multiple-use public native forests (that is, state forests). The method was developed by the NSW Department of Climate Change, Energy, the Environment and Water and prioritised for development by the Australian Government in October 2024.

Following public consultation on each method, the ERAC will assess the method against the Offsets Integrity Standards and provide advice to the Minister.

- **New savanna fire management methods** remain under development with public consultation feedback being considered and final drafts of the methods for ERAC's assessment against the Offsets Integrity Standards being prepared.
- **Reducing methane emission from landfill gas method** was introduced by the Australian Government on 28 November 2025. The method incentivises projects to capture and destroy methane emitted from landfills as waste decomposes. It also implements Recommendation 10 of the Independent Review of ACCUs.

More information on other methods is available in the Department of Climate Change, Energy, the Environment and Water's (DCCEEW) ACCU method tracker. The tracker shows the status of ACCU Scheme methods at various stages of the method lifecycle.

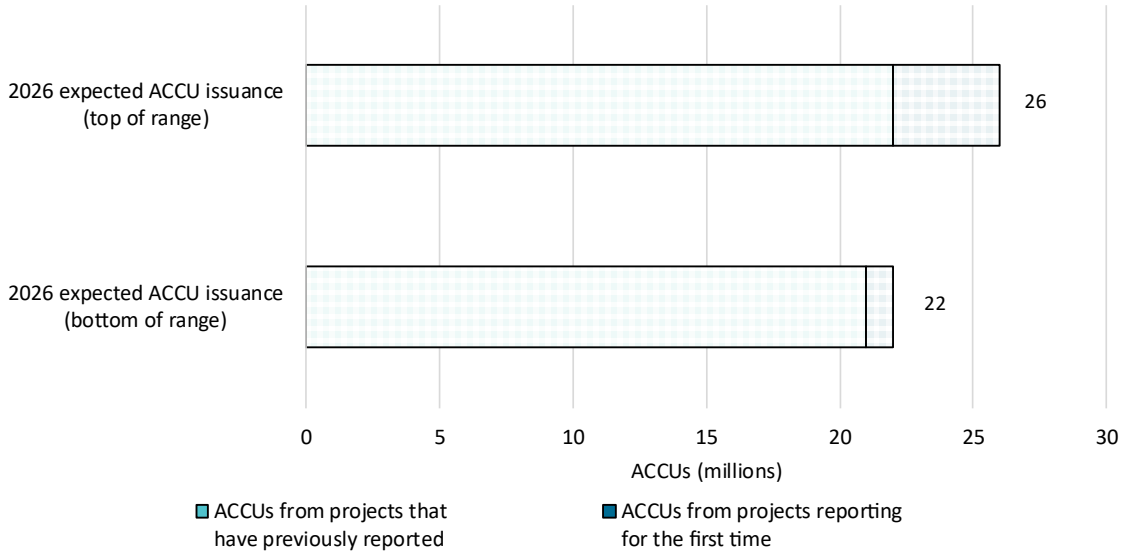
2026 ACCU issuances expected to be between 22 and 26 million

ACCU supply comprises issuances to existing projects and issuances to new projects not yet registered. While issuance from new projects will contribute to supply beyond 2026, we do not expect them to have an impact in 2026. This means expected 2026 issuances are driven by existing projects in two categories:

- Projects that have previously reported: Between 21 and 22 million ACCUs from over 600 projects that have reported in the past, with the estimate informed by project-specific historical claiming behaviour. This includes around 5.5 million ACCUs that are expected to be issued from applications on hand at the start of 2026. Our projection incorporates expected changes to the volume of ACCUs claimed on received applications.
- Registered projects expected to report for the first time: Between 1 to 4 million ACCUs. This figure involves a high degree of uncertainty because there is less information available on the volume of abatement until projects begin reporting, and the timing of first reporting is also uncertain.

The CER will refine this estimated ACCU issuance range across 2026.

Figure 1.4: Estimated ACCU issuances (in millions) in 2026



Two notable swing factors providing the potential for issuances in the higher end of the range are:

- Human-induced regeneration (HIR) projects reporting for the first time: A large volume of HIR projects were registered in the years leading to the HIR method sunset in September 2023. Historically, the average lag between project registration and first issuance for HIR projects is around 3 years. If this pattern holds, it could translate to more HIR projects reporting for the first time in 2026. Longer times to first reporting would spread these issuances over future years.
- The new savanna fire management method under development: As discussed in the Q3 2025 QCMR, on average, credited abatement for projects under the new method is likely to be higher than under earlier savanna fire management calculators. This reflects the crediting of sequestration in additional carbon pools, enabled by improvements in scientific modelling. This may have a supply impact depending on the final method design. The CER will continue to monitor the abatement potential of these additional carbon pools as method development progresses.

Further information on our estimation approach is provided in the forthcoming Quarterly Carbon Market Report Method document. The document will summarise modelling approaches used throughout the QCMR for readers interested in more technical detail. It will be updated from time to time as methods for any QCMR analysis are updated.

Non-safeguard ACCU cancellations

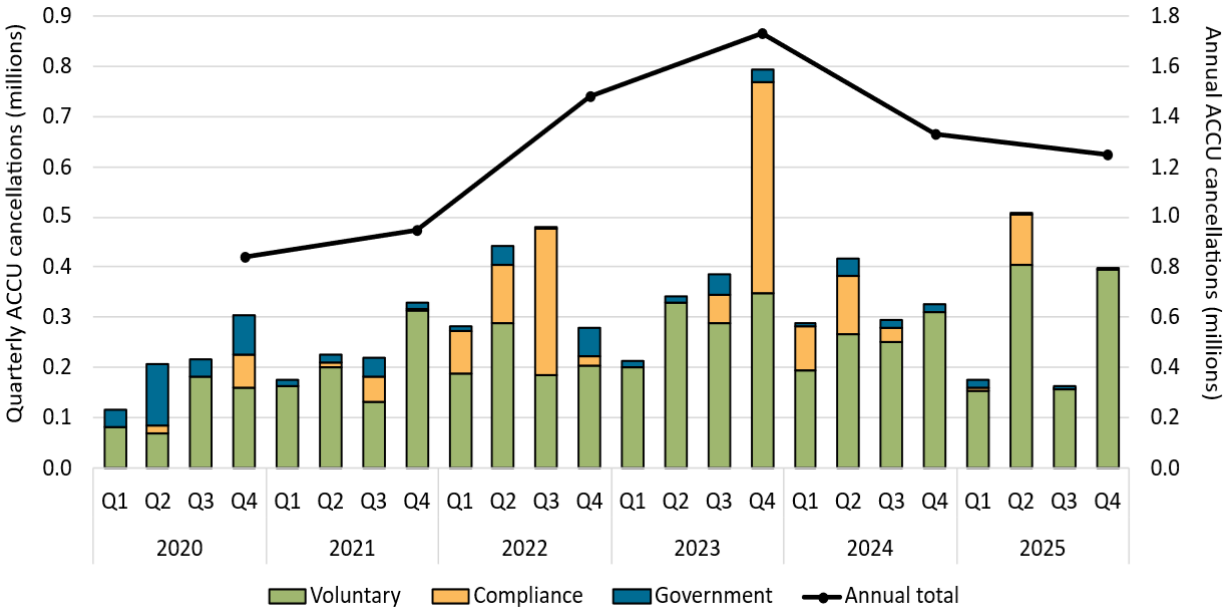
Non-safeguard ACCU cancellations consist of 3 categories:

- voluntary purchases by the private or non-government sector (generally the largest category)
- compliance purchases, such as requirements for desalination plants to offset emissions
- government (non-Commonwealth) purchases, for example to offset city council emissions.

Non-safeguard ACCU cancellations have been on a downward trend since 2023. In Q4 2025, 0.4 million ACCUs were cancelled for non-safeguard demand. In total in 2025, 1.2 million ACCUs were cancelled, slightly below our estimated range of 1.3 to 1.5 million. This is a 6% decrease compared to non-safeguard demand in 2024 at 1.3 million. While voluntary cancellations rose compared to 2024, this did not offset falls of 50 to 60% in the other 2 smaller categories.

Looking ahead, CER projects non-safeguard ACCU cancellations in 2026 to be between 0.8 and 1.5 million. This is based on linear trend analysis forecasting and judgement informed by market intelligence.

Figure 1.5 ACCU non-safeguard cancellations



Generic ACCU and SMC spot prices

The generic ACCU volume-weighted spot price fell from $37.43 at the end of Q3 2025 to $36.60 at the end of Q4, and post-quarter was sitting at $37.06 on 13 February 2026. In 2025, the generic ACCU spot price had similar seasonality to 2024 though with less volatility. Market intelligence suggests the longer-term strategies being implemented by safeguard entities has contributed to this lower volatility.

Figure 1.6 Generic ACCU and SMC volume weighted average spot price

SMC prices continue to follow generic ACCU prices. Given the low volume of spot trades for SMCs, firm conclusions about the ACCU-SMC price differential should be viewed with some caution. The SMC volume-weighted spot price fell from $37.00 at the beginning of Q4 2025 to $35.80 at the end of Q4 2025.

The price differential between SMCs and ACCUs tightened during Q4 2025 almost reaching parity at the end of 2025. In early 2026, SMCs have consistently traded for around $0.05 below the generic ACCU spot price.

Nature Repair Market update

Reforms to the Environmental Protection and Biodiversity Conservation (EPBC) Act passed on 28 November 2025 included amendments to the *Nature Repair Act 2023* to allow for methods to specify whether biodiversity offsets could be used as environmental offsets. The Nature Repair Market will continue to support voluntary action on nature repair. Not all Nature Repair Market projects will be used as environmental offsets and a proponent can choose whether their certificate is used as an offset.

The first method under the Nature Repair Market (released early 2025) supports landholders to undertake projects to enhance biodiversity by replanting native forest and woodland ecosystems on historically cleared landscapes. Biodiversity certificates under this method cannot be used as regulatory environmental offsets.

The proposed protect and conserve and enhancing nature vegetation methods continue to be developed. The Nature Repair Committee plan to undertake statutory consultation on the final proposed methods in 2026 to inform their advice to the Minister for the Environment and Water.

Integrity and transparency update

The CER published the annual NGER datasets and register on 27 February 2026. This includes corporate emissions and energy data, electricity sector emissions and generation data and the name of each person that registered the previous reporting year.

As part of our ongoing work to increase transparency and provide carbon markets with more information about the schemes we administer, we:

- consulted on improvements to the ACCU and contract register and plan to release the results of the consultation in April 2026. In Q4 2025, the CER consulted on improvements to register. Submissions were open from 17 November to 19 December 2025. The CER is undertaking work to improve the content and presentation of the register in 2026. This includes migrating the register to data services and changing the data. The consultation aimed to ensure the proposed changes will meet data user needs.
- published a preliminary overview of Safeguard Mechanism outcomes and key market data for the 2024-25 reporting period. This new publication provides important indicative information on scheme outcomes ahead of the full compliance year data that we will publish on 15 April 2026.
- have extended the historic time series for many figures in the QCMR data workbook, including all ACCU figures. We will continue to add more historical data to the workbook over time.
- are publishing a QCMR Methods document (forthcoming) to provide interested stakeholders with more technical information about the data and methods used in the QCMR.
- have created a consolidated list of compliance dates and key data releases for all CER schemes (see 'CER schemes - key compliance dates and related data' in this QCMR).

2. Large-scale renewable electricity

Insights

- Strength in Large-scale Renewable Energy Target (LRET) accreditations and better generation conditions resulted in LGC supply exceeding demand in 2025, with 59.7 million creations, above our 54-57 million forecast. High creations reflect the ongoing success of the LRET.
  - » Non-RET surrenders reached a record 15.3 million in 2025, driven by organisations meeting 100% renewable energy commitments. This growth was insufficient to increase LGC demand to meet supply.
    - › Non-RET LGC surrenders are expected to rise to 16-19 million in 2026, supported by ongoing corporate renewable commitments and lower LGC prices.
  - » We expect 64-66 million LGC creations in 2026, with oversupply likely to persist in 2026 through to the end of the RET in 2030 despite ongoing growth in non-RET surrenders.
- Large-scale renewable project approvals remained strong, totalling 4 GW in 2025, including a record 3 GW of solar approvals.
- A total 2.1 GW of generation projects reached final investment decision (FID) in 2025, the lowest in recent years despite a solid Q4. Both wind and solar recorded low annual FID.
- The pipeline of Capacity Investment Scheme (CIS) supported generation remains substantial, with 12 GW of potential generation capacity from the first 4 tenders yet to reach FID.
  - » Looking across CIS and other projects, between 6 and 16 GW of capacity may reach FID by the end of 2027.
- Large-scale energy storage entered CER schemes for the first time with the Renewable Electricity Guarantee of Origin (REGO) launch on 3 November 2025. The CER plans to track and publish large-scale storage project development, adding to our existing large-scale generation pipeline data.
  - » Q4 2025 saw the first facility application received for approval under the REGO scheme, and the first 5 registered person applications accepted.
- LGC holdings reached 56.1 million at the end of 2025. Liable entities increased holdings as they prepare for the 2025 surrender deadline, as is typical.
  - » For 2025, 32.0 million LGCs were surrendered by the statutory deadline. Shortfall was recorded for 4 liable entities, totalling 1.8 million LGCs.
- Spot LGC prices fell sharply from $32.25 to $6.25 in 2025, with forward prices also declining.
- The Minister has set the 2026 Renewable Power Percentage (RPP) at 16.67%, slightly down from 17.91% in 2025.

Market dynamics

Image 3.1 Q4 2025 LGC market dynamic

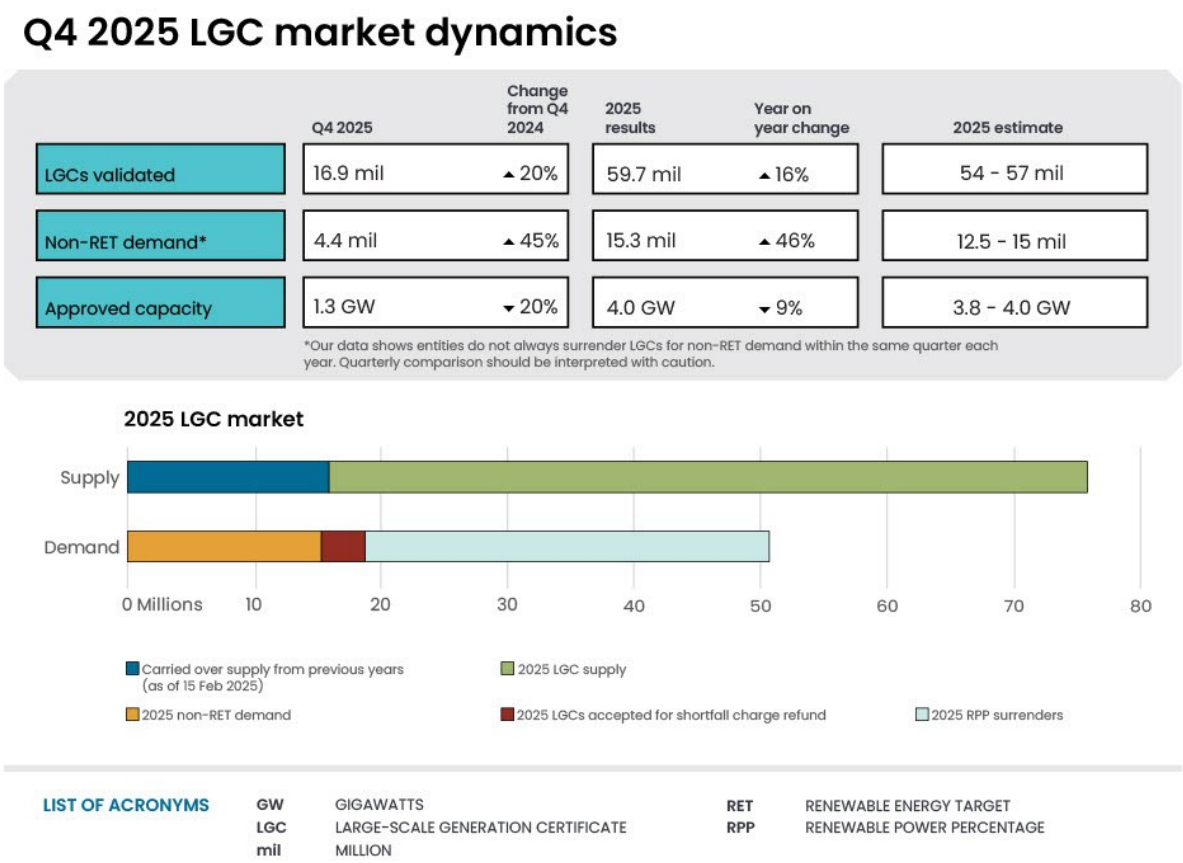


Table 2.1 LGC supply and demand balance

LGCs	Supply	Demand
Supply carried over from previous years (as of 15 Feb 2025)	**15.9 m**	**-**
LGC supply (Q1-Q4 2025)	59.7 m	-
Non-RET demand (Q1-Q4 2025)	-	15.3 m
2025 RPP surrenders	-	32.0 m
LGCs accepted for shortfall charge refund (Q1-Q4 2025)	-	3.4 m
Estimated balance as of 16 Feb 2026^	**24.8 m**	

Notes: There is a total of 3.9 million LGCs in shortfall that are eligible for shortfall refunds to be claimed, representing $250.8 million in consolidated revenue as of 16 February 2026. This excludes LGCs in shortfall from entities under administration.
^Sum of all supply items, less the sum of all demand items. Figures may not sum due to rounding.

LGC creations are driven by the generation of renewable electricity by accredited large-scale power stations. One LGC is created for each MWh of eligible renewable electricity. Generation by power stations depends on installed capacity, weather, and operational factors like repairs, maintenance, and curtailment.

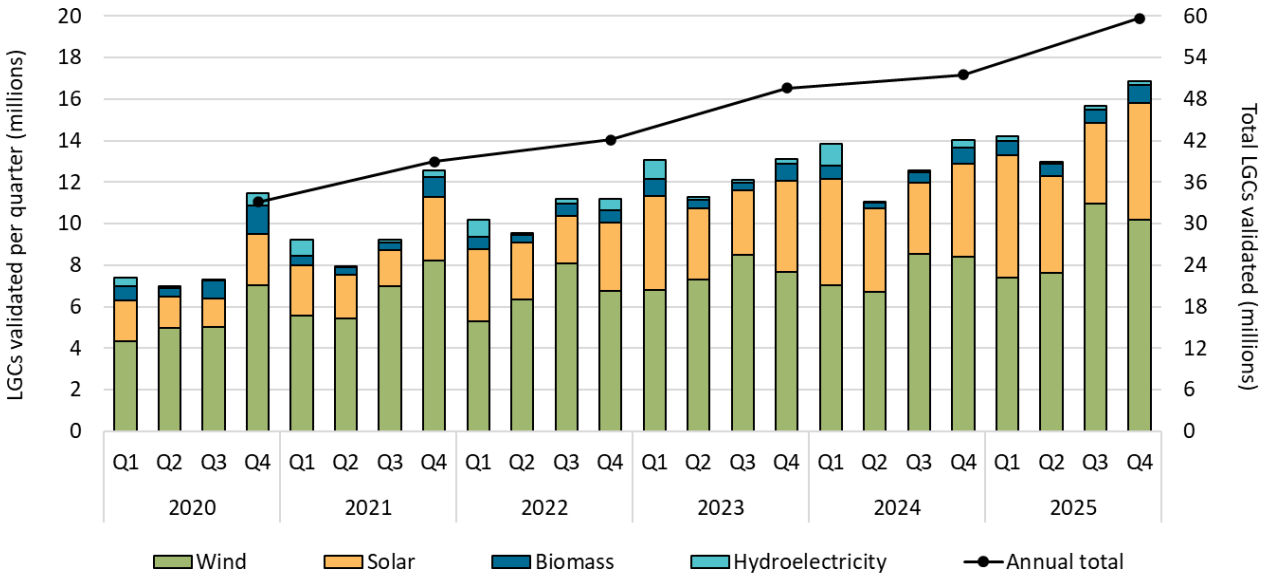
A record 16.9 million LGCs were created in Q4 2025, bringing total creations for the year to a record 59.7 million. This was above our projected 54-57 million and was an 8.2 million increase in creations compared to 2024. Box 2.1 summarises 2025 outcomes for the RET. As usual, the RET content in the Q4 QCMR functions as the basis for the annual Renewable Energy Target's administrative report.

AEMO's Q4 2025 Quarterly Energy Dynamics report noted that renewables supplied 51% of overall electricity supply in the NEM in Q4 2025, marking the first quarter that average renewables penetration in the NEM exceeded 50%. This increase was driven by increased wind and solar output. Increased solar output reflected continued strength in new solar capacity, partially offset by curtailment. Battery discharge also recorded the strongest percentage growth of any fuel type between Q4 2024 and Q4 2025, as new systems entered the NEM, increasing output by 198% year-on-year. The report notes that increased battery contributions to the NEM's electricity supply, as well as increased wind generation, has reduced reliance on gas and hydroelectricity generation during the evening demand peaks, lowering wholesale electricity prices across the network.

Wind power stations generated the most LGCs of any technology type, with 36.1 million, or 61% of creations. Wind also had the largest increase in total LGC creations compared to 2024, generating an additional 5.5 million LGCs over the year. The robust performance of wind in 2025 compared to 2024 is attributable to the development and commissioning of new wind power stations over the year, as well as the absence of the wind drought conditions experienced in some regions in autumn and winter 2024.

Solar generation also had a strong 2025, with LGC creations increasing by 3.1 million to 20.1 million. The largest proportional increase in annual LGC creations was from biomass, which saw a 27% increase in creations from 2.2 million in 2024 to 2.8 million in 2025.

Figure 2.1: LGCs validated by technology type

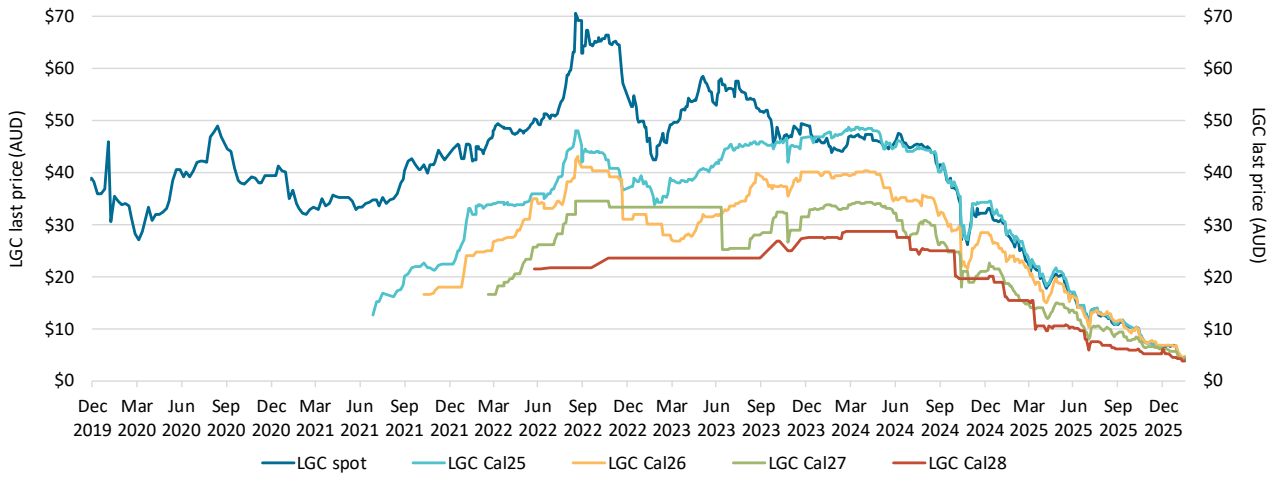


The high LGC creations in 2025 reflect generation from a now large stock of renewable capacity as well as ongoing strength in the development of large-scale renewables; the former in particular is due to the success of the LRET. Given the fixed target of 33,000 GWh of generation, however, this strength has resulted in a higher supply of LGCs than the market demands. The only sources of growth in demand for LGCs until the end of the scheme are for non-RET surrenders and shortfall refunds. Non-RET demand has seen significant growth over the last several years, but it has not been sufficient to match the increasing LGC supply.

Strong LGC creations in 2025 continued the oversupply of LGCs, putting downward pressure on prices. Over Q4 2025, the LGC spot price declined from $11.25 to end the year at $6.25. Over the year, the spot price declined by 81% from its 1 January 2025 price of $32.25. Forward prices across all vintages from 2025 to 2028 saw similar declines over the course of 2025.

The LGC spot price has continued to decline in early 2026, dropping to $4.25 as of 13 February 2026. Forward prices for all vintages 2026 to 2029 have also seen ongoing downward movement.

Figure 2.2: ***LGC reported spot and forward prices***



Box 2.1: Renewables and the RET in 2025

2025 saw Australia's another strong year for rollout of renewable energy generation capacity, with 6.8 gigawatts (GW) of renewable energy capacity being added over the year. This consisted of just under 4 GW of approved large-scale power stations and around 2.8 GW of small-scale rooftop solar installations from around 270,000 systems.

- PV capacity was lower than the 3.2 GW installed in 2024; as discussed in 3. Small-scale Renewable Energy Scheme, this result is largely a temporary consequence of the success of the batteries program as retailers and installers took up work for clients with battery-ready PV systems.

In 2025, the total estimated generation incentivised by the SRES and LRET was 39,200 gigawatt hours (GWh) and 60,700 GWh respectively, for a total 99,900 GWh. This represented around 36% of all electricity generation in Australia, nearly 4% higher than 2024. The total amount of renewable generation includes hydro and other baseline renewables not eligible for LGCs. Across both the National Electricity Market (NEM) and Western Australia's South West Interconnected System (SWIS) ((NEM+SWIS)), renewable generation was 106,656 GWh in 2025. As a result of continued growth across both the distributed and large-scale sectors, renewable energy accounted for 43.7% of electricity generation in the National Electricity Market (NEM) in 2025.

Renewable energy penetration across the National Electricity Market (NEM) increased significantly in 2025, helping to meet rising electricity demand while reducing reliance on fossil-fuel generation. The December quarter was the first to see greater than 50% renewables on average for the NEM, a significant milestone. The share of renewables for the year rose from 38.9% to 43.7%, reflecting strong growth in both wind and solar output. This increase was driven by new renewable assets coming online, continued strong rates of rooftop solar installations, and more favourable wind conditions compared to mid-2024, when wind generation was constrained by unfavourable weather conditions.

Overall electricity generation in the NEM increased by 5.1 terawatt-hours (TWh) in 2025. However, renewable generation grew by a much larger 11.9 TWh over the same period. This means renewables not only supplied all additional generation required but also displaced approximately 6.8 TWh of non-renewable electricity.

Together, utility-scale batteries and distributed energy resources (which include household solar panels and batteries, and are also known as consumer energy resources) are emerging as key enablers for reaching 82% renewable electricity. For households, solar batteries can lower electricity bills by enabling daytime solar energy to be stored and used during the evening. But there are wider benefits of both smaller and large-scale storage. By reducing renewable energy curtailment and capturing power that would otherwise be wasted, batteries can improve capacity factors, maximise renewable output, and support a more efficient and reliable clean energy system.

As outlined in previous QCMRs, the decline in LGC prices is unlikely to materially impact on large-scale renewable energy investment. Investment decisions are increasingly being made with little consideration to LGC prices, as developers have anticipated lower LGC prices in their business cases. Further, given the end of the RET scheme in 2030, new projects will have few years in which to generate LGCs, further reducing the relevance of LGC prices to new projects' cashflows over their useful lives. The CIS is currently the primary Commonwealth incentive for new large-scale generation projects, and the commencement of the REGO scheme on 3 November 2025 is expected to further shift the focus of developers away from the LRET.

The deadline for 2025 LGC surrenders was 16 February 2026. A total of 32.0 million LGCs were surrendered by liable entities, with all entities providing their energy acquisition statements for 2025 on time. A total of 1.8 million LGCs from 4 entities went into shortfall, with a further 11 entities carrying forward a shortfall of 0.2 million LGCs into the 2026 compliance year.

On 5 February 2026, the RPP for 2026 was set at 16.67%, slightly down from 17.91% in 2025. The RPP is set by the Minister for Climate Change and Energy each year and is set so that LGC surrenders in the year meet the LRET's annual legislated target for renewable electricity, which is 33,000 GWh each year from 2021 to 2030.

The reduction in the RPP primarily reflects LGC liabilities in 2025 being higher than required for meeting the LRET target of 33 million LGC surrenders. This has resulted in a negative cumulative adjustment to the RPP for 2026, reducing the LGC surrender requirements for liable entities in 2026 from what they otherwise would have been. An increase in wholesale electricity purchases by liable entities also contributed to the lower percentage in 2026.

LGC creations in 2026 are expected to continue to increase. Assuming normal weather conditions, we anticipate that 64-66 million LGCs will be created in 2026. This should comfortably meet 2026 LRET obligations, shortfall refunds, and non-RET demand.

There is also further potential upside with the increased storage capacity entering Australia's electricity system through both large-scale batteries and the Cheaper Home Batteries Program. Increased storage capacity could facilitate reduced economic and network curtailment of renewables, as excess electricity generated from renewables can be used to charge batteries. The market is therefore expected to remain in oversupply through 2026 and likely until the end of the RET in 2030.

The successful LRET scheme has entered its final 5 years of operation. LGCs can be created for eligible generation occurring up to 31 December 2030. Following the final surrender deadline of 14 February 2031, all liable entity positions will be finalised.

2025 another strong year for large-scale approvals

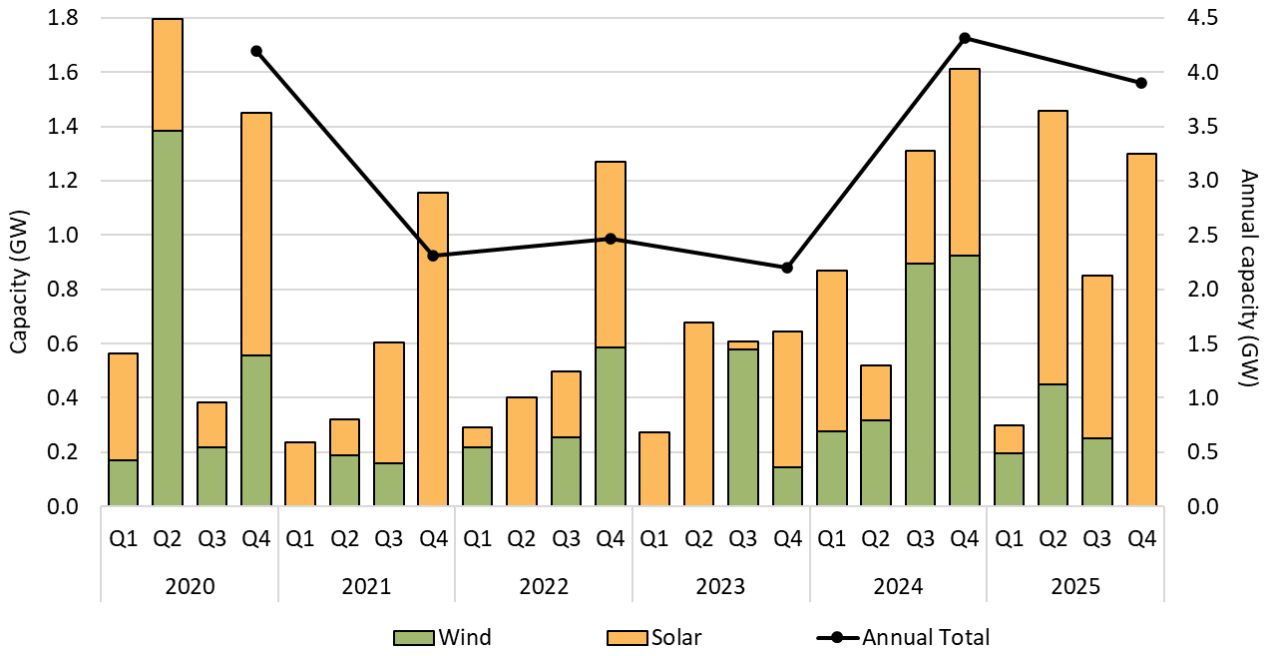
Large-scale approvals kept up momentum through 2025. Large-scale generation capacity of 1.3 GW was approved in Q4, bringing total approvals in 2025 to 4.0 GW. This is down slightly from the record 4.3 GW approved in 2024. Most approvals were in NSW (1.8 GW) and Queensland (1.5 GW), with the 520 MW Stubbo Solar Farm (NSW) the single largest power station approved in 2025.

Of the 4 GW of large-scale generation capacity approved in 2025, 3 GW came from solar power stations. This marks the biggest year for large-scale solar approvals on record, beating the previous record of 2.5 GW set in 2018. 2025 was also the first year on record with multiple quarters seeing more than 1 GW of large-scale solar approvals, with 1 GW being approved in Q2, and 1.3 GW being approved in Q4.

Major power stations approved in Q4 2025 include:

- Aldoga Solar Farm (485 MW, QLD)
- Glenellen Solar Farm (260 MW, NSW)
- Carwarp Solar Farm (171 MW, VIC)
- Munna Creek Solar Farm (150 MW, QLD)
- Gunsynd Solar Farm (111 MW, QLD)

Figure 2.3 ***Approved large-scale wind and solar capacity (GW)***



Another strong year for power station approvals is expected in 2026. As of 31 December 2025, 1.2 GW of large-scale capacity was under assessment by the CER, suggesting that strong approvals may be seen in the first half of 2026. Based on our generation project pipeline, and the typical timeframes for projects to reach approval from FID or the start of construction, we anticipate that between 3.5 and 4.5 GW of large-scale capacity will be approved under the LRET scheme in 2026.

However, when large projects reach their first generation is subject to a range of uncertainties, such as weather conditions, workforce availability, and global supply chains. We will monitor the progress of project construction and applications for approval throughout 2026 and provide updates on our projection throughout the year.

2025 ends on a high note for final investment decisions

FID in 2025 totalled 2.1 GW. This is the lowest figure for FID in recent years, despite a robust 960 MW reaching FID in Q4 2025.

FID is highly variable year-to-year. Both solar and wind saw significant declines in FID in 2025 compared to 2024 but remained within historical ranges. Solar projects reaching FID totalled 1.4 GW, the lowest figure in

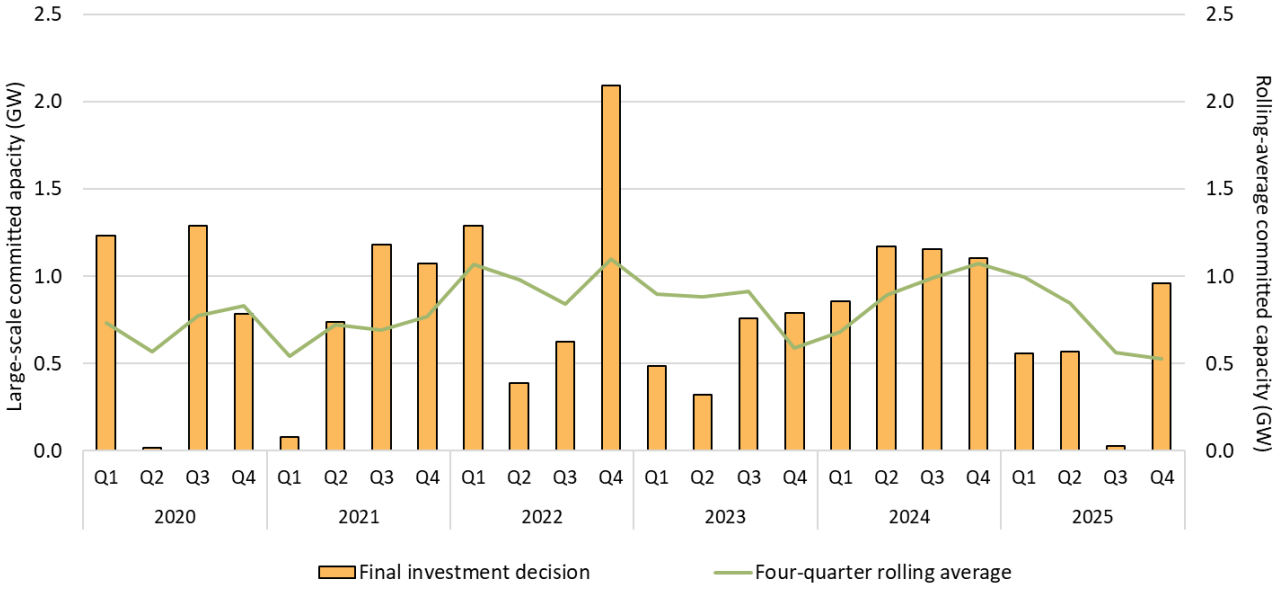
recent years, below the previous record low of 1.5 GW in 2021. Wind projects reaching FID in 2025 totalled 685 MW.

Major projects reaching FID in Q4 2025 include:

- Blind Creek Solar Farm (300 MW, NSW)
- Carmody's Hill Wind Farm (247 MW, SA)
- Delburn Wind Farm (200 MW, VIC)
- Waddi Wind Farm (108 MW, WA)
- King Rocks Wind Farm (105 MW, WA)

Carmody's Hill Wind Farm was also the first project successful under Tender 4 of the CIS to reach FID.

Figure 2.4 Final investment decision capacity (GW) for large-scale renewable generation



Estimating FID is difficult due to the inherent year-to-year variability in FID. Given the key role of the CIS in incentivising new generation, total FID is dependent on the progress of CIS projects.

As of 31 December 2025, there was a combined 12 GW of potential future generation capacity from projects successful under one of the first 4 CIS tenders, excluding those that have already reached FID or that have been approved under the LRET. Under the assessment criteria of the CIS, projects should show a credible pathway to achieve a commercial operation date prior to 31 December 2030.

Based on the total pipeline (CIS-supported and other) of projects under development as of 31 December 2025, and the typical timeframe it takes projects to reach FID from the announcement of partial financing or planning approval, between 6 and 16 GW of generation capacity could reach FID by the end of 2027. For context, the total capacity of projects that have either reached partial financing or that have received planning or environmental approval under Commonwealth or state/territory legislation as of 31 December 2025 is 21.2 GW.

Renewable Electricity Guarantee of Origin underway; large-scale storage pipeline data under development

With the commencement of the REGO scheme on 3 November 2025, large-scale energy storage facilities have entered our schemes for the first time. To support the REGO scheme, as well as providing greater visibility of the transformation of Australia's electricity system to renewables and storage, we are developing a large-scale energy storage pipeline dataset.

Like our current large-scale generation pipeline, the large-scale energy storage pipeline will track large-scale storage projects as they progress from development to operation, including registration under the REGO scheme for projects that participate.

We will provide further updates throughout 2026 on the development of our large-scale storage pipeline, including details on when the pipeline will be made publicly available on our website.

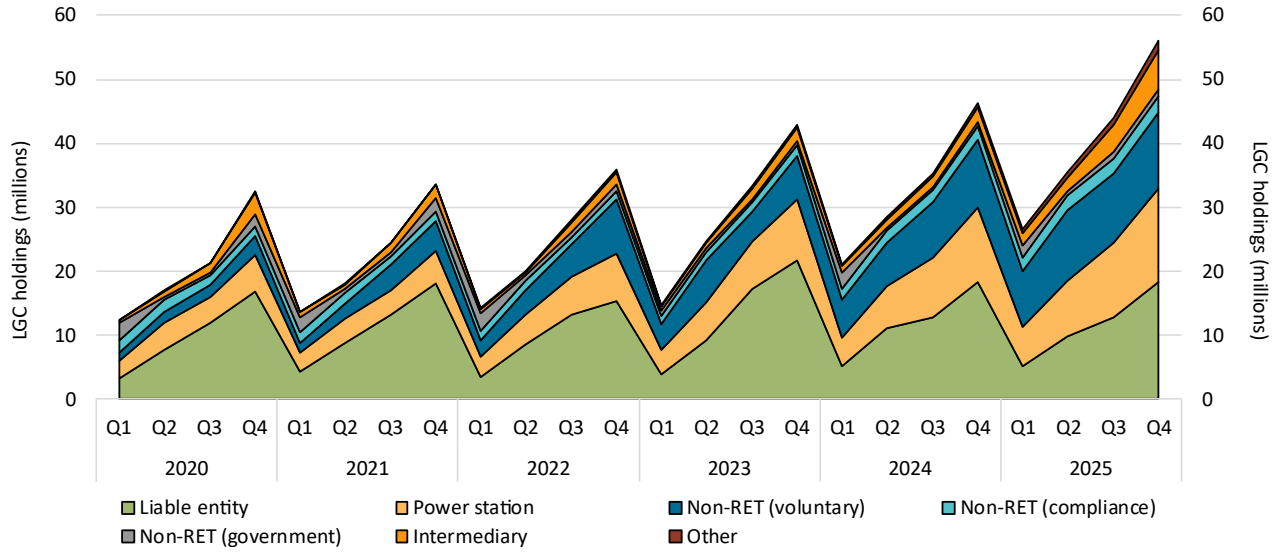
AEMO's Quarterly Energy Dynamics report for Q4 2025 highlights the rapidly expanding role of storage in the NEM. Battery capacity and utilisation continued to increase, with record levels of grid-scale battery discharge helping to moderate wholesale prices and reduce the incidence of high-priced intervals. Voluntary curtailment increased in Q4 as some generators reduced output during low-price periods, reflecting commercial decisions that consider multiple revenue streams – including wholesale prices and certificate markets such as LGCs – and highlighting the role for additional storage to absorb surplus renewable generation.

The CER has begun receiving and approving applications under the REGO scheme. On 30 January 2026, the first renewable electricity facility was registered under the REGO scheme: a 166 kW solar facility in NSW. Registered renewable electricity facilities and persons are available through the Guarantee of Origin Register.

Non-RET demand surges from voluntary renewable commitments

Total LGC holdings increased by 12.2 million over Q4 2025 to reach 56.1 million by the end of the year. This is an increase of 9.7 million compared to the end of 2024. Holdings by intermediaries and power stations increased the most over 2025, growing by 3.7 million and 3.1 million, respectively. Holdings by liable entities are 0.2 million lower at the end of 2025 compared to the end of 2024 but rose in early 2026 as liable entities prepared for the 2025 LGC surrender deadline on 14 February 2026.

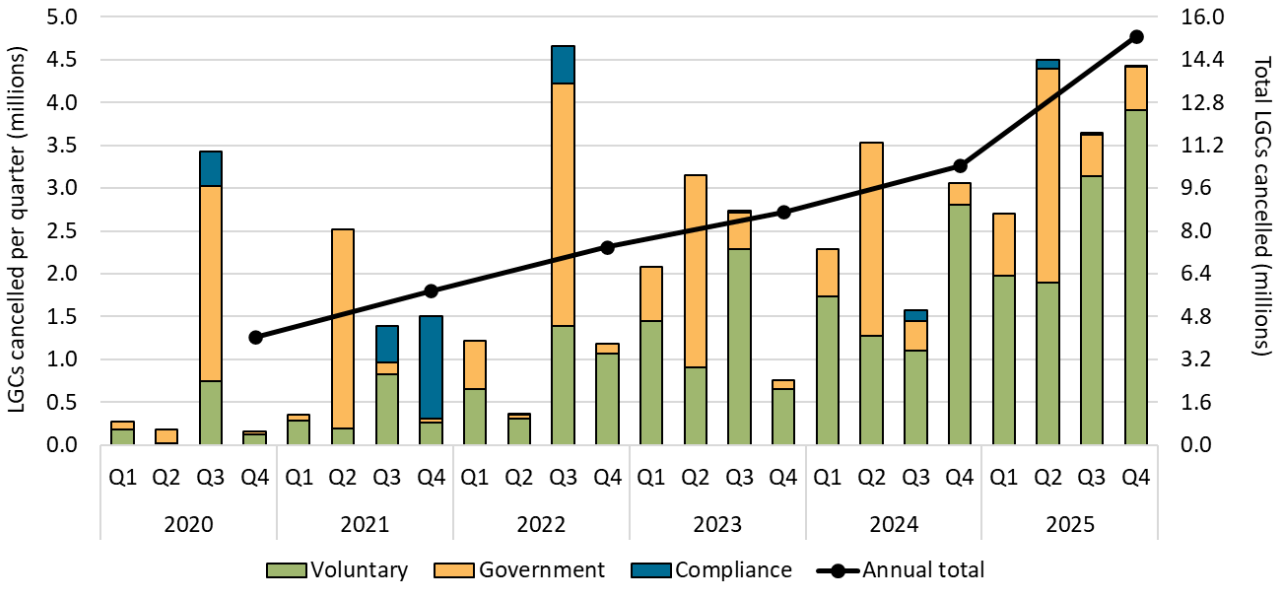
Figure 2.5 LGC holdings (in millions) by market participation



In Q4 2025, 4.4 million LGCs were surrendered for non-RET purposes, bringing total non-RET surrenders in the year to 15.3 million. This exceeded our expectations of 12.5 to 15 million and is a 4.8 million increase compared to 2024. This is the largest year-to-year increase in non-RET surrenders on record, exceeding the previous record increase of 3.3 million in 2020.

The largest increase in non-RET LGC surrenders came from voluntary surrenders, which increased by 4 million from 6.9 million in 2024 to 10.9 million in 2025. The increase in voluntary surrenders reflects many large entities reaching corporate goals for 100% renewables by 2025. Many of these entities were surrendering for the 2024-25 financial year. Some entities with targets for the 2025 calendar year may be expected to make their surrenders in 2026, which will further support non-RET demand for LGCs.

Figure 2.6 Non-RET LGC cancellations by demand source



Industry intelligence indicates increased interest in LGCs by electricity retailers on behalf of their customers due to the lower LGC prices, which may incentivise further non-RET demand growth. NGER reporters may also increase their voluntary surrenders to offset scope 2 emissions.

Increased scrutiny of greenwashing is also contributing to companies being more cautious about making net-zero or other environmental claims without unambiguous evidence. This may further support LGC demand from voluntary surrenderers as companies look to back up their environmental claims.

We expect 2026 to continue the trend of increasing non-RET LGC surrenders each year. We currently expect that between 16 and 19 million LGCs will be surrendered for non-RET purposes in 2026. We will monitor non-RET surrenders throughout the year and provide updates to our projection in future QCMRs.

3. Small-scale Renewable Energy Scheme

Insights

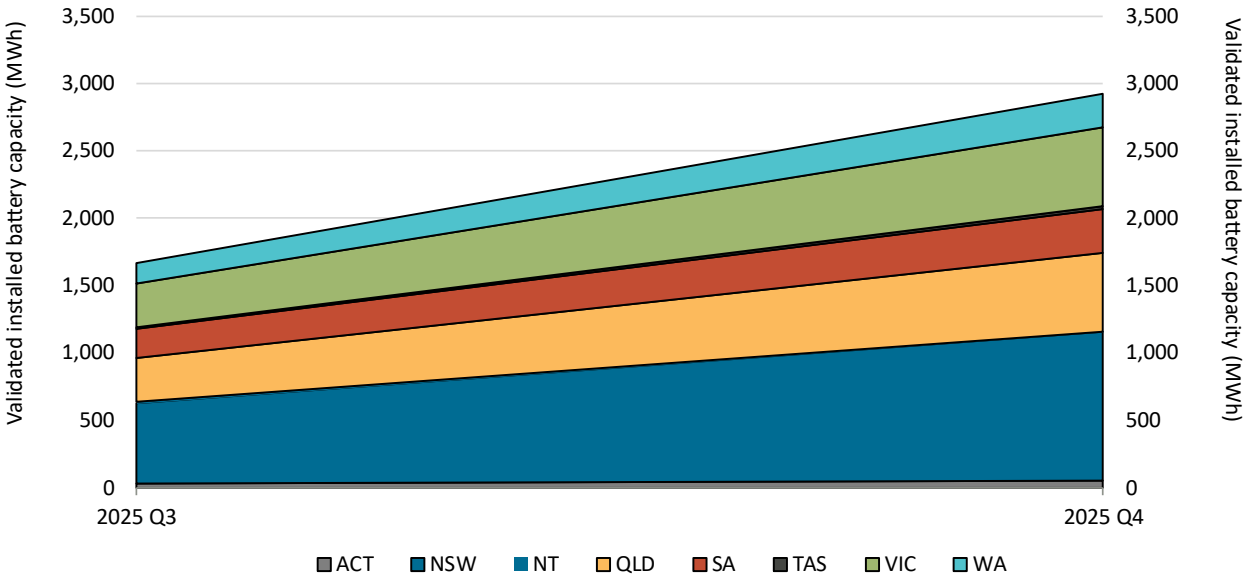
- The Cheaper Home Batteries Program exceeded early expectations in its first 6 months. More than 193,000 valid batteries were installed in 2025, delivering 4.6 GWh of capacity, more storage capacity than the 12 largest in-service large-scale batteries in the National Electricity Market (NEM) combined.
  - » Program adjustments commencing 1 May 2026 will help ensure the discount for battery systems remains appropriate across system sizes. The adjustments change the STC calculation for batteries installed from 1 May 2026 and include a tiered system for STC creation based on battery size.
  - » Momentum for the Cheaper Home Batteries Program remained strong in Q4 2025, and we expect battery uptake to remain high in 2026. We anticipate that 350,000 to 520,000 batteries (8 to 12 GWh) will be installed throughout the year. The wide range for this projection reflects the challenges in projecting uptake in a new program.
- Small-scale solar PV installations softened for part of 2025 compared to 2024 as installer capacity shifted to battery work. Around 269,000 small-scale solar systems with 2.8 GW of capacity were installed in 2025, compared with 319,000 installations and 3.2 GW in 2024.
  - » A solid Q4 2025 rebound in installed capacity signals easing constraints.
  - » We expect small-scale solar installations to recover to 3.0–3.7 GW in 2026, with the Cheaper Home Batteries program supporting demand for new and upgraded systems as consumers seek to maximise the benefit provided by their new batteries.
    - › There is considerable uncertainty around the outlook for solar PV in the year ahead given the interdependencies between small-scale solar and solar batteries and the Cheaper Home Batteries Program being in its infancy.
  - » The 2026 Small-scale Technology Percentage set by the Minister at 11.67% is consistent with 3.4 GW of solar PV.
- STC prices were broadly stable through 2025, with the spot holding near $39.90 before easing to $39.85 as the clearing house moved into surplus late in the year.
- Air-source heat pump (ASHP) installations moderated to 91,000 in 2025 with declines in NSW and SA partially offset by growth in Victoria and Queensland.

Battery installations exceed expectations in 2025

The Cheaper Home Batteries Program commenced on 1 July 2025 and has exceeded expectations in its first 6 months. In Q4 2025, around 109,000 validated batteries were approved, adding a further 2.9 GWh of capacity; 76% higher than the 1.7 GWh installed and validated in Q3 2025.

Across the program's first 6 months, over 193,000 valid batteries were installed, totalling 4.6 GWh of capacity. This represents more storage capacity than the 12 largest in-service large-scale batteries in the NEM combined. The number of validated 2025 installations and the associated capacity will continue to rise over the next 12 months as applications are made and assessed.

Figure 3.1: Small-scale cumulative validated battery capacity installed by state and territory (MWh)



Our analysis of the first two quarters of 2025 data from the Cheaper Home Batteries Program shows that:

- More than 98% of batteries have been installed by households, with businesses accounting for most of the remainder.
- Average usable capacity has increased each quarter for both business and household installations. The average household battery capacity installed in Q4 2025 was 26.8 kWh, up from 19.5 kWh in Q3. Batteries installed by businesses have consistently been larger but have also grown. The average business battery capacity installed in Q4 2025 was 36.2 kWh, up from 31.4 kWh in Q3.
- For business installations, batteries in 45 – 50 kWh usable capacity range were the most common, whereas household installations were dominated by batteries in the 15 – 20 kWh usable capacity category.
- Around 51% of all battery installations were retrofits to addresses with existing small-scale solar systems, with no upgrade to the solar system. The remainder were split fairly evenly between batteries installed concurrently with an upgrade to an existing small-scale solar system and those installed alongside a new system. Since the introduction of the Cheaper Home Batteries Program, around 60% of small-scale solar PV installations have been installed concurrently with a battery.

Figure 3.2 Distribution of validated battery installations by size range for residential systems

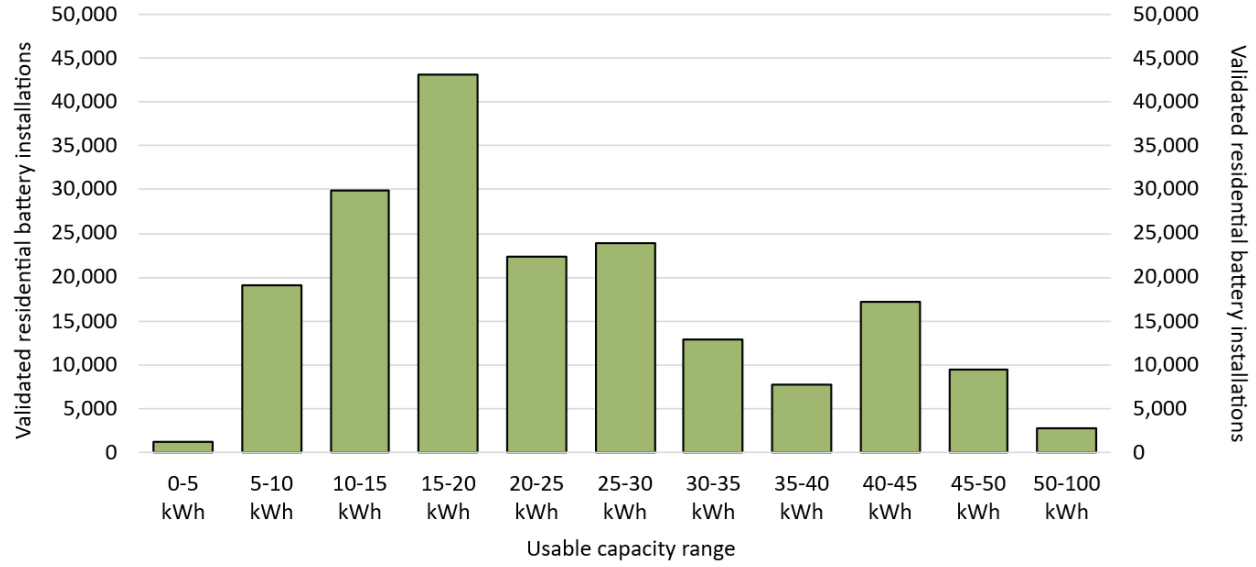


Figure 3.3 Distribution of validated battery installations by size range for non-residential systems

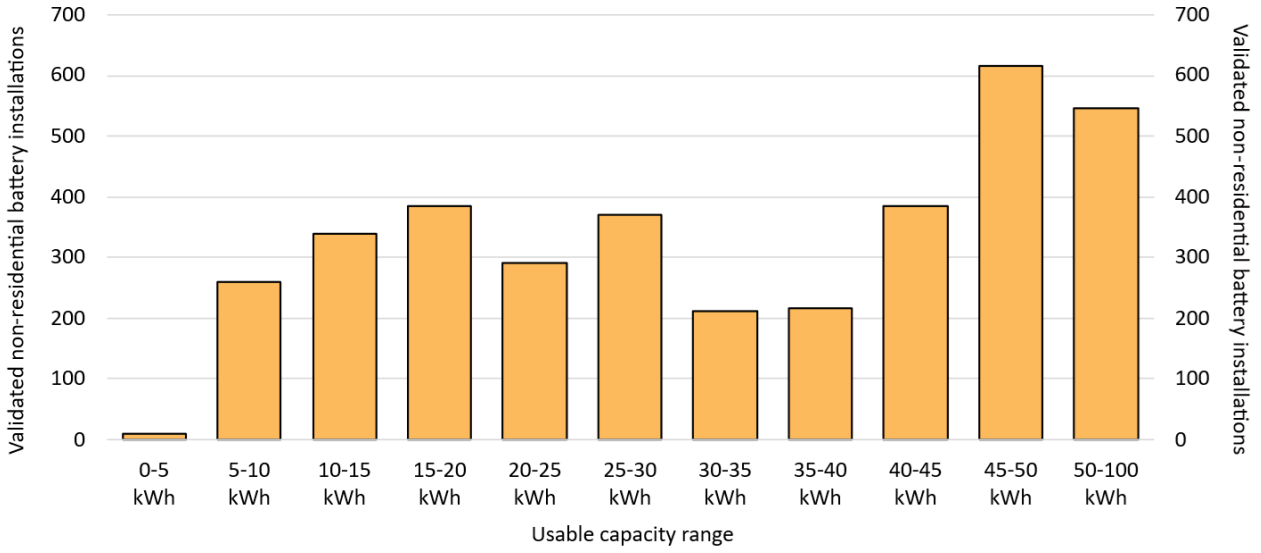


Figure 3.4 Distribution of validated battery installations by installation type

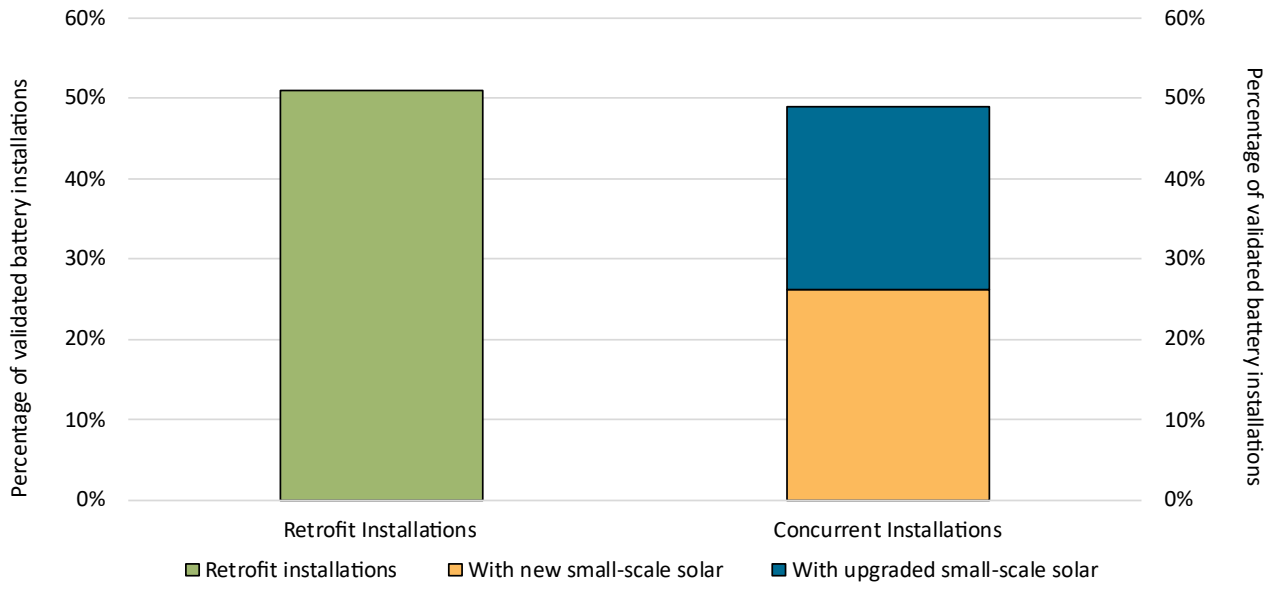
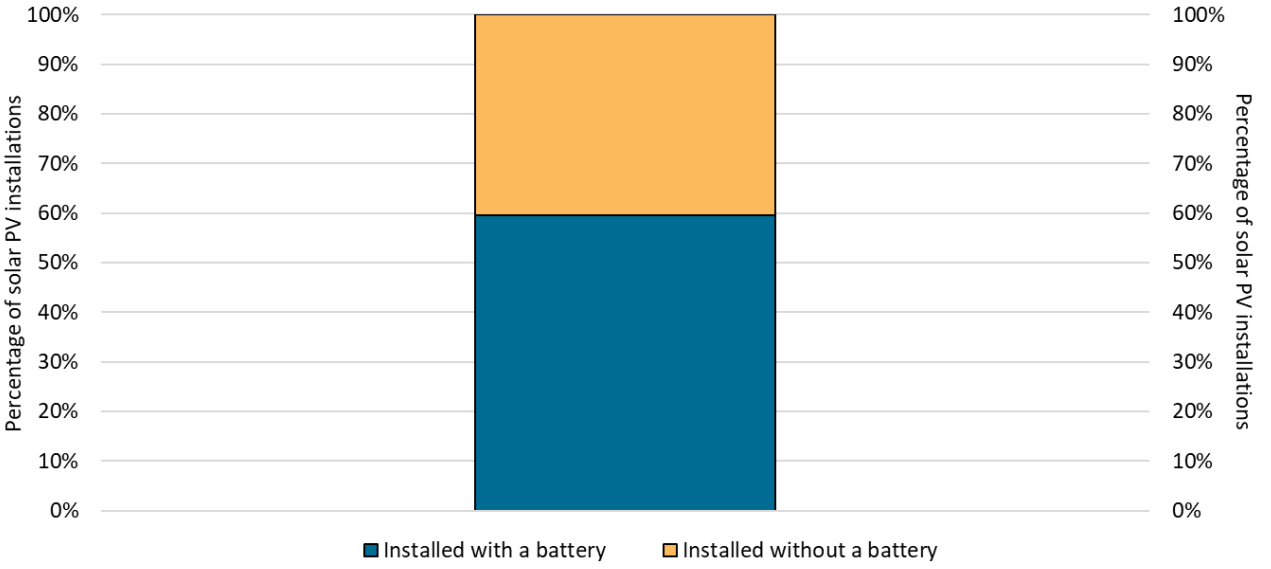


Figure 3.5 Total small-scale solar PV systems installed with and without a battery



On 5 February 2026, the Australian Government made regulations giving effect to program adjustments to ensure the discount for battery systems remains appropriate across system sizes. The changes will take effect from 1 May 2026 and include:

- Adjustments to the amount of STCs generated per kWh of useable capacity to align with falling battery costs over time.
- A tiered system of support based on battery size, with the aim of maintaining around 30% discount for battery systems at each capacity. This includes a tapered STC factor, with batteries sized from 14 to 28 kWh receiving 40% fewer STCs than smaller batteries and batteries sized above 28 kWh receiving 85% fewer STCs.

In 2026, we anticipate that between 350,000 and 520,000 batteries will be installed, for a combined storage capacity of 8 GWh to 12 GWh. Due to the Cheaper Home Batteries Program still being new and the consequent limitations on data, as well as the incoming policy changes to the program on 1 May 2026, estimating battery uptake at this stage is difficult.

We will monitor the performance of the Cheaper Home Batteries Program, including the effects of the 1 May 2026 changes, throughout the year and provide updates to our projections as needed in future QCMRs.

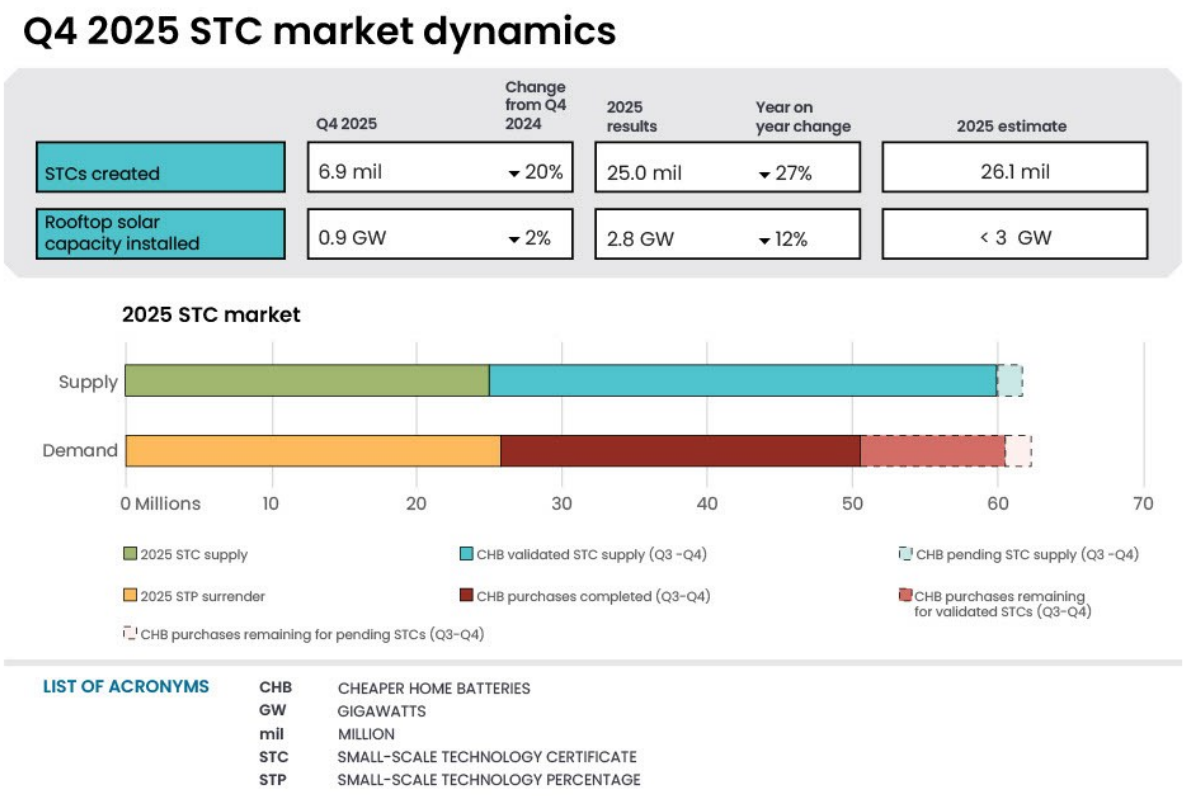
The success of the batteries program represents an opportunity to help transform how electricity systems operate. The total capacity of batteries installed under the program is already material. As we observed in the September quarter 2025 QCMR, if battery installation results were sustained over several years, a sizeable component of battery storage needs could potentially be met through a distributed energy system controlled by households. This would empower households and create increased competition and change in the retail energy market.

As the use of distributed energy resources including household solar panels and batteries grows, another key step in the transition will be in unlocking the benefits of this infrastructure for the broader grid. According to the Australian Energy Market Operator's draft 2026 Integrated System Plan, having distributed energy resources bundled and coordinated through virtual power plants (VPPs) or vehicle-to-grid (V2G) charging of electric vehicles would contribute to system reliability and security, and would avoid up to $7.2 billion being spent on additional grid-scale storage in the National Electricity Market (NEM) through to 2050.

Costs associated with network enhancement and transmission could also be reduced, providing further benefits for electricity consumers. To realise the full consumer benefits of these and other distributed energy resources, a range of new technical regulatory functions, such as nationally consistent technical standards for distributed energy resource devices, will be essential. In December 2025, the Energy and Climate Change Ministerial Council proposed the CER as the preferred body to take on new technical regulatory functions for distributed energy resources.

Market dynamics

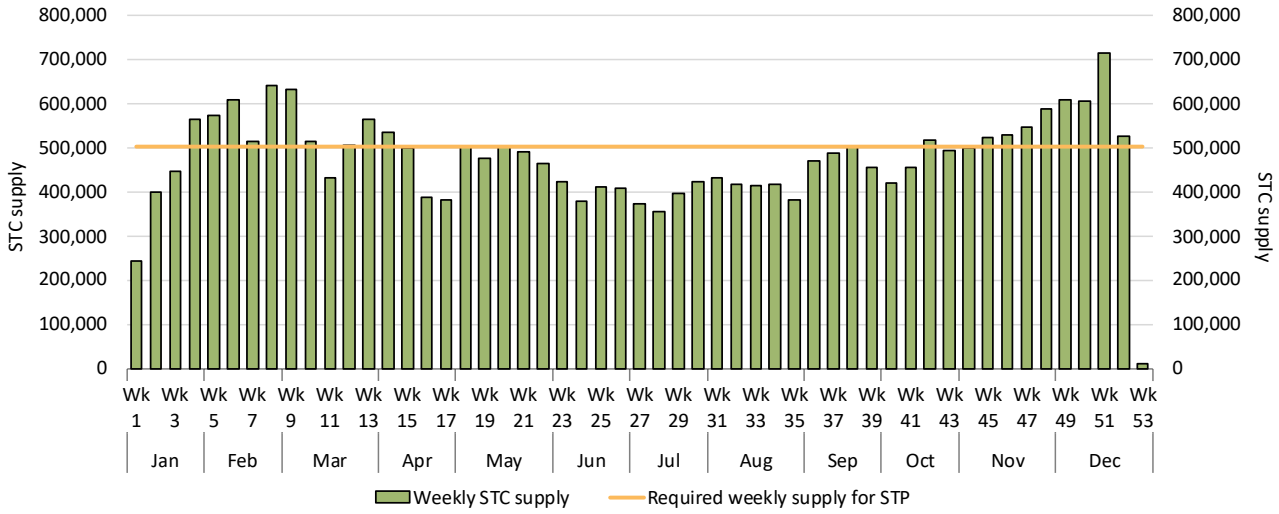
Image 3.1: Q4 2025 STC market dynamics



In Q4 2025, 6.9 million STCs were created, bringing the 2025 total to 25.0 million. These figures exclude STCs created as part of the Cheaper Home Batteries Program which are purchased by government rather than by entities with compliance obligations under the SRES. On average, around 472,000 STCs were created per week throughout 2025. This was 5.9% below the average of around 502,000 required to meet the compliance demand of 26.1 million set for the 2025 STP, largely attributable to installers shifting capacity to solar battery retrofits in the early months of the Cheap Home Batteries Program.

For the Q4 2025 compliance period, 4.3 million STCs were surrendered by the 16 February 2026 deadline, with no liable entities going into shortfall. This brings total STC surrenders for the 2025 compliance year to 26.0 million.

Figure 3.6: Weekly STC supply and the required supply to meet the 2025 STP

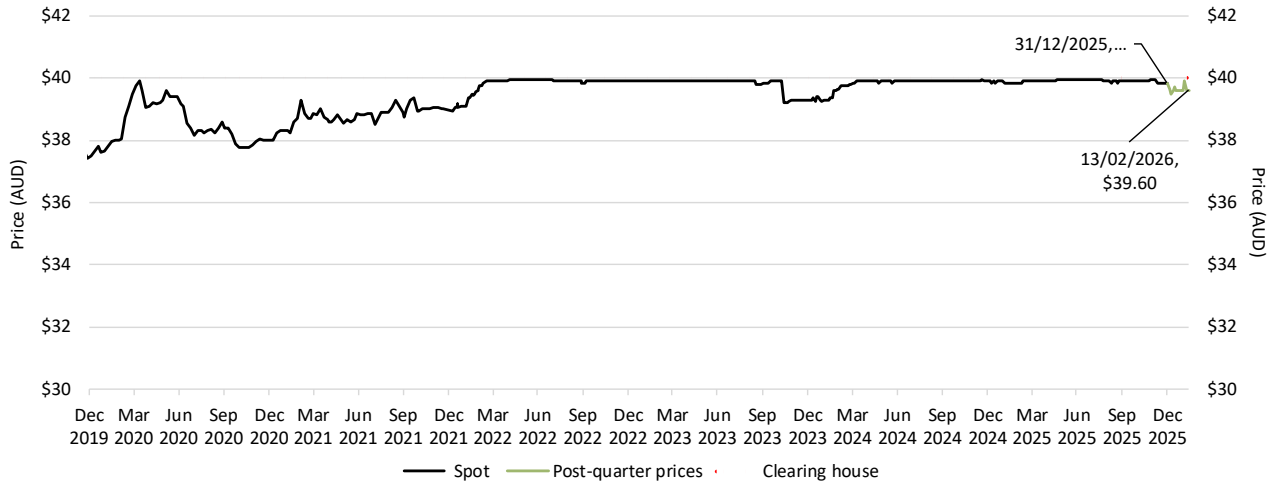


On 5 February 2026, the STP for 2026 was set at 11.67%, down from 13.89% in 2025. The STP is set by the Minister for Climate Change and Energy each year and aims to set demand to match projected STC creations. That is, all certificates expected to be created in a year are required to be surrendered by liable entities, considering any over or underachievement from the previous year.

The reduction in the STP is primarily due to a downward adjustment to account for STC creations being below STC surrender requirements in 2025. Increased wholesale electricity purchases by liable entities also contributed to the declining percentage. The 2026 STP is based on an estimate of 24.1 million STC creations in 2026.

The STC spot price remained at $39.90 for most of 2025 before edging down slightly to $39.85 at year-end. This softening reflected movements in the STC clearing house, which spent much of the year in deficit but shifted into surplus toward the end of 2025. Purchases from the STC clearing house were 9.4 million in Q4 2025, exceeding purchases in Q4 2024 by 60%, with strong purchase activity continuing into early 2026 ahead of the 16 February 2026 deadline for Q4 2025 STC surrenders.

Figure 3.7: STC reported spot and clearing house prices

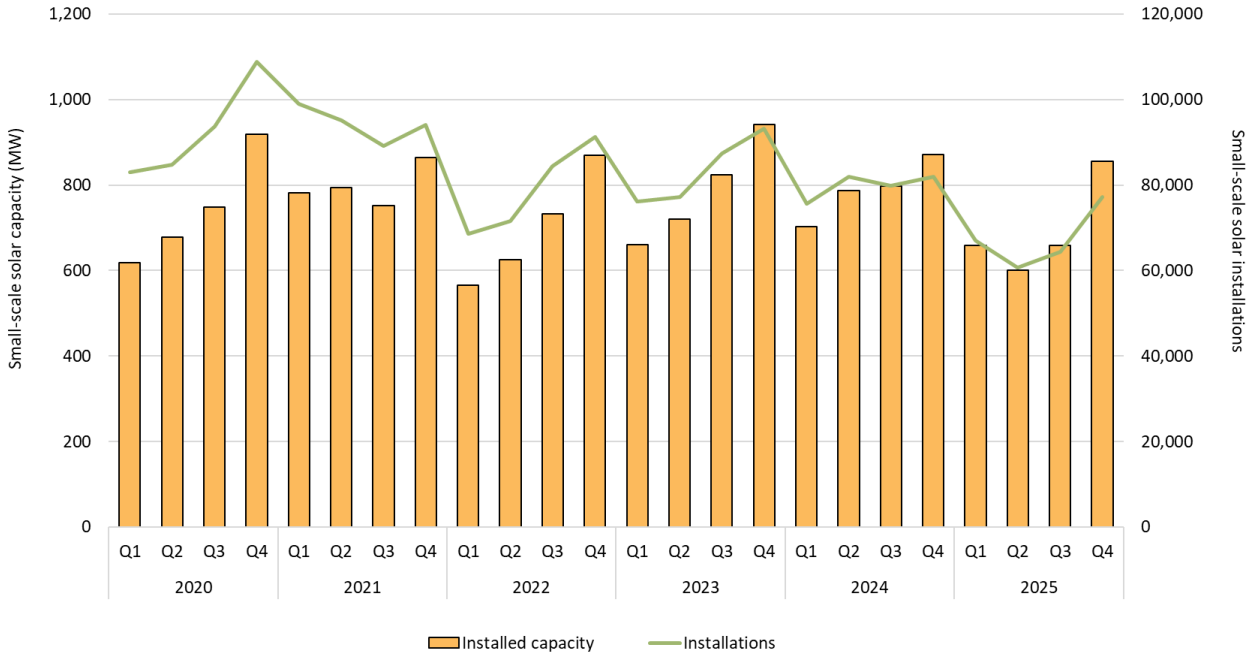


Recovery in small-scale solar in Q4 2025 with stronger 2026 expected

PV installation and total capacity in 2025 was softer than 2024, primarily driven by the success of the Cheaper Home Batteries Program. In Q4 2025, small-scale solar capacity recovered to 855 MW, bringing total capacity installed in the year to 2.8 GW. This is a reduction of 12% from 3.2 GW in 2024. The number of installations also fell 16% year-on-year; dropping from 319,000 to 269,000 systems.

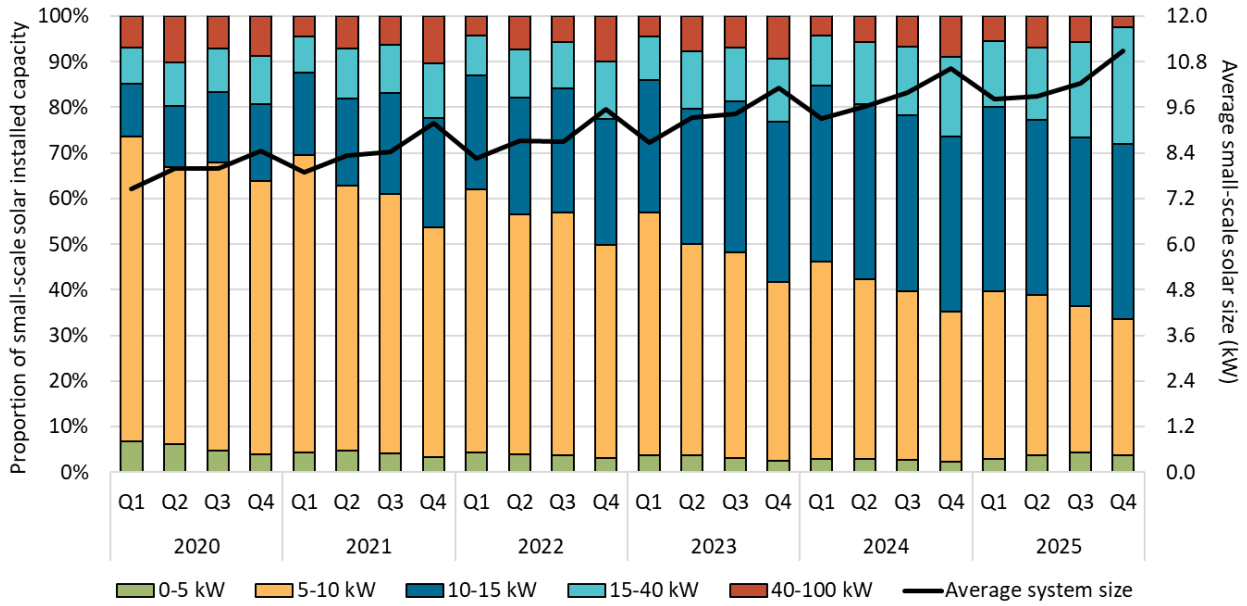
Market intelligence indicates that the popularity of batteries has diverted installer resources toward retrofit battery installations and away from the installations of standalone small-scale solar systems. The strong recovery in installed capacity observed in Q4 2025 suggests that these pressures may be beginning to ease. The Cheaper Home Batteries Program is likely to incentivise greater small-scale solar uptake into 2026 as consumers look to maximise the benefit of their batteries by upgrading their existing small-scale solar systems or installing new and larger systems.

Figure 3.8: Small-scale rooftop solar installations and installed capacity (MW)



Capacity installed fell less significantly than the number of systems installed, as average system sizes continued to increase. The average small-scale solar system grew from 9.9 kW in 2024 to 10.3 kW in 2025. This increase in system size was driven by increased popularity of systems sized 15-40 kW. Systems in this range grew to 19% of installed capacity in 2025 from 14% in 2024. Systems sized 5-10 kW saw a noticeable decline in popularity, representing 33% of capacity installed in 2025, down from 38% in 2024.

Figure 3.9 Small-scale rooftop solar capacity installed by system size band and average small-scale system size (kW)



Given the recovery in small-scale solar observed in Q4 2025, and the incentives for larger systems from the Cheaper Home Batteries Program, we expect that between 3.0 and 3.7 GW of small-scale solar capacity will be installed in 2026. The 2026 STP has been set to a level consistent with 3.4 GW of capacity being installed in 2026, which would be above the current record of 3.2 GW set in 2021.

With limited data on how battery uptake may influence solar demand over time, there is a higher-than-usual level of uncertainty in our projections. We will continue to monitor consumer behaviour and installation trends closely and will update our projections in future QCMRs as more information becomes available.

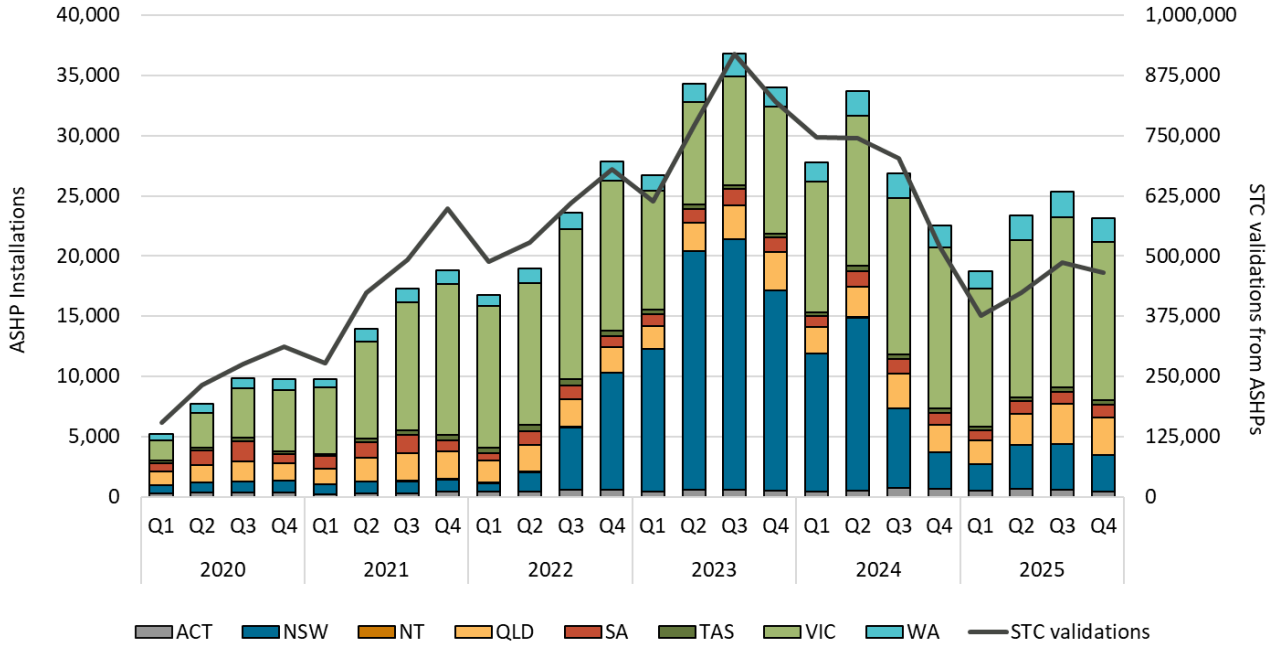
A moderate year for ASHPs

In Q4 2025, around 23,000 ASHPs were installed, bringing total installations in 2025 to around 91,000. This represents an 18% decrease in installations compared to the 111,000 installed in 2024.

The decline in ASHP installations was driven by a 64% drop in NSW in 2025 compared to 2024, from around 35,000 to around 13,000. This was driven by a change in eligibility in the state-based scheme. A significant decline in installations was also seen in SA, which fell 15% year-on-year from around 4,500 in 2024 to around 3,800 in 2025.

Victoria led the nation with an estimated 52,000 validated ASHP installations in 2025, recording a 4.4% increase compared with the 50,000 installed in 2024. The state or territory with the largest proportional increase in installations was Queensland, where installations increased 12% from around 9,900 to 11,000.

Figure 3.10: ASHP installations by state and associated STC validations



4. Achieved and projected emissions reduction

In 2025, the Australian Carbon Credit Unit (ACCU) Scheme and the Renewable Energy Target (RET) are estimated to have reduced emissions by around 83.7 million tonnes of carbon dioxide equivalent (CO_2-e). Looking at this another way, Australia's 2025 emissions would have been almost one-fifth higher without the ACCU and RET schemes.

To put the 2025 estimate in context, it is similar to Australia's total estimated emissions from road transport in the same year.

The estimate is made up of:

- 21.7 million tonnes of CO_2-e from the ACCU Scheme
- 36.9 million tonnes of CO_2-e from the Large-scale Renewable Energy Target (LRET)
- 25.2 million tonnes of CO_2-e from the Small-scale Renewable Energy Scheme (SRES).

These are conservative estimates for both the ACCU Scheme and the RET, as outlined below.

This short chapter provides a high-level explanation of these results. Further information on our estimation approach is provided in the forthcoming Quarterly Carbon Markets Report (QCMR) Methods document.

While carbon abatement is a core purpose of the Clean Energy Regulator (CER), not all the schemes we administer are included in these estimates.

- In the case of the Nature Repair Market, the scheme supports biodiversity rather than carbon abatement or displacement.
- The Guarantee of Origin (GO) scheme launched in November 2025, so no Product or Renewable Electricity certificates were created in 2025.
    - » We will include Renewable Electricity Guarantee of Origin abatement in 2026 emissions reduction estimates.
    - » Product Guarantee of Origin (PGO) certificates represent the lifecycle emissions of eligible products, highlighting displacement opportunities rather than direct abatement or displacement compared to uncertified products for both producers and consumers. As such, emissions reductions are unlikely to be directly attributed to PGO certificates.
- The Safeguard Mechanism is the Australian Government's policy for reducing emissions at Australia's largest industrial facilities and sets limits (baselines) on greenhouse gas emissions from those facilities. The CER reports on outcomes under the Safeguard Mechanism each year, showing that emissions covered by the reformed Safeguard Mechanism have reduced and the scheme is working as expected. Identifying and attributing this reduction directly to the scheme is more difficult than for the RET and ACCU schemes, so quantified emissions reductions have not been included.

ACCU Scheme

The CER issued ACCUs equivalent to 21.7 million tonnes of CO_2-e in 2025. This is 15.3% higher than the 18.8 million ACCUs issued in 2024, largely driven by sizeable issuance to vegetation projects throughout 2025. Each ACCU is equivalent to 1 tonne of CO_2-e emissions reduction. Using ACCUs issued as a proxy for abatement from the ACCU Scheme is conservative because the scheme includes elements that mean actual abatement is higher than the number of ACCUs issued. In particular:

- A 5% risk of reversal buffer discount is applied to the number of ACCUs issued to sequestration projects.

- Permanence period discounts are applied to projects that sequester carbon. For projects with a 25-year permanence period, a 20% discount applies (25% for certain projects).

Renewable Energy Target

The LRET is estimated to have contributed 36.9 million tonnes of CO_2-e emissions reduction in 2025. This is a conservative estimate, as it uses a weighted average emissions intensity of electricity for the grid as a whole.

- The calculated emissions intensity is based on financial year emissions intensities published in the National Greenhouse Accounts Factors converted to calendar year and multiplied by the amount of renewable generation in megawatt hours (MWh).
- The emissions intensity factor was estimated to be 0.63 tonnes of CO_2-e per MWh in 2025. This is higher than the emissions factor of 0.56 used in our 2024 calculations. This change is due to an improvement in the data source used rather than an increase in the emissions intensity. This emissions intensity factor will fall as the share of renewables in the grid increases.

Emissions reduction from the LRET can also be calculated using the thermal displacement method. This estimate is higher than the estimate using grid average emissions intensity as it assumes renewables are fully displacing thermal generation. Thermal generation refers to electricity generated from fossil fuels, such as coal and gas.

This approach is likely to systemically over-estimate abatement by discounting renewables displacing other renewable generation. The grid average method better recognises that 1 MWh of renewable energy does not displace 1 MWh of thermal generation. As a result, this estimate is preferred.

The SRES is estimated to have contributed 25.2 million tonnes of CO_2-e emissions reduction in 2025. This captures the potential renewable electricity generated from rooftop solar as well as the reduction in electricity consumption from the use of more efficient hot water systems.

For the first time, this estimate adjusts for some PV installations being replacements rather than new systems. Incorporating replacements into our estimates avoids over-estimating abatement from solar PV. Solar panels have a relatively long deeming period over which generation – and therefore abatement – is assumed to occur. Over that period, we estimate the that around 15% of installations are replacements rather than new systems, which is lower than replacement rates seen in more recent years. The estimate of abatement from the SRES does not include abatement from solar batteries; Box 4.1 provides further discussion.

Box 4.1: Measuring abatement from batteries under the SRES

The abatement from small-scale batteries is currently not directly estimated, this is complex because of the source and timing of battery charging and discharging and lack of data available to the CER. However, batteries along with other uncaptured renewables, such as below baseline generation, are captured implicitly in the reducing emissions intensity of the grid.

Small-scale technology certificates (STCs) for small-scale batteries are calculated based on the usable capacity of the battery and are not designed as a proxy for abatement. The amount of STCs created is equal to an approximate 30% discount on the upfront installation cost in 2025.

The most direct way small-scale batteries can contribute to abatement is by shifting excess solar generation to displace thermal generation, usually at night. For example, a battery could be charged behind-the-meter using rooftop solar and discharged to the grid at night.

Alternatively, the battery could discharge to the household, displacing grid electricity use and directly avoiding emissions from thermal generation at night. This would mean less excess solar during the day and can also reduce curtailment of grid solar or wind during the day.

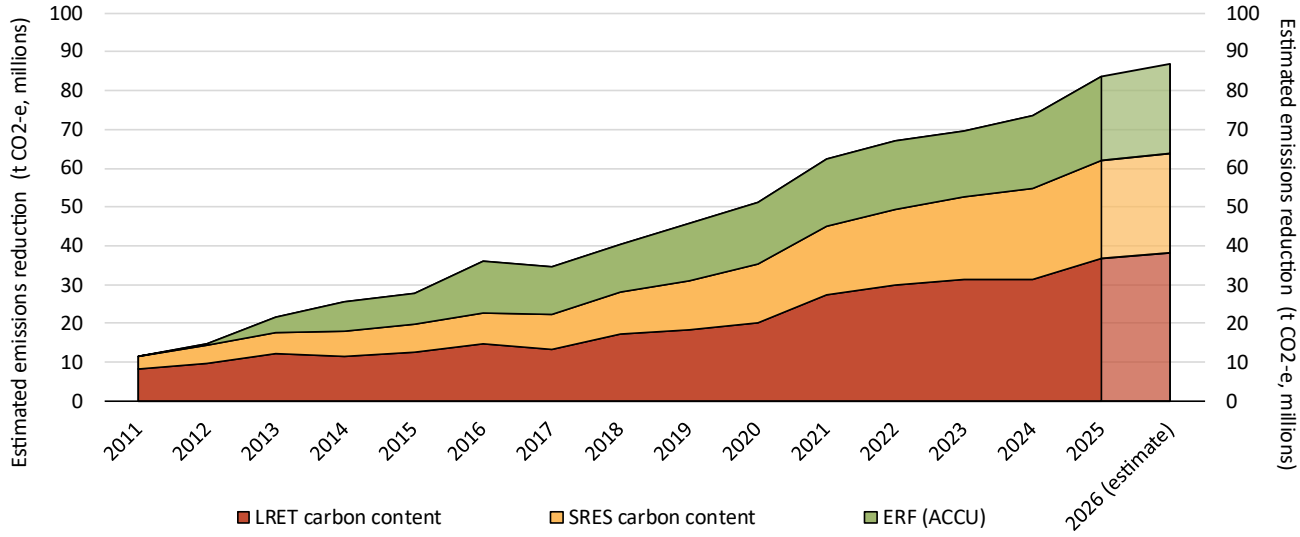
Projected 2026 emissions reduction

In 2026, the ACCU Scheme and the RET are estimated to reduce emissions by between 84 and 92 million tonnes of CO_2-e.

- The 84 million tonnes of CO_2-e is based on using the lower range estimated for the ACCU Scheme and the RET (of 22 million and 62 million tonnes of CO_2-e respectively) and the average emissions intensity factor of the grid.
- The 92 million tonnes of CO_2-e is based on using higher range estimates for the ACCU Scheme and the RET (of 26 million and 66 million tonnes of CO_2-e respectively) and the average emissions intensity factor of the grid.

These estimates do not include projected abatement from the Renewable Electricity Guarantee of Origin Scheme, as projections of participation are highly uncertain at this early stage of implementation.

Figure 4.1: Estimated emission reduction from Clean Energy Regulator (CER) schemes, 2011 to 2026



Australian Government
Clean Energy Regulator

Appendix: CER schemes – key compliance dates and related data

This appendix provides a consolidated list of key compliance dates for Clean Energy Regulator (CER) schemes, and a summary of key datasets and registers published by the CER. The CER is committed to providing information to support market participants, where our legislation allows.

If you have a suggestion or request for additional data, please email us at enquiries@cer.gov.au. You can also subscribe to mailing lists for areas of interest to you.

Key compliance dates

These dates are for CER schemes with recurring annual compliance elements. Schemes with voluntary and variable dates are excluded.

Date	Activity	Scheme
31 October	National Greenhouse and Energy Reporting (NGER) due for NGER reporters. This includes safeguard production data for safeguard entities.	NGER and Safeguard Mechanism
By 31 March	CER publication of the renewable power percentage (RPP) and small-scale technology percentage (STP). The CER typically publishes these in February.	Renewable Energy Target (RET)
31 March	Unit surrender deadline for safeguard entities to manage excess emissions	Safeguard Mechanism
1 April	Compliance deadline for safeguard entities	Safeguard Mechanism

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Date	Activity	Scheme
15 February -– 28 April	Q1 surrender period for small-scale technology certificate (STC) liability for liable entities	RET
29 April – 28 July	Q2 surrender period for STC liability for liable entities	RET
29 July – 28 October	Q3 surrender period for STC liability for liable entities	RET
29 October – 14 February	Q4 surrender period for STC liability for liable entities	RET
14 February	Annual large-scale generation certificate (LGC) liability surrender deadline for liable entities for the previous calendar year. For example, 14 February 2026 is the deadline for the 2025 calendar year liability.	RET

For more information on dates for individual schemes, please see Safeguard Mechanism resources, NGER information on report emissions and energy and RET liability and exemptions.

CER datasets, registries, and registers

This list provides the approximate timeline of key data released by the CER. It covers key statutory requirements with specified timing such as the Safeguard Mechanism data release, and other key data the CER makes available to inform market participants. Timing is indicative only and represents the typical cadence. Actual release dates can vary. These are a fraction of the more than 100 datasets available via CER's Data Services.

Dataset/registry/register	Publication frequency	Content includes
Safeguard Mechanism data release	Annual (legislated to be published by 15 April)	• safeguard outcomes • baselines and emissions • multi-year monitoring periods • trade-exposed baseline-adjusted facilities • emissions-intensity determinations • NGER method data.
NGER data release	Annual (legislated to be published by 28 February)	• corporate emissions and energy data • electricity sector emissions and generation data • the name of each person that registered the previous reporting year.

Dataset/registry/register	Publication frequency	Content includes
Quarterly Carbon Market Report (QCMR) data release	Mid-month of the first month each quarter	• quarterly data ahead of the full QCMR without commentary or forecasts • ACCU Scheme project registrations, issuances, demand, and information on Safeguard Mechanism credit units • Large-scale renewable electricity investment, approval, and generation • Small-scale renewable energy uptake of rooftop solar, small-scale batteries and air source heat pumps.
Large-scale renewable energy data	Monthly (mid-month)	• approved power stations • committed and probable projects • total LGCs in the Renewable Energy Certificate (REC) Registry • total investment in wind and solar generation capacity
Historical large-scale renewable energy supply data	Annual (generally February)	• total LGCs in the REC Registry and capacity of accredited projects for the previous calendar year • accredited power stations from 2001 to the previous calendar year.

Dataset/registry/register	Publication frequency	Content includes
Small-scale installation postcode data	Monthly (mid-month)	• small generation units (small-scale solar, wind and hydro systems) and kilowatt capacity by installed postcode • solar water heaters and air source heat pumps by installed postcode • solar batteries and useable kilowatt-hour capacity by installed postcode.
Renewable Energy Certificate (REC) Registry	Continual	• Register of STCs • Register of LGCs • Register of applications for accredited power stations • Register of accredited power stations • Register of registered persons • Summary holdings • STC clearing house transfer list. These datasets cover legislated requirements under the *Renewable Energy (Electricity) Act 2000.*

Dataset/registry/register	Publication frequency	Content includes
ACCU Scheme project register	Monthly (mid-month)	• a description of the project • location of the project • number of ACCUs issued • number of ACCUs relinquished • any carbon maintenance obligations in place. This register covers legislated requirements under the *Carbon Credits (Carbon Farming Initiative) Act 2011.*
Voluntary cancellations register	Weekly (Thursday)	• date of transaction • entity name • volume and type of unit. This register covers legislated requirements under the *Carbon Credits (Carbon Farming Initiative) Act 2011.*
Carbon abatement contract register	Monthly (mid-month)	• carbon abatement contracts awarded by the CER • contract duration • end date and status • volume of ACCUs contracted, released, and delivered for each contract • contract holder and ACCU Scheme project for each contract. This register covers legislated requirements under the *Carbon Credits (Carbon Farming Initiative) Act 2011.*

Dataset/registry/register	Publication frequency	Content includes
Biodiversity market register	As needed	• projects registered under the Nature Repair Market Scheme • biodiversity certificates issued by the CER. This register covers legislated requirements under the *Nature Repair Act 2023.*
Guarantee of Origin register	As needed	• participants and profiles registered in the Product Guarantee of Origin (PGO) • participants and facilities registered in the Renewable Electricity Guarantee of Origin (REGO) • PGO certificates and REGO certificates. These registers cover legislated requirements under the *Future Made in Australia (Guarantee of Origin) Act 2024*.