Australian Government
Clean Energy Regulator

Quarterly Carbon Market Report









CLEAN ENERGY REGULATOR

June Quarter 2026

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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 June Quarter of 2026 (April to June 2026). It provides information on supply and demand trends and opportunities that may inform market decisions.

Suggestions

To help ensure our Quarterly Carbon Market Reports (QCMR) 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 2601

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 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	28/08/2026	Initial publication
2.0	09/09/2026	Updated alt text and correction of broken links

Glossary and Methods document

The CER glossary includes definitions and explanations of many terms and acronyms used throughout this report. The QCMR Methods document provides more detail on how estimates in the reports are calculated.

Highlights

- It has been a quarter of record outcomes and policy developments across our 7 certificate-based schemes, reflecting the accelerating pace of Australia's net zero transition.
- In the energy system, catalysts for these outcomes include Capacity Investment Scheme (CIS) projects progressing, falling costs of battery storage, and the Cheaper Home Batteries Program unleashing demand for consumer energy.
- Renewable generation continued to grow, accounting for around 42% of National Electricity Market (NEM) generation and contributing to a record Q2 for large-scale generation certificate (LGC) creations. While wind projects face ongoing social licence issues and cost pressures, there are some signs the latter may ease.
- Q2 2026 was a record quarter for battery installations under the Cheaper Home Batteries Program, with more than 111,000 approved batteries and 3.6 gigawatt-hours (GWh) of storage capacity installed. Declining battery costs and strong consumer demand drove record uptake, with underlying demand remaining strong after incentive changes took effect on 1 May.
- Installations of new small-scale solar capacity exceeded 1 gigawatt (GW) for the first time in a quarter and are on track for a strong year. More than 80% of small-scale solar installations in April were installed alongside a battery, suggesting households accelerated combined solar and battery installations ahead of the 1 May changes to the Cheaper Home Batteries Program.
    - » The 5 August announcement by the Minister for Climate Change and Energy that generation projects between 100 kilowatts (kW) and 1 megawatt (MW) will be eligible for small-scale technology certificates from 1 October 2026 is expected to further improve investment activity in this sector, reducing emissions while saving businesses, schools, and farms money on energy bills.
- Consumer energy resources are having a growing impact on electricity system outcomes. Growth in distributed solar more than offset total demand growth in the NEM, contributing to the lowest average Q2 grid demand since 2020 and lowering wholesale prices.
- Participation in the Renewable Electricity Guarantee of Origin (REGO) continues to build with more certificates and renewable electricity facilities registered in Q2. Participation in REGO will be further incentivised by requirements for data centres under forthcoming legislated obligations announced by the Australian Government on 5 August.
- In other emerging markets, the Nature Repair Market registered its second project, and the Product Guarantee of Origin saw its first registered person this quarter.
- Australian carbon credit units (ACCU) issuance over the first half of 2026 is the highest on record for the first half of a calendar year, with 10.9 million ACCUs issued, 15% higher (1.4 million) than the same period last year.
- On 25 August, we published the July carbon abatement contract register with additional information related to permanent exit arrangements, including ACCUs released under exit arrangements and outstanding contract volumes.
- The Department of Climate Change, Energy, the Environment and Water (the department) released its Safeguard Mechanism review consultation paper on 7 August 2026 with consultation to close on 18 September 2026. The review will assess current policy settings to confirm whether the 2023 reforms are working as intended and will have a primary focus on post-2030 policy settings including the 2030–35 baseline decline rate.
- Across our schemes, progress has exceeded the expectations of many industry participants, but there is further work to be done and challenges remain. These include building momentum for low carbon industrial processes through the Guarantee of Origin, and continuing development of new ACCU methods.

1. Australian environmental markets

Insights

- Australian carbon credit unit (ACCU) issuance over the first half of 2026 is the highest on record for the first half of a calendar year, demonstrating continued strong supply of ACCUs. Issuance in H1 was 10.9 million, 15% higher (1.4 million) than the same period last year, despite being down 16% (1.0 million) in Q2.
  - » In the first half of 2026, 1.5 million ACCUs were issued to projects for the first time — the highest first-time issuance since 2017, reflecting health in newer sources of supply.
  - » Issuances in 2026 are on track for our estimated range of 22 to 26 million ACCUs.
- In Q2 2026, 75 ACCU Scheme projects were registered, a decrease of 24% (23 projects) compared to the same time last year. This brings the total projects registered in 2026 to 144, a decrease of 23% (44 projects) compared to the same time last year.
  - » This decline appears to be driven by soil carbon project registrations; these are expected to recover over time as the response to recommendations of the Emissions Reduction Assurance Committee's (ERAC) periodic review of the soil organic carbon method 2021 is finalised and implemented.
  - » Periodic reviews by the independent ERAC and Climate Change Authority are one of the mechanisms that ensure the integrity of the ACCU Scheme.
- The department released its Safeguard Mechanism review consultation paper on 7 August 2026 with consultation to close on 18 September 2026. The review, which is not intended to make fundamental reforms to policy design, will consider settings including the 2030–35 baseline decline rate.
- ACCU holdings in the Unit and Certificate Registry (UCR), excluding the cost containment measure, increased by 4.7 million to 61.2 million at the end of Q2 2026. This more than offset the seasonal decline from Safeguard Mechanism compliance surrenders in Q1 2026.
  - » While total ACCU holdings continue to increase, the rate of growth in H1 has slowed in line with increased compliance surrenders due to declining safeguard baselines. The net increase in holdings over the first half of the year was 0.4 million for 2026, compared with 1.8 million in 2025 and 5.1 million in 2024.
- The cost containment measure held 6.0 million ACCUs on 30 June. Our July carbon abatement contract register data shows 1.6 million ACCUs have been delivered from fixed delivery contracts since 1 January 2025 and provides visibility of progress against the delivery threshold required to access the discounted exit payment arrangements.
  - » We expect at least 0.6 million ACCUs to be delivered and 91 contract exits under the arrangements over the period from 1 July 2026 to 31 December 2026. We will release projections every 6 months to 2030.
- In other markets, a second project has successfully registered under the Nature Repair Market, and the Product Guarantee of Origin has registered its first person.
- As a first step towards interoperability between CER and external registries, we began a trial data exchange with eligible environmental certificate registries.

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

Image 1.1 Q2 2026 ACCU and SMC market dynamics

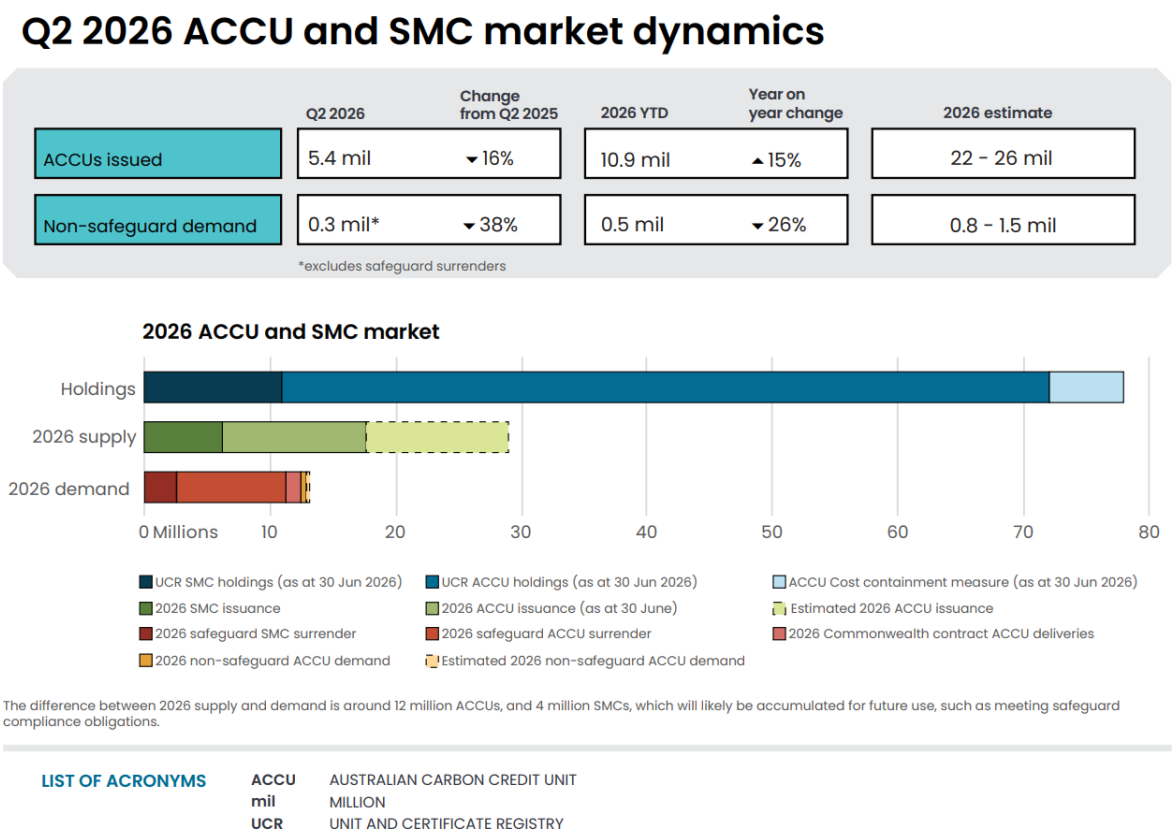


Table 1.1 ACCU supply and demand summary for Q2 2026

	Q2 2026	
ACCU	Supply	Demand
Balance carried forward from Q1 2026	56.5 m	-
ACCU supply	+5.4 m	-
ACCU Scheme contract deliveries*	-	-0.4 m
Safeguard surrenders	-	0 m
Non-safeguard cancellations	-	-0.3 m
Net balance at the end of Q2 2026	**61.2 m**	
Cost containment measure balance at end of Q1 2026	5.6 m	
Quarterly change in cost containment measure*	+0.4 m	
Cost containment measure balance at the end of Q2 2026	**6.0 m**	

*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 $87.72 for 2026–27, rising at the Consumer Price Index plus 2% each year.*

Table 1.2 SMC supply and demand summary for Q2 2026

	Q2 2026	
SMC	**Supply**	**Demand**
Balance carried forward from Q1 2026	11 m	-
SMC supply	<0.1 m*	-
Safeguard surrenders	-	0 m
Net balance at the end of Q2 2026	**11.0 m**	

**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 we receive the application.*

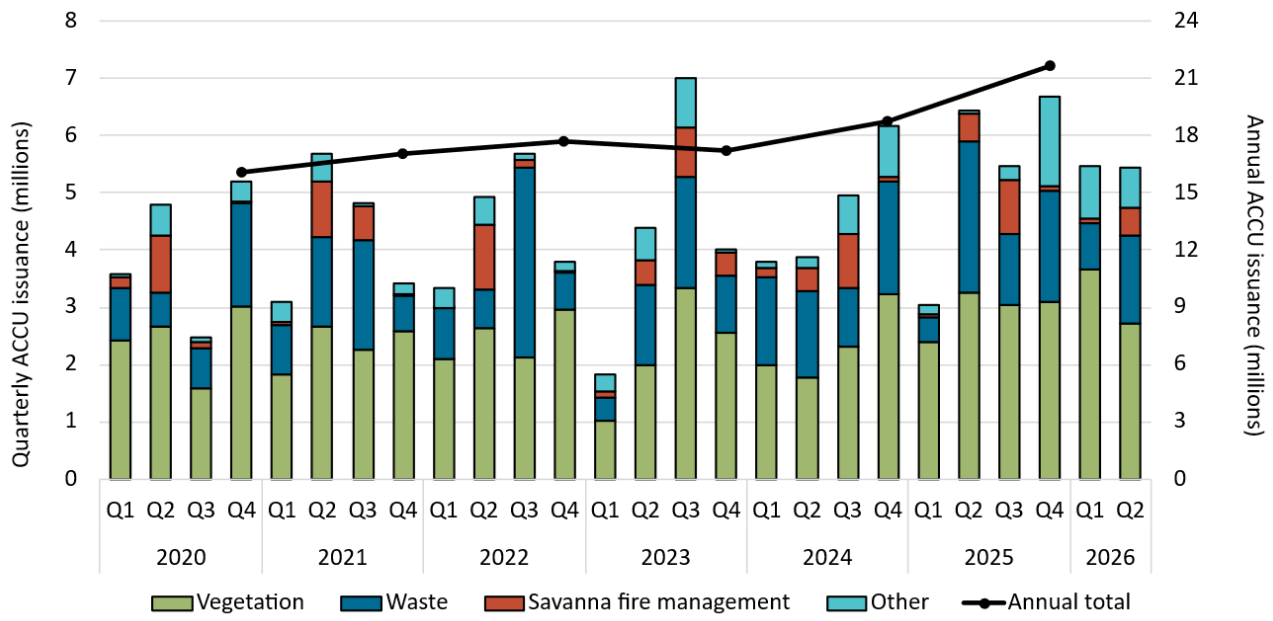
Record first half ACCU issuance

In Q2 2026, 5.4 million ACCUs were issued, 16% lower than the 6.5 million in the same period last year. The quarterly result was driven by 2.7 million ACCUs issued to vegetation projects and 1.5 million ACCUs issued to waste projects. It includes a record 0.4 million ACCUs issued to agriculture projects which include animal effluent management, soil carbon sequestration, and beef cattle herd management methods.

This brings total year to date issuance for 2026 to 10.9 million ACCUs, a record for the first half of the year and on track to meet our estimated range of 22 to 26 million for the year.

Looking ahead, one contributor to issuance in the second half of 2026 will be credits issued to avoided deforestation projects for abatement resulting from eligible growth in biomass over the projects' crediting periods. Biomass and carbon stores increase as the forest is allowed to mature, supported by active project management including managing risk of fire, drought and other disturbance events. Under the avoided deforestation method, for forest growth to be credited, there are strict requirements for biomass surveys to be conducted to determine the change in carbon stocks during the crediting period of the project. This provides an opportunity for participants to earn credits where they can substantiate increased carbon in the carbon pool through in-field measurements where eligible forest growth has occurred. As of 24 August 2026, this has resulted in an additional issuance of 0.3 million ACCUs to 2 projects. This represents an average 20% increase in carbon stock. While this increase may appear significant, it represents biomass enhancement achieved over the full 15-year crediting period.

Figure 1.1 ACCUs issued by method type



Project registrations

In Q2 2026, 75 ACCU Scheme projects were registered, lower than the 98 in the same period last year. Soil carbon project registrations are the lowest since the 17 in Q3 2023; participants have likely been awaiting the outcome of ERAC's recent periodic review of the soil carbon 2021 method which was released in July and is discussed further below.

Looking forward, registrations under the plantation forestry method are expected to decrease following the November 2025 closure of grant applications for the final funding round of the Department of Agriculture, Fisheries and Forestry's (DAFF's) Support Plantation Establishment program. This grant supports the creation of new projects. Project registration under DAFF's program will continue through to the end of 2026–27, with the decrease in related ACCU Scheme registrations expected to become more evident after that point.

ACCU Scheme methodology and policy updates

ACCU Scheme methodologies continue to be developed and periodically reviewed to ensure the methods remain compliant with the Offsets Integrity Standards (the standards).

In April 2026, ERAC concluded its periodic review of the soil organic carbon method 2021, concluding that the method currently complies with 5 of the 6 standards. After reviewing initial results from some projects, ERAC concluded the method needs to be strengthened to meet the 'Conservative' standard. This was because reported soil organic carbon accrual rates from some projects exceeded that supported by peer-reviewed scientific literature.

To address this issue the department undertook public consultation on a proposal to amend the method's Supplement to cap crediting, with the effect that projects with a 25-year permanence period can only receive credits for soil organic carbon accruals up to 3 tonnes of carbon per hectare per year (3 tC/ha/yr) after permanence and risk of reversal discounts. Projects with 100-year permanence periods are not subject to the 20% permanence discount and therefore the calculations result in a higher crediting cap of 3.8 tC/ha/yr. Seven projects currently have 100-year permanence periods.

The department's consultation ran from 28 July to 18 August 2026. The department is currently considering the feedback received and next steps associated with the method's proposed updates.

This cap is expected to affect a small minority of soil carbon projects in the early years or where sampling and stratification is limited. Box 1.1 explains the operation of the cap using 3 hypothetical projects.

Taking a broader view, the periodic review process shows the strength of the ACCU Scheme architecture for delivering high-integrity abatement, with independent expert review, regulatory oversight, and ongoing monitoring of project performance working together to support method integrity. The periodic review of methods enables them to be refined and improved over time as developments in scientific evidence, improved estimation techniques and technological advances become available, helping to maintain the integrity of credited abatement.

Development of the proposed integrated farm and land management (IFLM) method continues, with a draft final method to be submitted to ERAC by the end of the year for assessment against the legislated standards. In response to the periodic review of the soil organic carbon method 2021, the department will not include a soil carbon activity module in the first version of the IFLM method but will prioritise the soil carbon module after the delivery of the first version of the method.

The improved native forest management (INFM) method was approved by the Australian Government on 25 June 2026. The INFM method allows eligible state governments to generate ACCUs by reducing or ceasing planned wood harvesting in multiple-use public native forests. The Senate is expected to vote on a disallowance motion on the method on 15 September 2026.

The avoided re-clearing and native reforestation (ARNR) method is progressing. This proponent-led method is being developed by the Queensland Government with the intention of replacing and improving the expired avoided clearing of native regrowth method. The method would allow ACCUs to be generated through retention of native regrowth vegetation that is at risk of future clearing and through native reforestation activities on eligible land.

More information on these and other methods can be found on the department's ACCU method tracker.

Proposed legislative amendments to the *Carbon Credits (Carbon Farming Initiative) Act 2011* to deliver on a range of recommendations from previous reviews of the ACCU Scheme were introduced to Parliament on 20 August 2026. For more information, see the explanatory memoranda on the Parliament of Australia's website.

Box 1.1 Understanding the proposed cap on credited abatement in the soil carbon method

Measured soil organic carbon accrual is used to determine the amount of ACCU issuance to soil carbon projects. The implementation of the proposed cap would effectively limit ACCU issuance to 3 tC/ha/yr for 25-year permanence period projects. This is more likely during the early years of a project. The 3 tC/ha/yr limit is achieved through a pre-discount threshold of 4 tC/ha/yr. When the carbon accrual is below the cap, ACCUs will be issued in line with the measured carbon accrual.

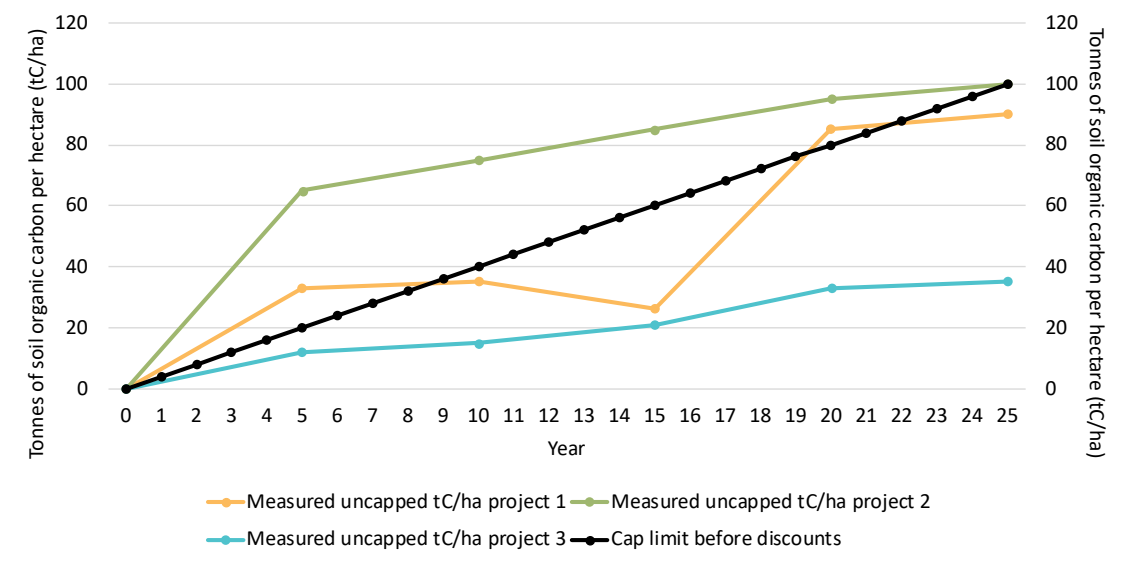
The impact of the proposed cap on 3 hypothetical projects is shown in Figure 1.2. The black line represents that maximum amount of sequestration that can occur for a soil project over 25 years. That is, under the cap, a maximum of 75 tC/ha can be credited by the end of the 25-year project. This is equivalent to a rate of 100 tC/ha prior to discounts for emissions, the permanence period and the risk of reversal buffer.

The project with the yellow curve exceeds the maximum cap in years 5 and 20. At those points, the project is only eligible for ACCUs to the maximum amount on the black curve (20 tC/ha and 80 tC/ha respectively, before discounts). By year 25, the overall rate is below the capped rate, and the project is issued ACCUs so that all measured abatement is credited.

The green curve shows a project that consistently measures above the cap until year 25. This project is only ever issued ACCUs to the maximum sequestration value of the black curve, at each offsets report after a sampling round.

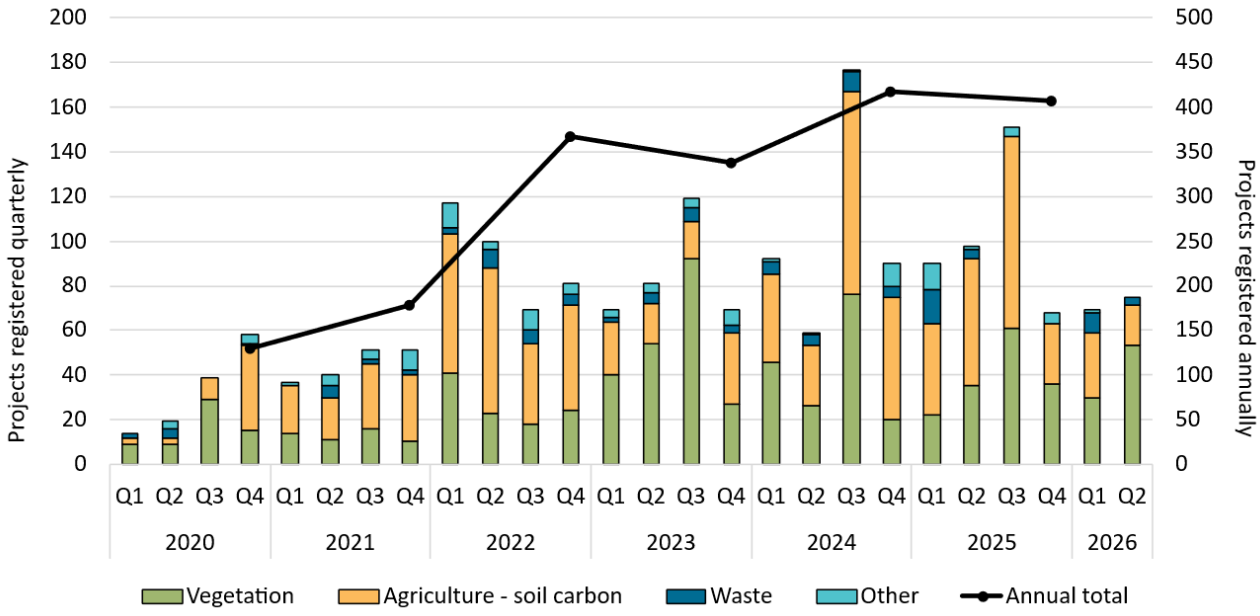
The blue curve shows a project that never reaches or exceeds the capped rate. This project is issued ACCUs based on its reported measurements.

Figure 1.2 Representation of soil sequestration cap on 3 illustrative projects with sampling every 5 years



Note: Figure shows increases in soil carbon before discounts for emissions, permanence and the risk of reversal buffer. The issuance cap of 3 tC/ha/yr for 25-year projects is achieved through a cap of 4 tC/ha/yr before these discounts.

Figure 1.3 Registered ACCU Scheme projects by method type

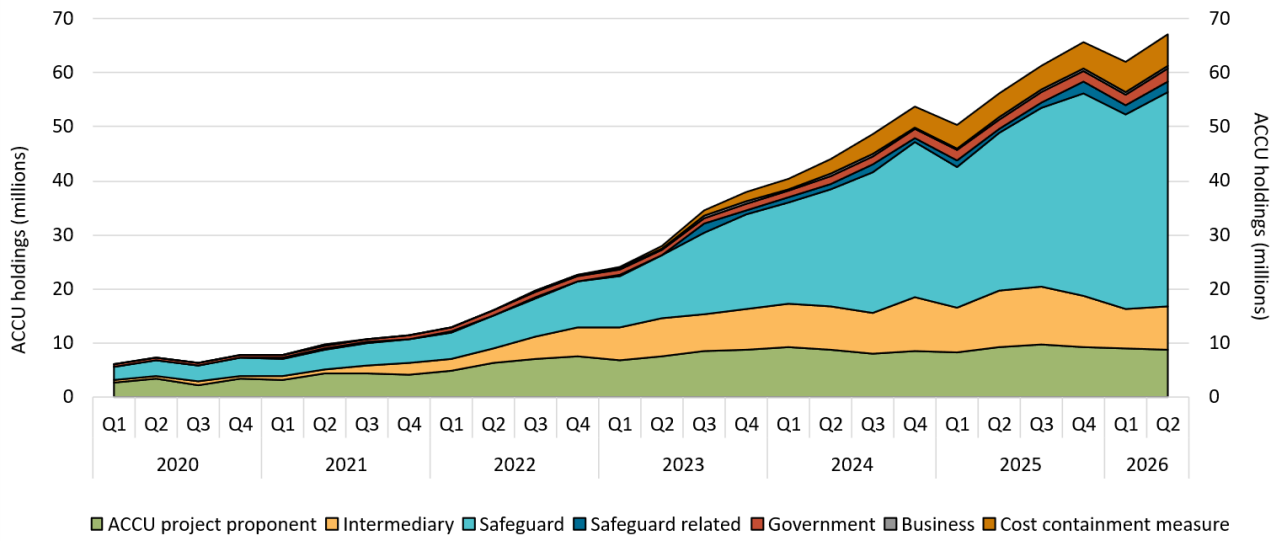


ACCU holdings grow, SMC holdings stable

At the end of Q2 2026, ACCU holdings, excluding the cost containment measure, rebounded to 61.2 million. This growth is expected and followed ACCU holdings dipping to 56.5 million at the end of Q1 2026 after the surrenders for the 2024–25 safeguard compliance period.

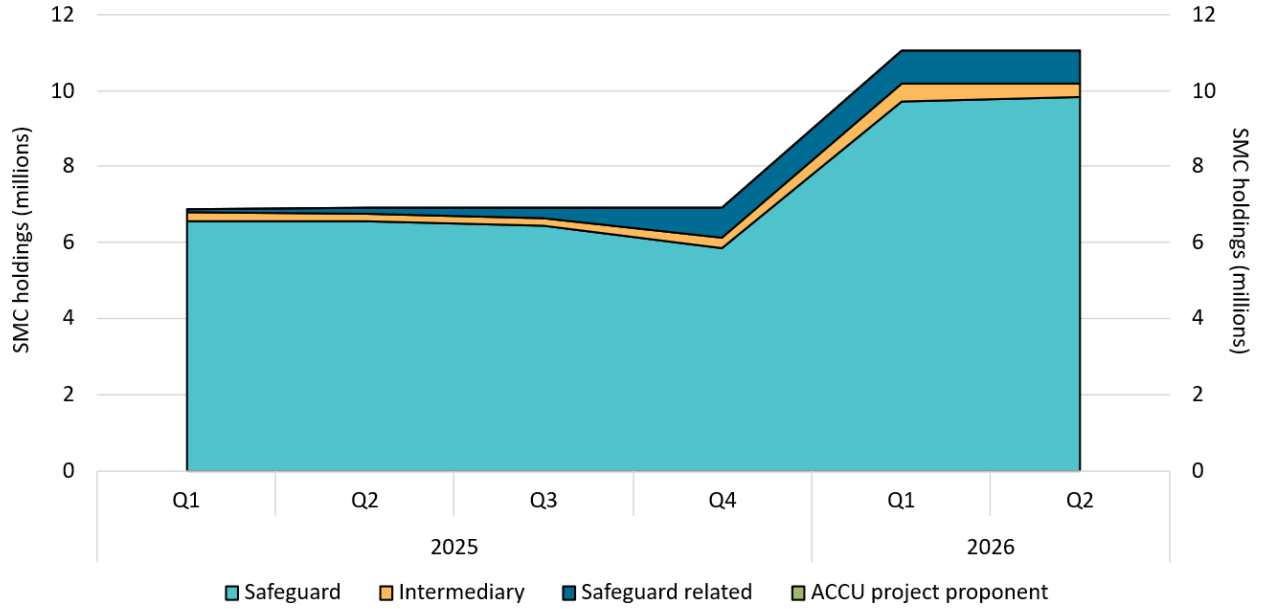
Safeguard holdings had the largest increase of 3.9 million while ACCU project proponent and business holdings decreased by lesser amounts. After an increase of 4.2 million, safeguard and safeguard-related accounts held 68% of ACCUs at the end of Q2 2026.

Figure 1.4 ACCU holdings (in millions) by market participation



As expected, SMC holdings remained stable at 11 million, with only a single small issuance in Q2 2026. SMC issuances typically occur during Q1 of each year. Holdings in safeguard accounts increased by 0.1 million while intermediary holdings fell by the same amount. At the end of Q2 2026, safeguard and safeguard-related accounts held 96.8% of SMCs in the UCR, with the remainder being held by intermediary accounts.

Figure 1.5 SMC holdings (in millions) by market participation



Cost containment measure and permanent exit arrangement outcomes

In Q2 2026, 0.4 million ACCUs were delivered against carbon abatement contracts. This brings the total held in the cost containment measure to 6.0 million.

The permanent exit arrangement for fixed delivery carbon abatement contracts opened on 1 July. These allow eligible sellers to apply to fulfil their contractual obligations by receiving a 60% discount on their exit payment, after they deliver at least 25% of the outstanding volume of ACCUs (as of 1 January 2025).

This discount acknowledges that market and policy settings have changed since the introduction of carbon abatement auctions and fixed delivery contracts in 2015. Prior to the Safeguard Mechanism reforms, the Australian Government was the main purchaser of ACCUs through carbon abatement contracts. The market is now well established, and the primary source of demand is now safeguard compliance.

On 25 August, we published the July carbon abatement contract register, showing 1.6 million ACCUs have been delivered from fixed delivery contracts since 1 January 2025. This provides the visibility of progress against the delivery threshold required to access the discounted exit payment arrangements.

While the arrangements run to 2030, we are beginning to see some sellers look to make delivery and then exit in quick succession rather than spread the obligation throughout the period. Delivery and exit decisions will vary across contract holders and reflect a range of project, market and financial drivers. While many sellers are choosing to finalise their contractual obligations quickly, others' schedules may be more closely linked to project performance, ACCU availability and broader commercial considerations, resulting in deliveries spread over longer timeframes and concentrated at points rather than spread evenly over the period. According to our new six-monthly projections, we expect at least 0.6 million ACCUs to be delivered and 91 contract exits under the arrangements over the period to December 2026.

New regular projections of expected deliveries

We are publishing six-monthly projections of expected ACCU deliveries and exits under fixed delivery carbon abatement contracts to support market transparency. These projections represent the minimum volume of ACCUs expected to be delivered or exited over the following 6 months based on contractual commitments received at the time of publication. Actual volumes may be higher where sellers deliver ACCUs or submit exit applications ahead of schedule.

The first six-monthly projection was published on 25 August 2026. Projections will be updated in February and August each year, covering the first and second half of the calendar year respectively. These projections will be accompanied by actual delivery and exit outcomes for the previous six-monthly projection period. This provides a continuing view of how contractual obligations are being fulfilled through ACCU deliveries and the permanent exit arrangement through to 2030.

Additional information on the contract register

The volume of ACCUs released under exit arrangements is published on the carbon abatement contract register to support transparency and inform market decisions. To further support this market transparency, the contract register will provide the following information for each contract from August 2026:

- outstanding contract volume as of 1 January 2025 – shows the baseline volume of ACCUs remaining under fixed delivery contracts
- ACCUs delivered since 1 January 2025 – shows progress towards eligibility for discounted exit payments
- ACCUs exited since 1 July 2026 – shows the volume of contractual obligations met through the permanent exit arrangement rather than through ACCU deliveries.

While we are committed to supporting market transparency, there are limits to the information we can publish about the circumstances or decisions of individual contract holders. Carbon abatement contracts are commercial arrangements, and participation in the permanent exit arrangement is voluntary. The additional

information published on the contract register is intended to provide greater insight into ACCU supply and demand dynamics across the market while balancing commercial sensitivities.

As this information is provided for all eligible fixed delivery contracts, it should not be used to infer whether a particular seller has entered, or intends to use, the permanent exit arrangement. Delivery schedules, exit outcomes and contract performance vary across contract holders, reflecting individual commercial circumstances and agreements negotiated with the Clean Energy Regulator on behalf of the Commonwealth. Consistent with our contract management principles, we may agree to revised delivery schedules if the seller doesn't have sufficient ACCUs available to meet their delivery obligations.

Where ACCU deliveries or exits are not shown against a particular contract, this may reflect a range of factors, including agreed delivery schedules, project development timelines, or the availability of ACCUs. For example, some projects may not yet have begun reporting and claiming ACCUs. Where a seller is unable to meet its delivery obligations, we may enter good faith negotiations to revise delivery schedules, consistent with our contract management principles. In some cases, these negotiations may be ongoing, and a revised delivery schedule has not yet been finalised. More information about the permanent exit arrangement can be found on our website.

Scheduled Safeguard Mechanism review underway

Consultation on the 2026–27 Safeguard Mechanism review has commenced. Following the 2023 reforms, a review of the Safeguard Mechanism was scheduled for 2026–27 to ensure the reformed scheme settings remain appropriately calibrated and continue to deliver emissions reductions in line with Australia's targets. The review is not intended to make fundamental reforms to the design of the policy. It will consider a range of Safeguard Mechanism settings including:

- the 2030–2035 decline rate for baselines. See our safeguard baselines webpage for guidance on how baselines are calculated.
- scheme coverage arrangements, considering any competitiveness issues, abatement potential and regulatory compliance
- the future role of SMCs, ACCUs and international units
- whether the scheme is appropriately incentivising onsite abatement
- the suitability of arrangements for trade-exposed facilities
- consideration of the recommendations of the Carbon Leakage Review.

The Climate Change Authority released a consultation paper on 2 July with a focus on the Safeguard Mechanism's contribution to the national target and on-site abatement. It will provide advice to Government as part of its Annual Progress Report.

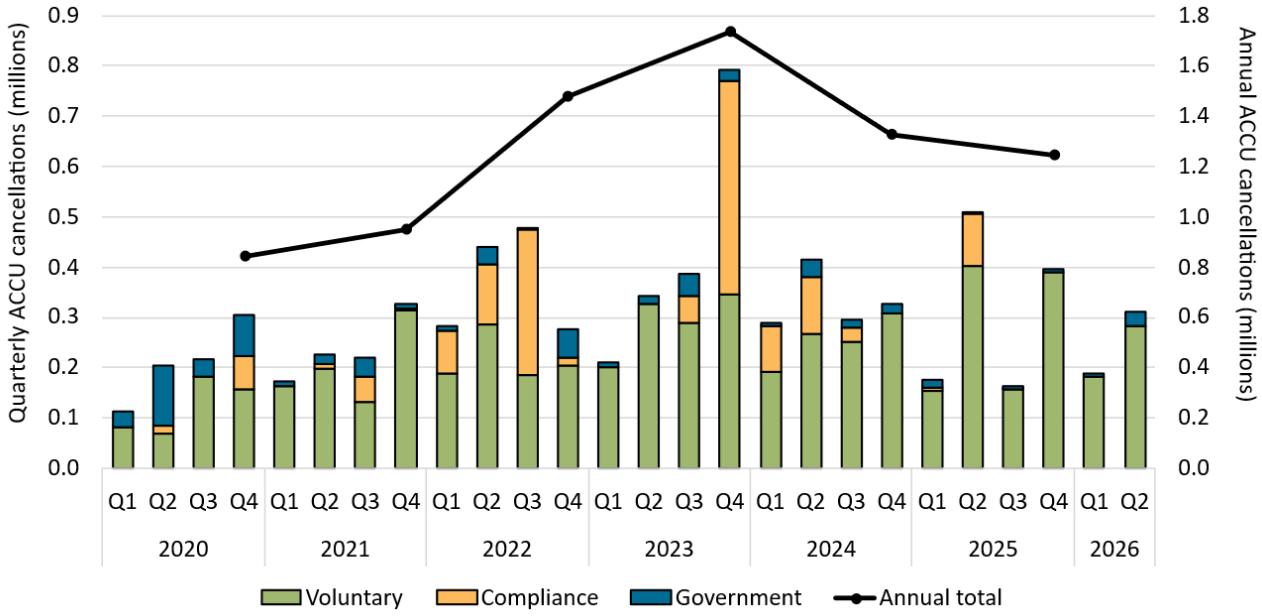
The department released its Safeguard Mechanism review consultation paper on 7 August 2026 with written submissions closing on 18 September 2026. The paper includes the Government's principles to guide the review, which reflect the review's focus on policy stability. See the department's consultation hub for further information.

The Australian Government intends to release a position paper containing final positions early next year. Without precluding earlier resolution of implementation issues raised in consultation, any changes to the Safeguard Mechanism will generally take effect from 1 July 2030.

Non-safeguard cancellations

In Q2 2026, 0.3 million ACCUs were cancelled for non-safeguard purposes, 0.2 million lower than the same period last year. As discussed in previous QCMRs, non-safeguard cancellations have been on a downward trend since 2023. Non-safeguard cancellations are on track to meet our estimated range of 0.8 to 1.5 million.

Figure 1.6 ACCU non-safeguard cancellations



Generic ACCU and SMC spot prices stable

The generic volume-weighted ACCU spot price rose from $36.28 at the end of Q1 2026 to $37.95 at the end of Q2 2026. The ACCU spot price rose after Q2 reaching $39.03 on 14 August 2026.

SMC spot prices have continued to follow ACCU prices closely, reaching $38.00 on 19 June 2026. Reported SMC trading slowed down in Q2 2026 in line with the safeguard compliance period having concluded, with less than half of the traded volume in Q1 2026. Following the end of the quarter, SMC spot prices continued to follow ACCU prices closely, reaching $39.25 on 14 August 2026.

Figure 1.7 Generic ACCU and SMC volume-weighted average spot price



Other market developments

Second Nature Repair Market project registered

Project registration and method development continues in the Nature Repair Market.

In Q2 2026, a second Nature Repair Market project was successfully registered under the replanting native forest and woodland ecosystems 2025 method. This project is 'stacked' with a reforestation by environmental or mallee plantings Full Carbon Accounting Model 2024 method ACCU Scheme project, meaning that the project proponent is allowed to participate in both ACCU Scheme and Nature Repair Market on the same area of land, generating ACCUs and a biodiversity certificate. This approach recognises the additional activities beyond the ACCU method requirements to support biodiversity benefits being delivered in the Nature Repair Market as required by the method. To ensure additionality, there are limitations on stacking Nature Repair Market projects where environmental offsets are involved with ACCU Scheme projects on the same area of land.

Between 1 July and 29 July 2026, the department conducted a public consultation on the draft Enhancing Native Vegetation (ENV) method. This method would support projects in Australia's productive and historically cleared areas. Under the ENV method, projects could:

- enhance the condition of remnant vegetation
- maintain the condition of moderate to high condition remnant vegetation
- revegetate areas without remnant vegetation through environmental planting and/or facilitated regeneration.

Reforms to national environmental laws in November 2025 allow for biodiversity certificates under the Nature Repair Market to be used as environmental offsets if specified under methods. The ENV method will be the first 'offset-capable' method under the Nature Repair Market and is expected to be legislated in late 2026. Information on the new environmental laws is available on the department's website.

First Product Guarantee of Origin person registered

The Product Guarantee of Origin registered its first person, Hiringa Sundown (GEGHA) Project Co Pty Ltd. They are establishing the Good Earth Green Hydrogen and Ammonia (GEGHA) facility in Moree, New South Wales, and are expecting to start producing hydrogen in early 2027.

Emissions accounting methods for hydrogen by gas reforming, gasification and pyrolysis, biogas and biomethane, iron ore and aluminium, along with associated cost recovery arrangements, are expected to be made in the coming months.

Data sharing trial to connect CER and environmental registries

We have started a data-sharing trial with Accounting for Nature and Eco-Markets Australia. The trial, which commenced in August 2026, is open to 'third-party' registries housing certificates or credits that either relate to or derive value from our units and certificates. Accounting for Nature and Eco-Markets Australia issue nature-based certificates and credits, respectively, linked to ACCUs.

The trial follows our Registry Interoperability Project and is part of our commitment to implementing interoperability where feasible and consistent with our draft interoperability principles. This data exchange trial enables participating third-party certificate or credit registries to view specified ACCU holdings, subject to account holder consent and agreed governance arrangements. By improving interconnectivity between registries, the trial aims to reduce administrative burden, improve transparency and streamline market participation to support deep, liquid, and enduring carbon and environmental markets.

2. Large-scale renewable electricity

Insights

- Renewable generation continued to grow in Q2 2026, with renewables accounting for around 42% of National Electricity Market (NEM) generation, up from 37% in Q2 2025.
  - » Strong wind and solar generation also drove a Q2 record of 15.2 million large-scale generation certificate (LGC) creations during the quarter.
- A record 5.5 million LGCs were surrendered for non-Renewable Energy Target (non-RET) purposes, primarily driven by voluntary corporate activity.
  - » First-time surrenderers accounted for almost 20% of quarterly voluntary demand, the highest percentage since Q2 2022 and exceeding the average quarterly share of 13%.
- Participation in the Renewable Electricity Guarantee of Origin (REGO) scheme continued to build, with 15 registered persons and 3 registered facilities totalling 506 megawatts (MW) of generation capacity under REGO by quarter end. Recent policy announcements position REGO as a key mechanism for demonstrating renewable electricity procurement by data centres.
- In support of REGO, we are now tracking large-scale storage projects. A total of 4.2 gigawatt-hours (GWh) of large-scale storage capacity either reached final investment decision (FID) or commenced operations in Q2 2026, bringing the total since 2021 to 51.4 GWh. Large-scale storage is an important enabler of progress towards the 2030 82% renewables target, as outlined in our explainer.
- Large-scale renewable capacity approvals remained subdued with 0.4 gigawatts (GW) of capacity approved to generate LGCs, while 1.8 GW reached FID.
  - » All 0.4 GW of approved capacity and all 1.8 GW of capacity reaching FID came from solar. No wind projects were approved or reached FID in the quarter.
  - » Of the capacity that reached FID in Q2 2026, 881 MW came from projects receiving support under the Capacity Investment Scheme (CIS). Further CIS capacity is expected to reach FID over 2026.
  - » Although wind investment activity remains constrained by rising costs and development challenges due to global inflationary pressures, the Commonwealth Scientific and Industrial Research Organisation's (CSIRO) 2025–26 GenCost final report suggests capital costs have stabilised and the Australian Energy Market Operator's (AEMO) June 2026 NEM Connection Scorecard shows continuing activity across the sector.
- Approvals for mid-scale commercial and industrial renewable energy projects have been below historical averages in the first half of 2026. However, the 5 August announcement of the expansion of the Small-scale Renewable Energy Scheme (SRES) to include facilities up to 1 MW from 1 October 2026 should support increased activity in this sector.
- LGC supply continues to outpace demand; however, market sentiment and prices improved during the quarter, supported by increased expectations of future demand from data centres.

Market dynamics

Image 2.1 Q2 2026 LGC market dynamics

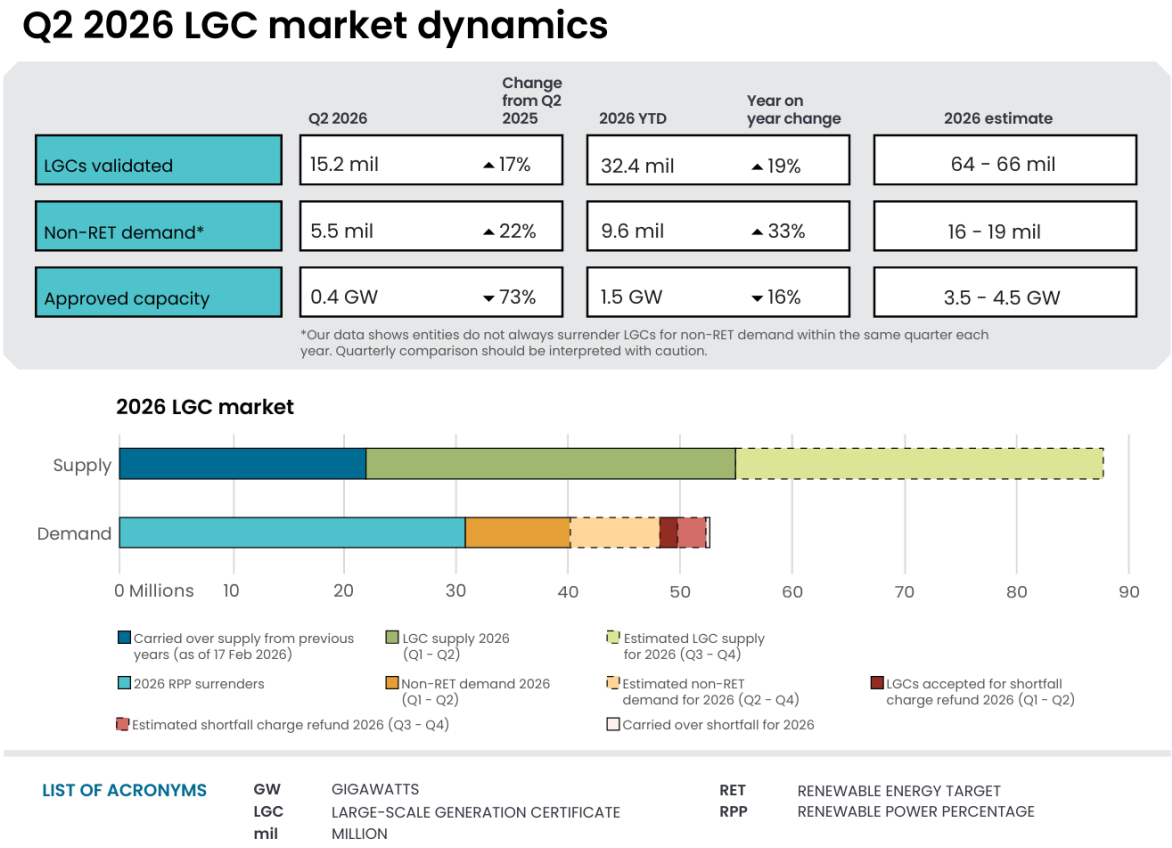


Table 2.1 LGC supply and demand balance

LGCs	Supply	Demand
Supply carried over from previous years (as of end of 2025 compliance period: 17 Feb 2026)	**22.2 m**	**-**
LGC supply (Q1 to Q2 2026)	32.4 m	-
Estimated LGC supply (Q3 to Q4 2026)	31.6 m to 33.6 m	
Non-RET demand (Q1 to Q2 2026)	-	9.6 m
Estimated non-RET demand (Q3 to Q4 2026)		6.4 m to 9.4 m
2026 renewable power percentage surrenders (before any shortfall)	-	30.7 m
LGCs accepted for shortfall charge refund (Q1 to Q2 2026)	-	1.7 m
Estimated shortfall charge refund (Q3 to Q4 2026)		2.1 m
Carried over shortfall for 2026 (less than 10% of liability)	-	0.2 m
Estimated balance as of end of 2026 compliance period: 16 Feb 2027^	**32.5 m to 37.5 m**	

Notes: There is a total of 4.9 million LGCs in shortfall that are eligible for shortfall refunds to be claimed, representing $317.6 million in consolidated revenue as of 30 June 2026. This excludes LGCs in shortfall from entities under administration.
^Sum of all supply items, less the sum of all demand items. This assumes no further shortfall is taken for the 2026 compliance year. 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 megawatt-hour (MWh) of eligible renewable electricity.

Generation by power stations depends on installed capacity, weather, and operational factors like repairs, maintenance, and curtailment.

In Q2 2026, a quarterly record of 15.2 million LGCs were created, an increase of 17% (2.3 million) compared to Q2 2025, bringing the annual total for 2026 to 32.4 million LGCs. Wind contributed to around 61% of creations with 9.3 million LGCs, up 22% from Q2 2025. Solar accounted for a further 36% of creations with 5.4 million LGCs, up 16% compared to Q2 2025. While biomass and hydroelectricity LGC creations declined compared to Q2 2025, these technologies had little influence on overall LGC supply during the quarter. Biomass contributes few LGCs due to its small scale. Most hydroelectric facilities in Australia commenced operation before 1997 and are only eligible to create LGCs for generation above their pre-1997 annual generation (baseline generation), limiting hydroelectricity's contribution to overall LGC supply.

According to AEMO's Q2 2026 Quarterly Energy Dynamics (QED) report, renewables accounted for 42% of generation in the NEM for Q2 2026, up from 37% in Q2 2025 and setting a record Q2 outcome. Wind generation made the largest contribution to the increase in renewable generation, with a 20% increase over the year to 4.2 GW. Utility-scale solar, hydroelectricity and small-scale solar also increased their contribution compared with Q2 2025, while coal- and gas-fired generation declined. Overall, wind accounted for 17% of NEM generation in the quarter, while utility-scale solar contributed 8% and hydroelectricity 7%. Small-scale solar accounted for a further 10% of generation. All this generation, as well as large and small-scale storage, directly or indirectly contributes to the Government's target of achieving 82% renewable generation by 2030 (Box 2.1).

Box 2.1 The 82% renewable electricity target: scope and calculation

The Australian Government's 82% target refers to the share of electricity generation supplied by renewable sources across Australia's major on-grid electricity systems in 2030. The target is the average percentage over the year.

The renewable share is calculated as:

$$\frac{Renewable\ electricity\ generation}{Total\ electricity\ generation}$$

Renewable generation includes primary generation from technologies such as solar, wind, hydroelectricity, and biomass. Generation is measured on an 'as generated' basis, meaning rooftop solar consumed on-site is included even if it is not exported to the grid.

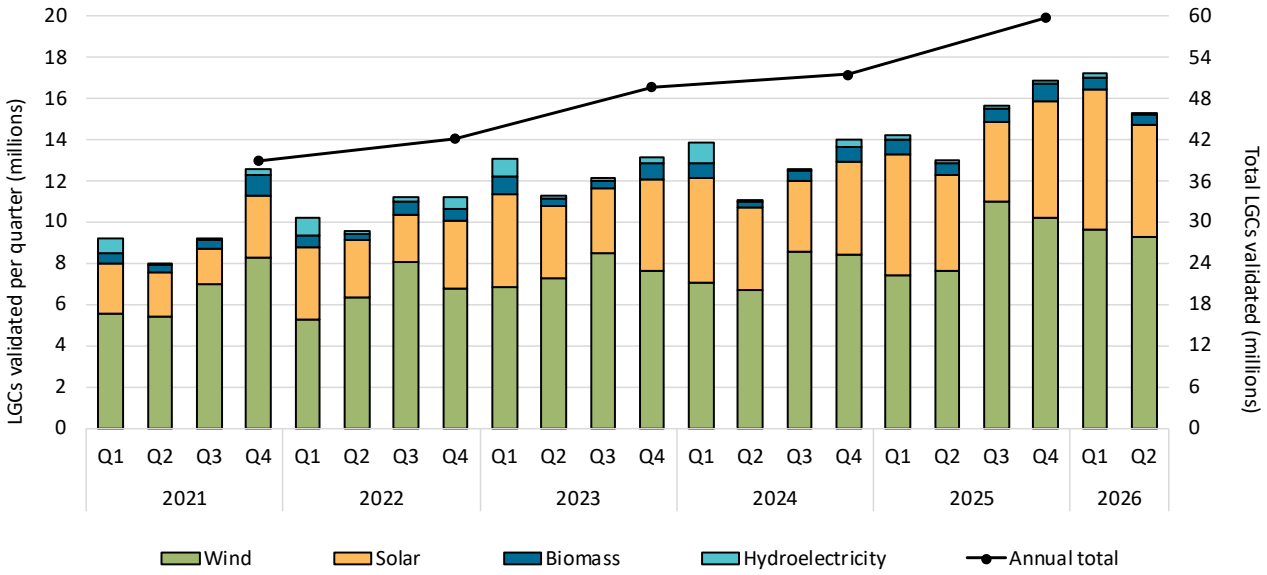
The renewable electricity target covers Australia's major on-grid electricity systems: the National Electricity Market (NEM), which covers most of Australia's population along the east coast; the Wholesale Electricity Market (WEM) in south-west Western Australia; the Darwin-Katherine Interconnected System; the North-West Interconnected System in the Pilbara region; and the North-West Power System, in the Mount Isa and Cloncurry regions. Both the numerator and denominator in the renewable share calculation include generation across all 5 major electricity grids.

As electricity demand increases, total generation must also increase. Maintaining the same renewable share therefore requires a higher amount of renewable generation. Using the NEM as an example, in AEMO's 2026 Integrated System Plan, around 168 terawatt-hours (TWh) of renewable generation in the *Step Change* scenario achieves the same renewables share in 2030 as around 181 TWh (8% more generation) does in the higher demand *Accelerated Transition* scenario.

Batteries and pumped hydro are not directly included in the renewable share calculation, but they appear indirectly. Rather than generating electricity, batteries perform a similar role to warehousing in a supply chain, helping match the timing of renewable electricity supply with when households and businesses need it. By storing electricity during periods of high renewable generation and releasing it when demand is higher, storage can reduce 'economic offloading' (generators voluntarily reducing output in response to low wholesale prices), thus increasing the amount of renewable electricity that is used.

When large or small-scale storage is charged from renewable electricity that otherwise would have been offloaded, that renewable generation contributes to the total electricity supplied to consumers. This increases both renewable generation and total generation, but because renewable generation increases proportionately more, the additional renewable output increases the renewable share. When the stored electricity discharges, typically in the evening when there is less solar generation, it reduces the amount of new generation needed to meet demand, again supporting a higher renewable share.

Figure 2.1 LGCs validated by technology type



As reported in the Q1 2026 QCMR, LGC supply continues to outpace demand, despite the consistent growth in non-RET voluntary demand. Analysis of LGC creations in previous years indicates that the LGC supply in 2026 is on track to meet the higher end of our projection of 64 to 66 million. LGC supply for the remainder of 2026 may be impacted by the current El Niño phase of the El Niño-Southern Oscillation (Box 2.2).

Despite the persistent growth in LGC supply to the market, LGC spot and forward prices saw upward movement in mid-June, with the spot price ending the quarter at $7, up from $2.90 at the start of the quarter. All vintages up to 2030 have converged to the spot price since April 2026 and have accordingly tracked with the spot price during this quarter. The LGC spot price and forward prices across all vintages continued their upward trajectory post-quarter, with the spot price reaching $8.50 by 14 August, and forward prices remaining around the spot price.

Box 2.2 Effects of El Niño on supply and demand in the NEM

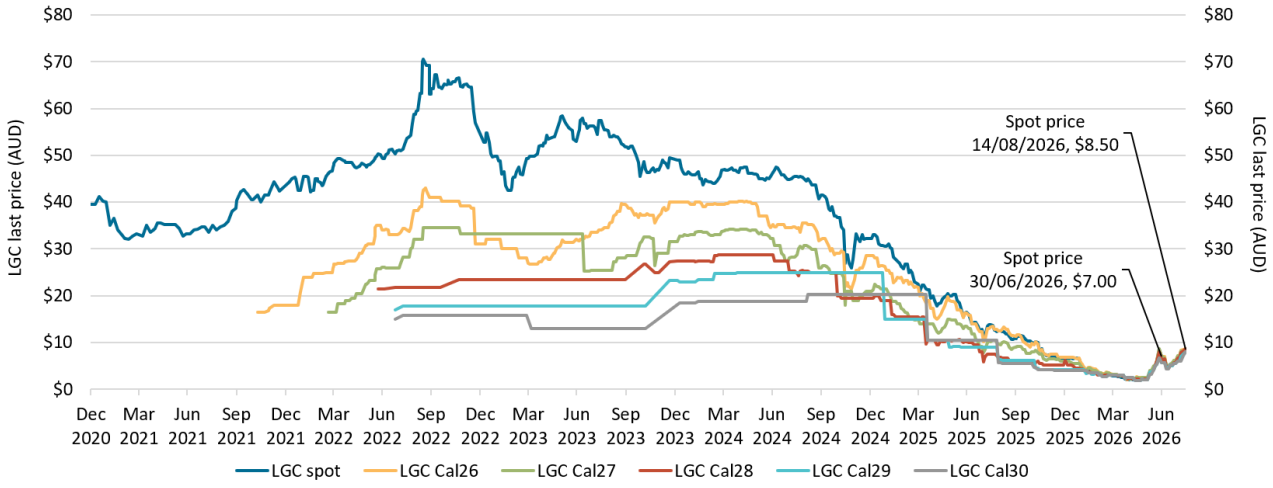
The current El Niño phase of the El Niño-Southern Oscillation, which is likely to persist until the summer of 2026–27, may affect renewable electricity generation and electricity demand in Australia. While the weather impacts vary from one event to another, El Niño events typically have characteristics such as reduced rainfall and higher temperatures, so can potentially affect renewable generation and electricity demand.

The effect of El Niño conditions on renewable electricity outcomes is complex because they can influence demand and renewable generation in diverse ways. However, recent research suggests El Niño has a limited net effect on the balance of supply and demand in the NEM. While El Niño-like conditions have previously been associated with higher cooling demand during summer, particularly in New South Wales (NSW) and Queensland, they have also been associated with stronger solar generation potential. The combined effect at the NEM level appears to be moderated by these offsetting influences, as well as differences in impacts across regions.

Market intelligence suggests the rally in prices was associated with increased purchasing activity following the period of low spot prices and growing market interest in the potential implications of future electricity demand from data centres.

Recent policy discussions have increased attention on how growing data centre demand for electricity could be met through additional renewable electricity generation and procurement arrangements. In a speech on 15 July, the Prime Minister announced the Australian Government would develop national artificial intelligence standards including requirements for the next generation of large-scale data centres to underwrite new power supply. In an address to the National Press Club on 5 August, the Minister for Climate Change and Energy announced the Australian Government would use the REGO scheme to drive investment in new renewable energy. The Australian Government will work with state and territory governments to develop consistent mandatory standards for data centre energy, water and land-use, and support skills and training opportunities.

Figure 2.2 LGC reported spot and forward prices

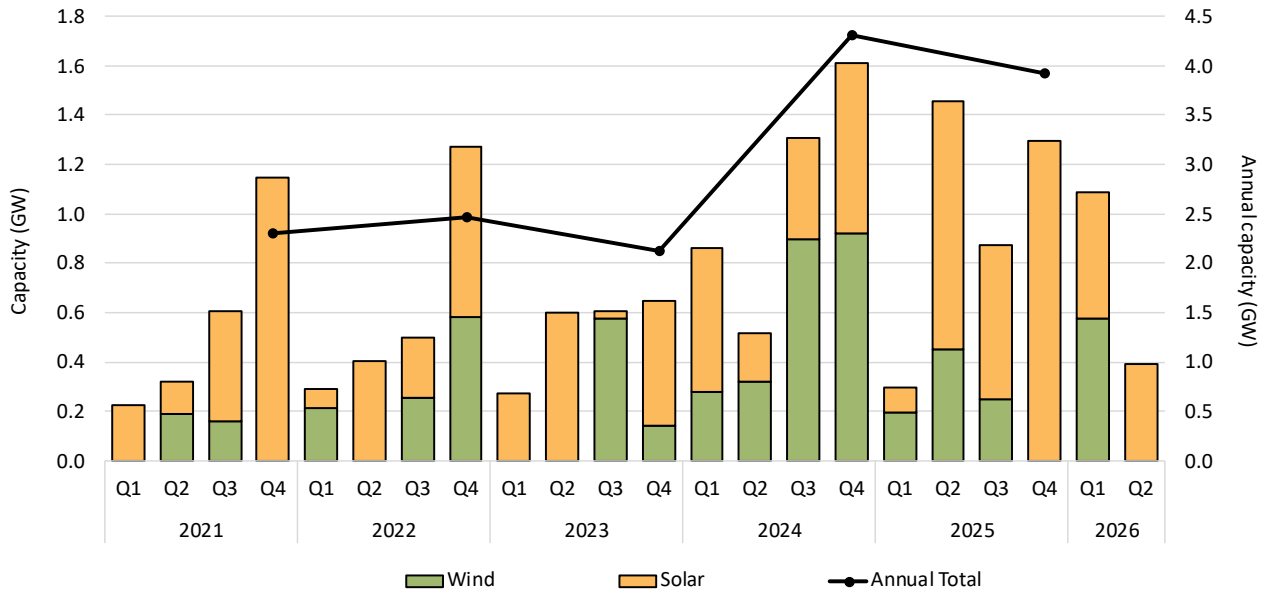


Q2 approvals subdued

In Q2 2026, 0.4 GW of renewable capacity was approved to generate LGCs, all of which was from solar projects. Goorambat East Solar Farm contributed most of this capacity (320 MW). In total, 1.5 GW of capacity has been approved in 2026.

There is limited capacity in the power station approvals pipeline as of 30 June 2026, with only 359 MW of capacity under assessment. Approvals in future quarters will be dependent on additional power stations submitting applications to us, noting that even a small number of large power stations can cause a sharp increase in our approval pipeline capacity. Our engagement with developers indicates that at least one large power station is expecting to lodge an application for accreditation under the Large-scale Renewable Energy Target (LRET) in Q3 2026.

Figure 2.3 Approved large-scale wind and solar capacity



Looking at the size distribution of approvals, those for mid-scale power stations with capacities between 100 kilowatts (kW) and 1 MW have fallen compared to previous years, with registrations being impacted by the decline in the LGC price over the last year. These power stations are primarily solar installations on large commercial or industrial buildings such as shopping centres, airports, or water treatment plants. In this range, a total of 80 power stations with 28 MW of capacity have been accredited under the LRET in the first half of 2026. This is around 32% lower than the average capacity accredited in H1 each year since 2021 (41 MW). The opposite is true for utility-scale power stations (those above 1 MW): 1.4 GW of capacity was approved in the first half of 2026, a 32% increase compared to the H1 average since 2021 (1.1 GW).

To help deliver customer and environmental benefits from this 'missing middle', on 5 August 2026, the Minister for Climate Change and Energy announced that generation projects in the 100 kW to 1 MW range will be eligible for small-scale technology certificates (STCs) under the SRES from 1 October 2026, subject to the necessary regulations being in place. To complement this policy, the Australian Energy Market Commission will also consider rule changes to make it easier for entities installing mid-scale systems to connect to the grid. Together, these measures are expected to improve investment incentives and support increased activity in this market segment. See the Consumer Energy Resources chapter for further policy detail.

Figure 2.4 Mid-scale renewable energy approvals

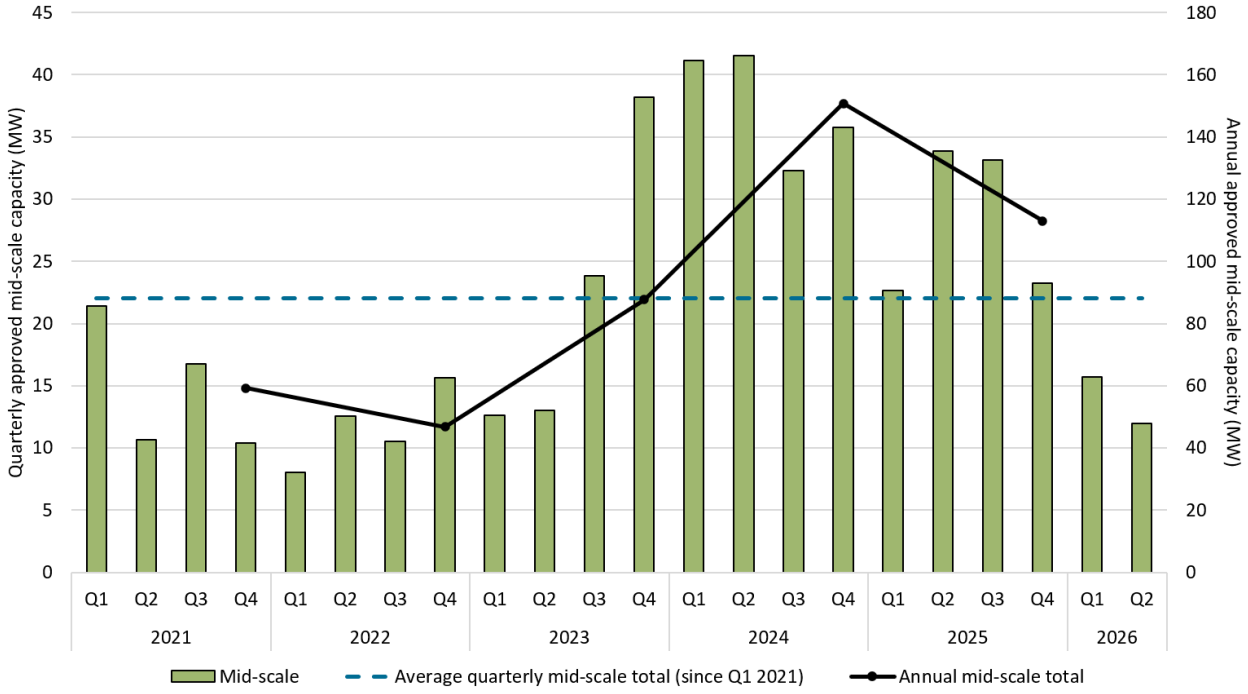
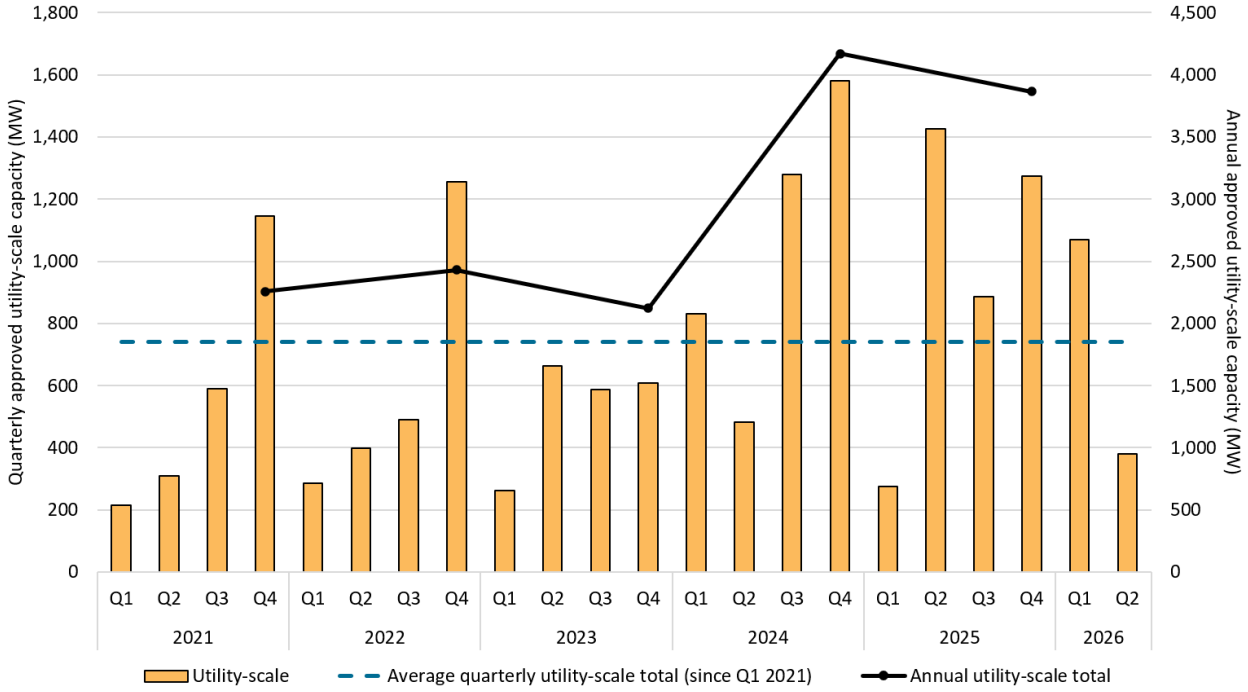


Figure 2.5 Utility-scale renewable energy approvals



As well as accreditations under the LRET, Q2 2026 saw further facilities registered under REGO. By the end of the quarter, REGO had 3 registered facilities with a combined generation capacity of 506 MW, with a further 3 facilities pending assessment. All the registered facilities to date are facilities that have already been accredited under the LRET scheme, so this does not represent additional generation capacity being added to the grid. The scheme now includes 16 registered persons (15 under REGO and one under Product Guarantee of Origin) and 19 REGO certificates have also been registered. Information on registered persons, registered facilities, and REGO certificates are available on the Guarantee of Origin Register. We are also engaging with multiple stakeholders in relation to REGO requirements and the registration process.

The commencement of REGO on 3 November 2025 has allowed large-scale energy storage facilities to enter a CER-administered scheme for the first time. To support greater visibility of potential future participation in CER schemes and the broader transformation of Australia's electricity system, we have developed a large-scale energy storage pipeline dataset that tracks storage projects across key stages of development and operation, like our current large-scale generation pipeline. As with our generation pipeline, this data is primarily sourced from public announcements and project websites, as well as direct engagement with developers. Box 2.3 provides an overview. We will continue to expand and report on the large-scale energy storage pipeline in future QCMRs.

Solar dominating large-scale renewable investment

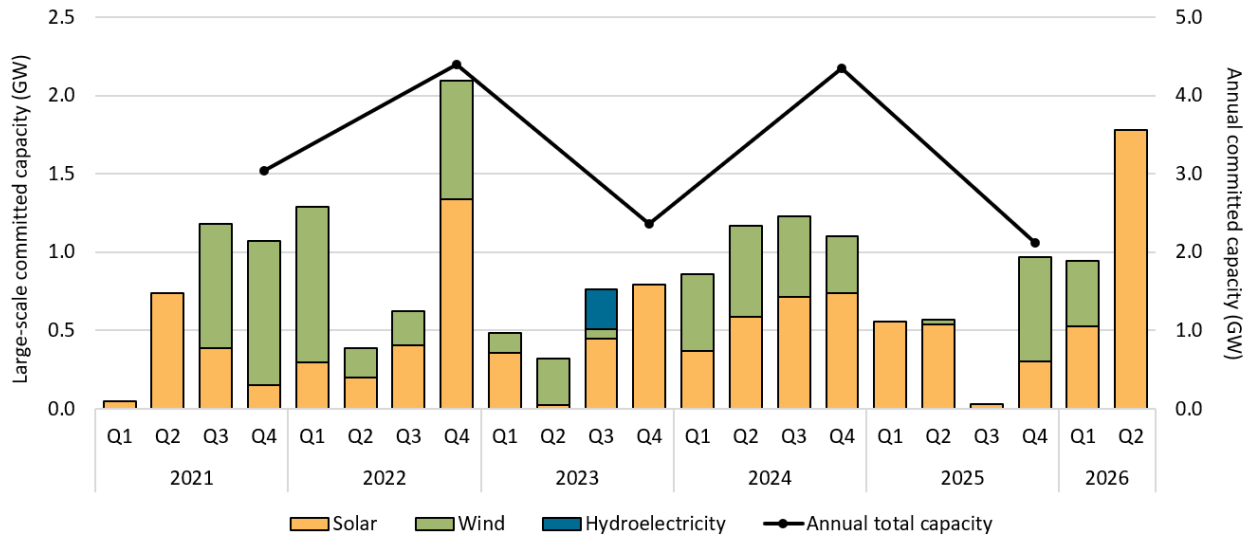
In Q2 2026, 1.8 GW of capacity reached FID, making it the strongest quarter since 2022 and bringing year-to-date FID capacity to 2.7 GW. As these projects that have reached FID progress through their development, we expect that they will submit applications for accreditation under the LRET scheme, which will act to boost our approvals pipeline. All this new capacity came from solar projects, making Q2 2026 the strongest quarter for solar investment since we began tracking final investment decisions.

Major projects reaching FID in Q2 2026 include:

- Turner River Solar Hub in Western Australia (690 MW)
- Guthrie's Gap Solar Power Station in Queensland (300 MW)
- Smoky Creek Solar Power Station in Queensland (300 MW)
- Lower Wonga Solar Farm in Queensland (281 MW)
- Muswellbrook Solar in NSW (135 MW).

Of the projects that reached FID, 3 are supported by the CIS: Smoky Creek and Guthrie's Gap power stations, and Lower Wonga Solar Farm.

Figure 2.6 FID capacity (GW) for large-scale renewable generation by fuel source



One important determinant of previous and future investment is the relative costs of different generation technologies. On 15 July 2026, CSIRO released the GenCost 2025–26 Final Report.

The report has found that solar and wind energy provide the lowest-cost pathway to achieving a net-zero electricity system by 2050 and are the only generation methods that are sufficiently developed to be deployed at the scale required for the 82% renewables by 2030 target.

Since 2022, the wind industry has seen rising costs and development challenges due to global inflationary pressures. The CSIRO's capital cost estimate for wind jumped by 35% in the 2022–23 financial year and steadily grew over 2023–24 and 2024–25, while solar and battery project costs have declined over the same period. These challenges have coincided with more subdued FID for wind projects.

Despite these challenges, several indicators suggest that development activity remains healthy and that conditions for future wind investment may be beginning to improve. The 2025–26 GenCost report suggests that there may be capital cost relief for wind projects over the coming years. The CSIRO's capital cost estimate for onshore wind had a 5% decrease in 2025–26 compared to the previous report; the first time since 2021 that the estimate has declined. While near-term cost pressures remain, the report projects a gradual decline in onshore wind capital costs through 2035.

A more favourable cost outlook may improve investment conditions for wind projects over time, although investment decisions will continue to be influenced by broader factors including financing conditions, transmission availability, and connection processes. On 20 July 2026, AEMO's June 2026 NEM Connection Scorecard noted 12 wind projects representing 5.2 GW of generation capacity applied for NEM connectivity in the 2025–26 financial year, the highest volume of wind connection applications reported in a single year.

Box 2.3 Large-scale storage pipeline

Large-scale storage continues to expand across Australia, with battery energy storage systems making up most projects in the renewable infrastructure pipeline. Storage is becoming an increasingly key component of the electricity system and is already influencing wholesale market outcomes. AEMO's Q2 2026 QED notes that large-scale battery capacity has tripled the volume of energy shifted from daytime periods of high solar output into the evening peak. This has resulted in battery charging and discharging setting prices in 36% of dispatch intervals, up from 17% in Q2 2025. This has helped reduce wholesale electricity prices and flatten the intraday price profile. Battery price spreads, which measure the difference between charging and discharging prices, fell from $342 per MWh in Q2 2025 to $51 per MWh in Q2 2026. This indicates that the gap between low-price and high-price periods narrowed substantially, reflecting a flatter intraday price profile and lower wholesale price volatility.

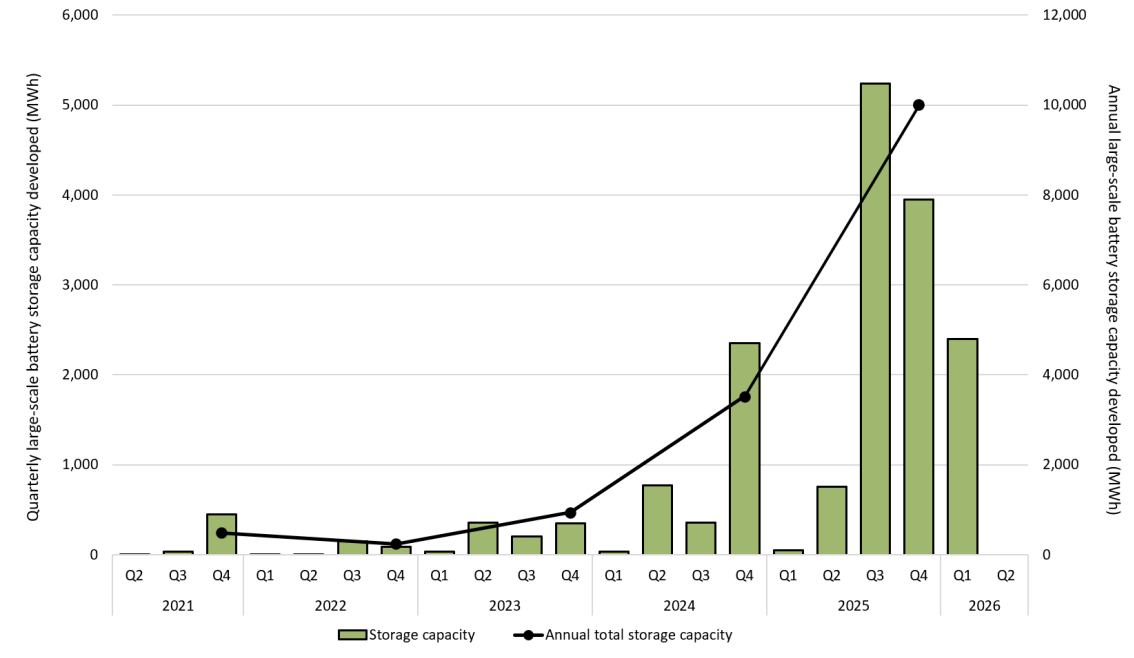
CSIRO's recent GenCost analysis found that large-scale battery capital costs experienced a year-on-year decline of 15% in 2025–26, while also showing strong resilience to inflationary pressure. While costs are expected to continue declining, future reductions are expected to be more modest than those observed in 2025–26.

The investment in dispatchable energy storage is supported by government initiatives such as the CIS. During the quarter, the Australian Government announced 15 successful projects under CIS Tender 8, delivering a combined 16.1 GWh of energy storage capacity. This represents enough capacity to support peak demand for more than 3.7 million households in the NEM for up to 4 hours. Combined with previous dispatchable tenders, approximately 37.7 GWh of battery storage capacity has been supported across the NEM and WEM under the CIS. A further 16 GWh of dispatchable capacity is currently being sought through CIS Tender 10, with successful projects expected to be announced in late 2026.

The pace of growth has been rapid. Storage capacity becoming operational each year increased from around 0.5 GWh in 2021 to 10.0 GWh in 2025. According to our data, 55 battery storage projects have become operational since 2021, while a further 54 projects have reached FID. Together, these projects represent a total of 51.4 GWh of storage capacity. Most of this storage capacity is located within states serviced by the NEM, which accounts for 85% of total capacity (43.7 GWh) across 92 projects. Of the remaining capacity, most is in the WEM, with 15% of total capacity (7.7 GWh) across 16 projects.

The size of battery storage projects has also increased rapidly, with the median capacity of completed and committed projects rising from 23 MWh in 2021 to 408 MWh in 2025. The median capacity is 285 MWh across all years in our data and 525 MWh to date in 2026. The most common configuration is 2-hour battery systems, representing 39% of projects, followed by 4-hour systems, which account for 14% of projects.

Figure 2.7 Quarterly large-scale storage completions

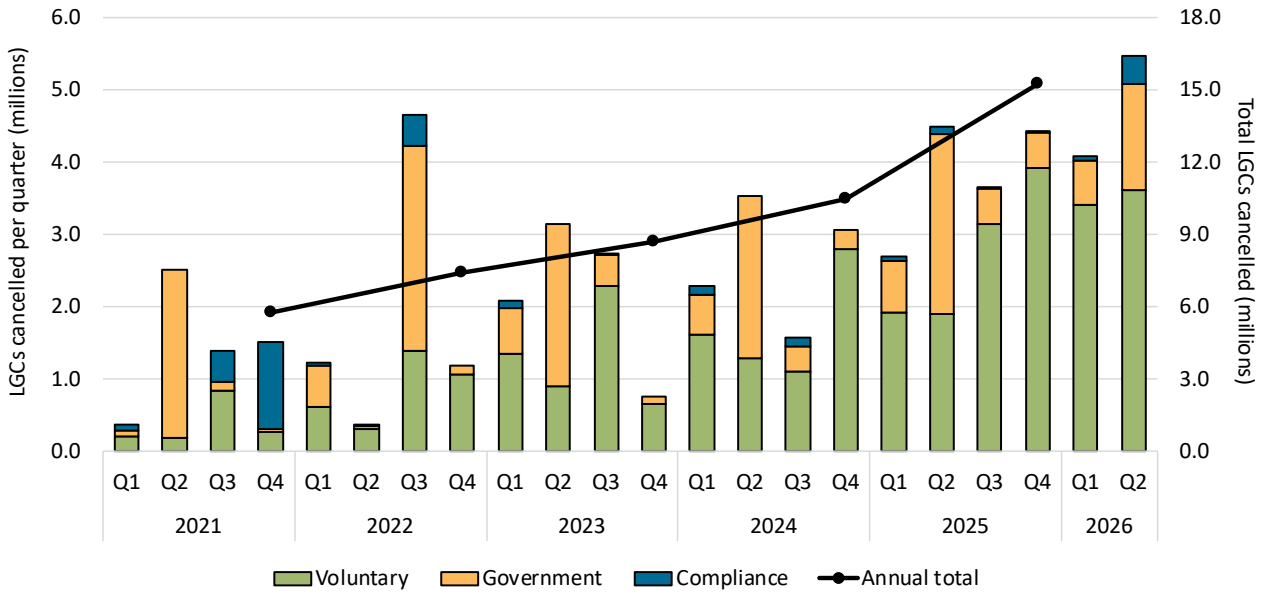


New record for non-RET surrenders

A record 5.5 million LGCs were surrendered for non-RET purposes in Q2 2026. Total non-RET surrenders in 2026 to date reached 9.6 million. This is year-on-year growth of 22% from Q2 2025, where 4.5 million LGCs were surrendered. The increase was driven primarily by voluntary surrenders from non-government participants, which totalled 3.6 million LGCs and accounted for 66% of all non-RET surrenders during the quarter. These surrenders were 91% higher than in Q2 2025. The growth in voluntary surrenders indicates that corporate and other non-government entities continue to invest in renewable electricity procurement and emissions reduction activities.

Government-related surrenders totalled 1.5 million LGCs in the quarter, a 42% decline compared to the 2.5 million surrendered in Q2 2025. The decline reflects the timing of annual surrender activity by some entities meeting their renewable electricity commitments. As a result, some surrender activity that would typically have occurred in Q2 may instead occur in Q3 2026. Compliance-related surrenders contributed a further 0.4 million LGCs, up from 0.1 million in Q2 2025.

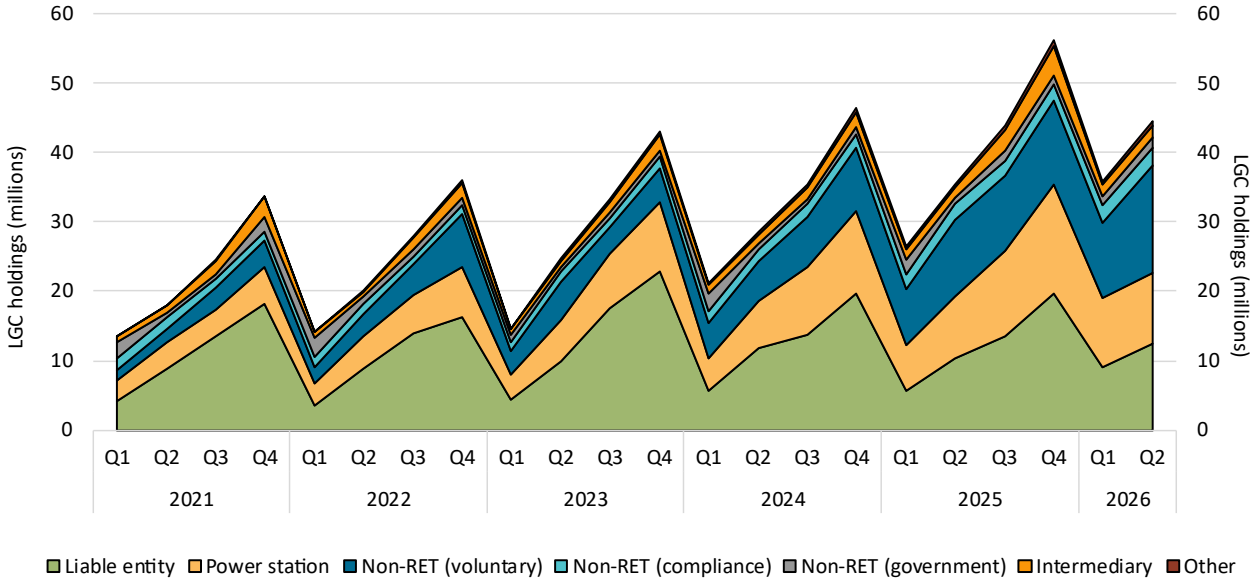
Figure 2.8 non-RET LGC cancellations by demand source



Growth in non-RET surrenders was also accompanied by an increase in first-time voluntary surrenderers. First-time participants surrendered 1.1 million LGCs in Q2 2026, accounting for almost 20% of all surrenders for the quarter. This is the highest percentage since Q2 2022, when the percentage was 35% and annual non-RET surrender volumes were roughly half of what they are today. By comparison, first time surrenderers represented around 13% of non-RET surrenders per quarter from Q1 2021 to Q2 2026.

As of the end of Q2 2026, a total of 44.4 million LGCs were held in Renewable Energy Certificate Registry (REC Registry) accounts, an increase of 25% compared to Q2 2025 when holdings totalled 35.4 million LGCs. Growth in non-RET voluntary account holdings contributed around 12 percentage points of the net increase, followed by liable entity accounts, which contributed a further 6 percentage points. Continued growth in LGC holdings is consistent with strong ongoing LGC supply.

Figure 2.9 LGC holdings (in millions) by market participation



3. Consumer energy resources

Insights

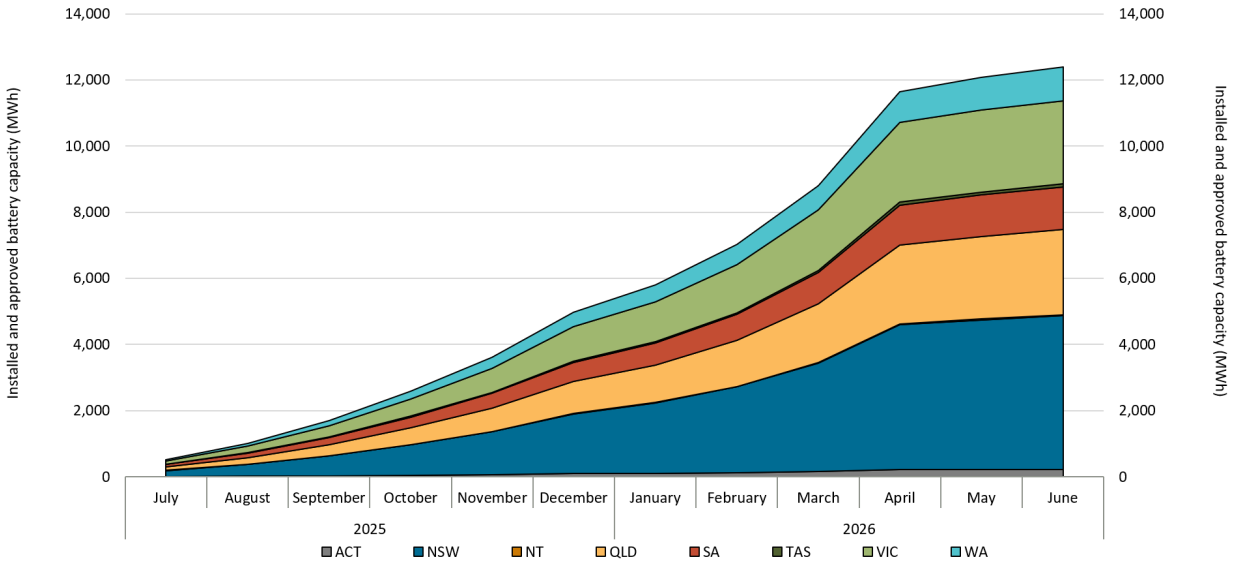
- Q2 2026 was a record quarter for both battery and small-scale solar installations. More than 111,000 batteries, representing 3.6 gigawatt-hours (GWh) of storage capacity, were approved under the Cheaper Home Batteries Program, while small-scale solar capacity exceeded 1 gigawatt (GW) for the first time in a quarter.
  - At the end of its first year, storage capacity approved under the Cheaper Home Batteries Program reached 12.4 GWh across more than 438,000 installations, with more than 500,000 applications received by mid-August.
- Installation activity surged ahead of Cheaper Home Batteries Program reforms that commenced 1 May, particularly for larger battery systems. After the reforms, battery demand remained strong but the average battery size reduced in line with the adjusted policy settings.
  - Average battery capacity fell from 36 kilowatt-hours (kWh) in April to around 23 kWh in May and June, suggesting the revised incentive settings reduced demand for larger battery systems while maintaining strong overall demand.
- Battery-related small-scale solar installations contributed to exceptionally strong solar installations during the quarter.
  - More than 80% of small-scale solar installations in April were installed with a battery. Eligibility for the Cheaper Home Batteries Program requires households to have a small-scale solar system, which may have encouraged some households to bring forward solar and battery installations ahead of the reforms.
  - The average system size for a small-scale solar system in Q2 was 10.5 kilowatts (kW) and has now been greater than 10 kW for the past 4 quarters.
  - On 5 August, the Australian Government announced that solar systems of up to 1 megawatt (MW) will become eligible under the Small-scale Renewable Energy Scheme (SRES), expanding support for mid-scale solar across businesses, farms, and community facilities. We expect there to be a period of ramping associated with project development by industry before the effect of these changes is visible in the data.
- Real-world data shows the impacts of consumer energy resources on the NEM. For example, despite total electricity demand reaching a record Q2 high, grid demand remained at its lowest Q2 level since 2020. Small-scale solar systems more than offset demand increases driven by electrification, population growth, and data centre loads. At the same time, household batteries continued to reshape demand patterns, increasing daytime charging and reducing evening demand through battery discharge.
- Despite elevated small-scale technology certificate (STC) creations of 7.7 million in Q2 2026, excluding those created under the Cheaper Home Batteries Program, STC prices remained close to $40 throughout Q2.
- Air-source heat pump (ASHP) installations increased 16% year-on-year in Q2 2026, driven by strong growth in New South Wales (NSW), Western Australia (WA), and Queensland.

Battery installations reach record levels in Q2

Home battery data shows the first year of the Cheaper Home Batteries Program concluded with a record quarter for installations. Throughout Q2 2026, 111,000 battery installations, representing 3.6 GWh of capacity, were approved under the program.

This exceeded the 83,000 installations and 2.5 GWh of capacity approved by the end of Q1 2026. Due to the time required for applications to be assessed and approved, the number of Q1 2026 installations approved has subsequently increased to 122,000.

Figure 3.1 Cumulative battery capacity installed and approved under the Cheaper Home Batteries Program by state and territory



A quarter of 2 parts for home batteries

The quarter had 2 distinct phases: installations completed before 1 May and those completed after the changes to the Cheaper Home Batteries Program took effect. From 1 May 2026, revised STC rates were introduced to provide a more consistent level of support across battery sizes, equivalent to around a 30% reduction in installation costs.

Despite these changes, demand for battery storage remained strong following the introduction of the revised STC settings. Installation activity moderated from the exceptional levels observed in April, while the distribution of battery sizes shifted towards smaller systems. These trends are consistent with consumers and installers bringing forward some battery purchases ahead of the revised STC settings, while underlying demand for battery storage remained strong.

The rest of this section analyses the impacts on installation activity including volumes, battery sizes, and the share of installations coupled with or retrofitted with small-scale solar. Across these metrics, our data shows a consistent pattern of expected behavioural responses to the 1 May changes, followed by ongoing strength in demand for home batteries.

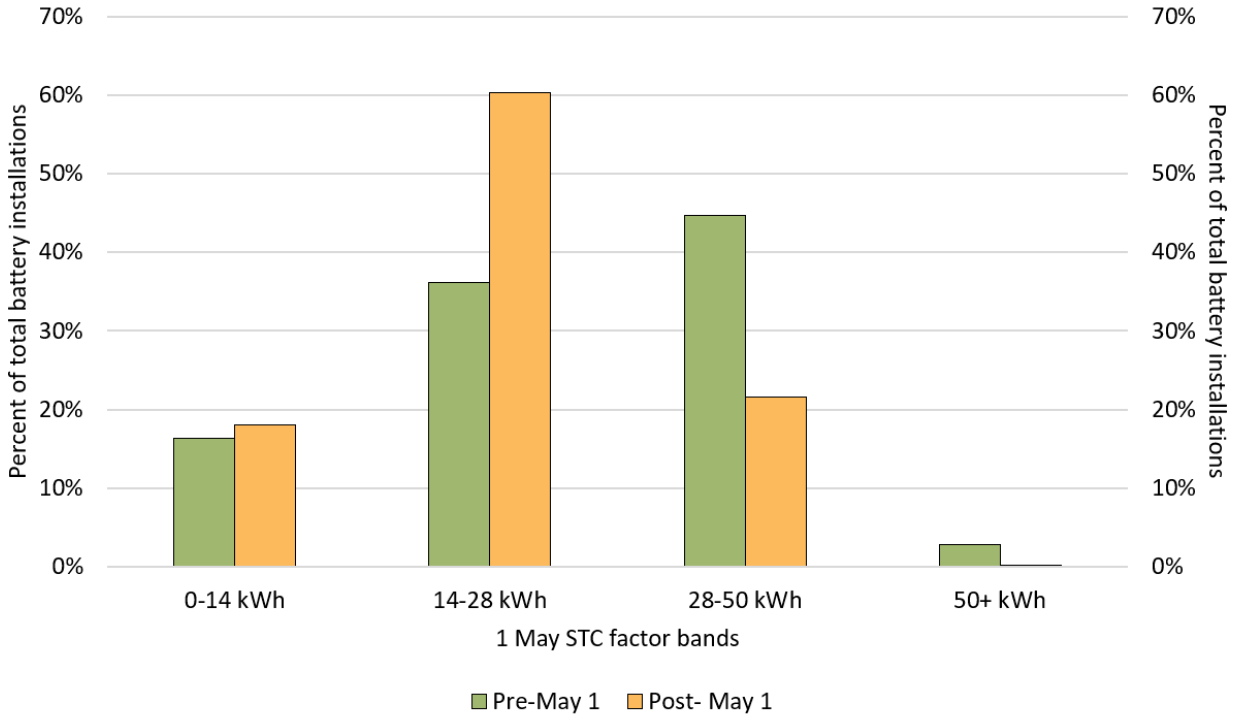
Installed volumes and capacity

The lead-up to the 1 May changes was characterised by exceptionally strong installation activity, with the record Q2 outcome primarily driven by the surge in installation activity in April. By the end of Q2, 78,000 April installations representing 2.8 GWh of capacity had been approved under the Cheaper Home Batteries Program. By comparison, the first 9 months of the program saw an average 40,000 monthly installations representing 980 megawatt-hours of capacity.

Following the 1 May changes, installation rates fell back towards levels seen ahead of the pre-May surge, and the average battery system size decreased markedly, from 36 kWh in April to 23 kWh in May and June. Our analysis of installation data suggests industry participants accelerated activity ahead of the announced 1 May policy changes.

- Installation volumes remained elevated throughout April, with some installers continuing work through weekends and public holidays. Average installation rates on April public holidays and weekends were higher than those observed across the remainder of the program, reflecting efforts to complete installations before the revised STC settings took effect on 1 May.
- The increase in installation activity was concentrated in larger battery systems. The average installed battery capacity in April was above levels observed earlier in the program. This is consistent with industry intelligence indicating that installers prioritised customers wanting larger battery system installations ahead of the changes, as these systems experienced the largest reduction in support under the revised STC settings.

Figure 3.2 Distribution of battery installations approved under the Cheaper Home Batteries Program by STC factor bands



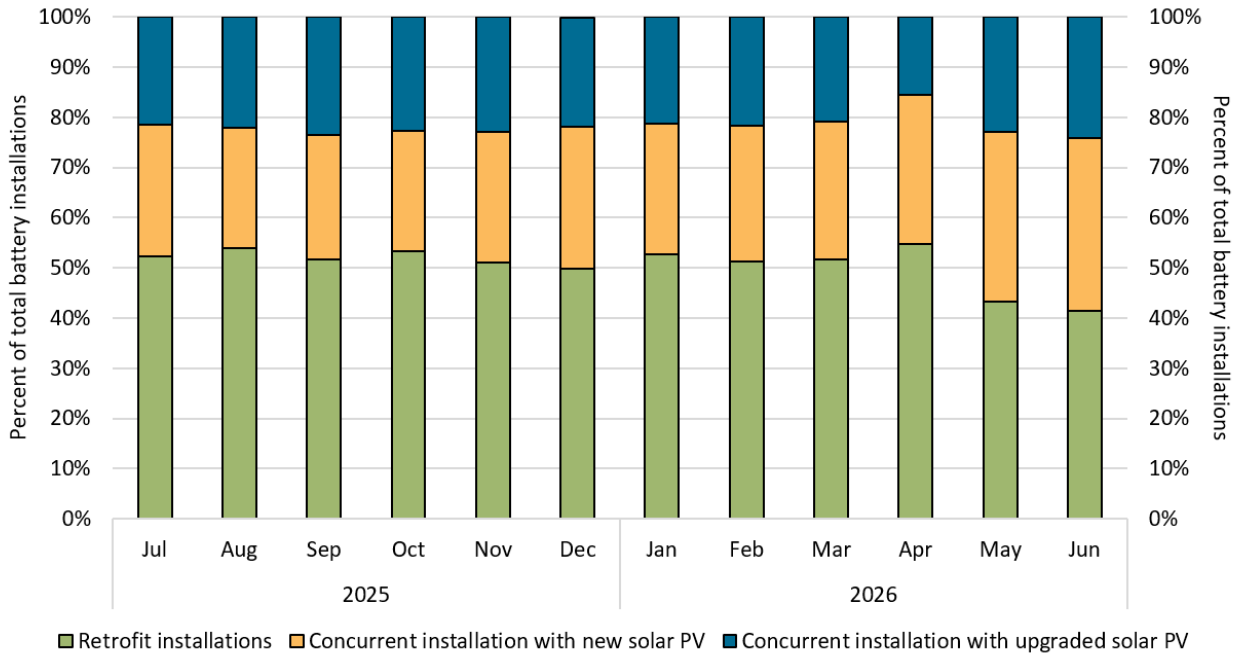
Retrofits versus new or upgraded small-scale solar

From the commencement of the Cheaper Home Batteries Program to March 2026, batteries installed with upgraded small-scale solar systems accounted for an average of 22.0% of installations. During the April 2026 surge, this proportion fell to 15.6%.

- This is consistent with installers and consumers seeking to complete battery installations before the 1 May changes took effect. For households that already had small-scale solar and were therefore eligible for the Cheaper Home Batteries Program, installers may have prioritised the battery installation ahead of the 1 May deadline, with any associated solar upgrades completed later.

The proportion of batteries installed on existing small-scale solar systems increased to 55% in April before falling to around 42% across May and June. Together, these trends suggest that many battery retrofits were brought forward ahead of the 1 May changes, while installations involving solar upgrades became more common after the changes took effect.

Figure 3.3 Distribution of battery installations approved under the Cheaper Home Batteries Program by installation type

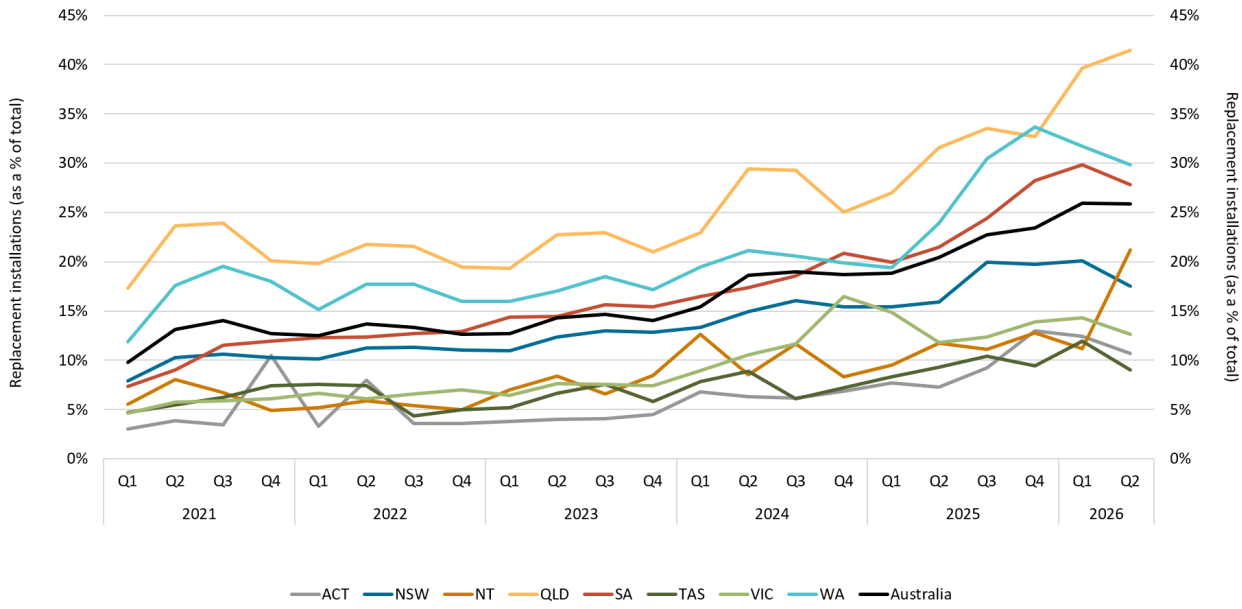


Replacement small-scale solar rates remain high

The changes to the Cheaper Home Batteries Program influenced more than battery installation volumes and system sizes. The strong demand to install batteries before 1 May also appears to have affected household decisions about small-scale solar, contributing to unusually strong solar installation activity during April. Replacement rates varied across jurisdictions, suggesting local factors may also influence household and business decisions.

Despite the exceptionally strong installation activity observed during April, replacement rates remained broadly consistent with recent trends. For the second quarter in a row, replacements accounted for around 25% of all small-scale solar installations nationally, suggesting that the record Q2 result was primarily driven by growth in new and upgraded systems rather than increased replacement activity.

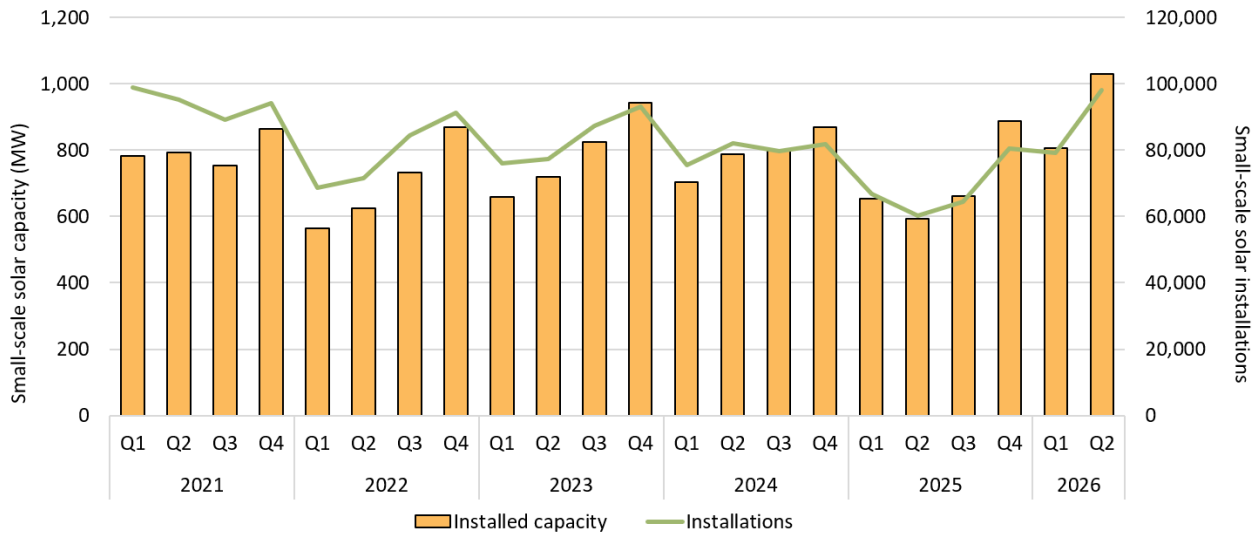
Figure 3.4 Replacement small-scale solar as a proportion of total installations by state and territory



Q2 2026 sets new record for small-scale solar capacity

Installed small-scale solar capacity reached a new record in Q2 2026 with more than 1 GW of installations. While some of this strength reflects unusually high installation activity in April, the result nevertheless demonstrates the continuing strength of demand for small-scale solar systems, and points to a possible record year for small-scale solar capacity.

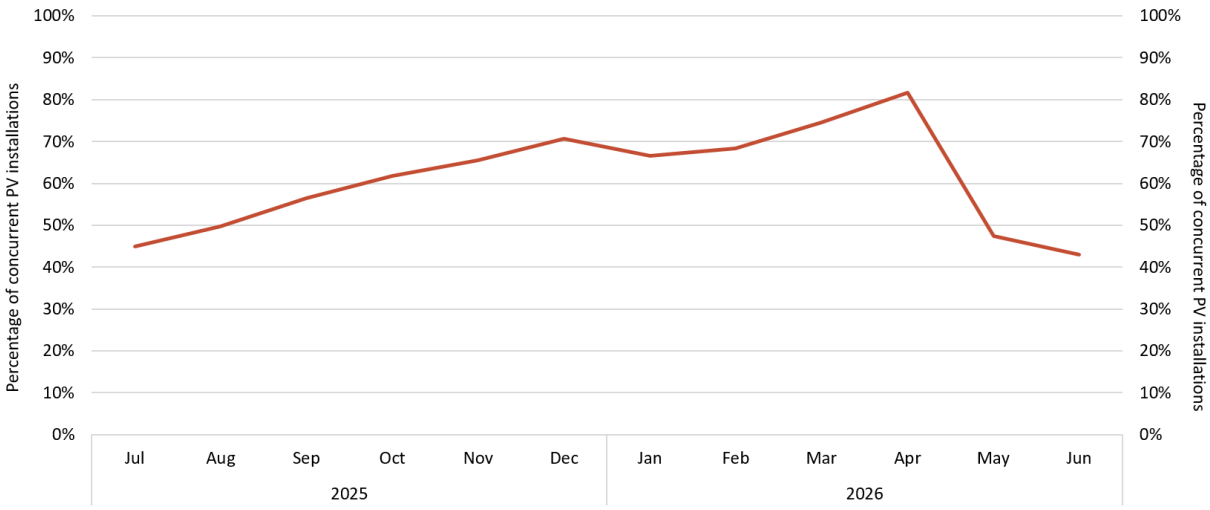
Figure 3.5 Small-scale solar installations and installed capacity (MW)



While small-scale solar was not directly affected by the 1 May changes to battery incentives, the behavioural response associated with those changes is evident in solar installation data.

- An estimated 480 MW of small-scale solar capacity was installed in April alone, making it the strongest month on record. This contrasts with historical seasonal patterns, where April has typically been one of the weaker months for installed capacity.
- More than 80% of all small-scale solar installations in April were installed concurrently with a home battery, compared with less than 50% in May and June. This suggests that many households bringing forward battery purchases were also bringing forward associated small-scale solar installations. This may be particularly relevant for households that did not originally have small-scale solar installed, as this is a prerequisite for eligibility in the Cheaper Home Batteries Program.

Figure 3.6 Concurrent small-scale solar installs as % of total installations under the Cheaper Home Batteries Program



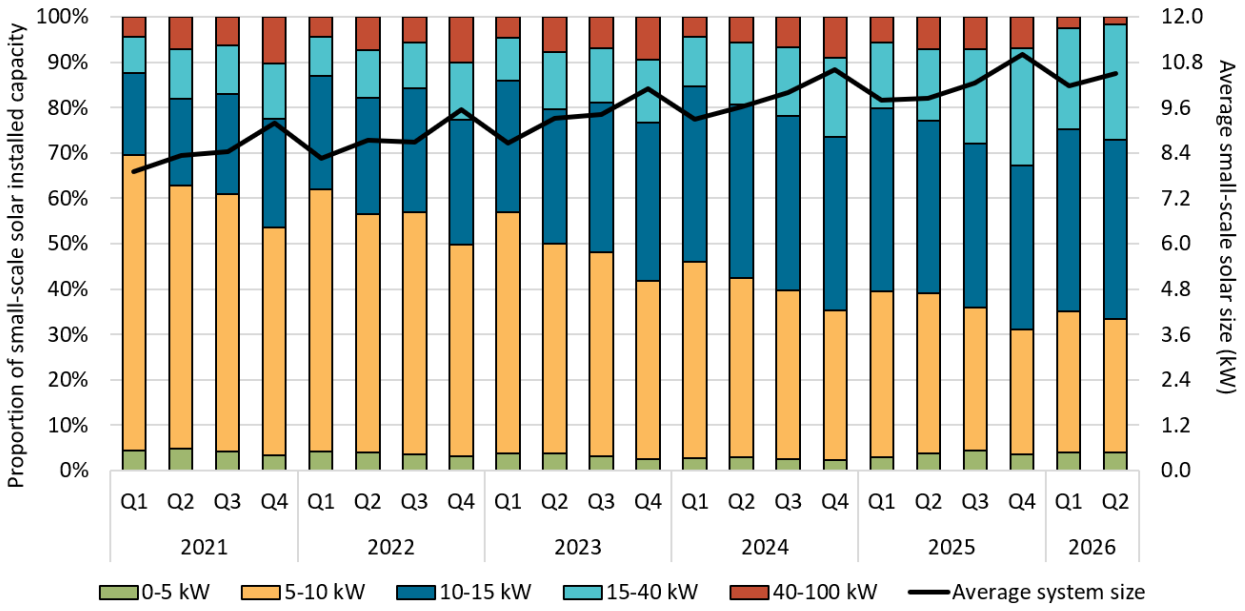
Based on current installation activity, 2026 is on track to be a record year for installed small-scale solar capacity. Capacity is currently tracking in line with the projected 3.0 to 3.7 GW range.

While installation activity moderated following the April surge, preliminary lag-adjusted data suggests underlying demand for small-scale solar remained strong. We can compare results with those from 2024, as this year was a near-record year for small-scale solar capacity and was not affected by the commencement of the Cheaper Home Batteries Program. Installations in May 2026 were lower than in May 2024, but June 2026 installations were higher than June 2024. Together, these outcomes suggest that although some activity may have been brought forward into April, demand for small-scale solar remained resilient following the 1 May changes. The moderation in May may also reflect a return to more typical installation patterns following the pre-1 May surge, including fewer weekend and public holiday installations.

The growing scale of small-scale solar is having an increasingly visible impact on electricity system outcomes. The Australian Energy Market Operator's Q2 2026 Quarterly Energy Dynamics report found that total electricity demand supplied by consumer energy and the grid – known as 'underlying' demand – reached a new Q2 high in the NEM. Despite this increase, electricity supplied through the grid – known as 'operational' demand – was lower than a year earlier and at its lowest Q2 average since 2020. This occurred because growth in distributed solar output more than offset the increase in total demand, reducing the amount of electricity required from the grid.

The average small-scale solar system size in Q2 2026 was 10.5 kW, marking a full year in which the quarterly average system size has been greater than 10 kW. This continues the longer-term trend towards larger systems. Installations sized between 15 and 40 kW accounted for 26% of all installations in Q2 2026, up from 16% in Q2 2025, and were the primary driver of growth in average system size. The expansion of SRES eligibility to systems up to 1 MW, discussed next, may provide a further driver of growth in average system sizes.

Figure 3.7 Distribution of small-scale solar installed capacity by size band and average system size (kW)



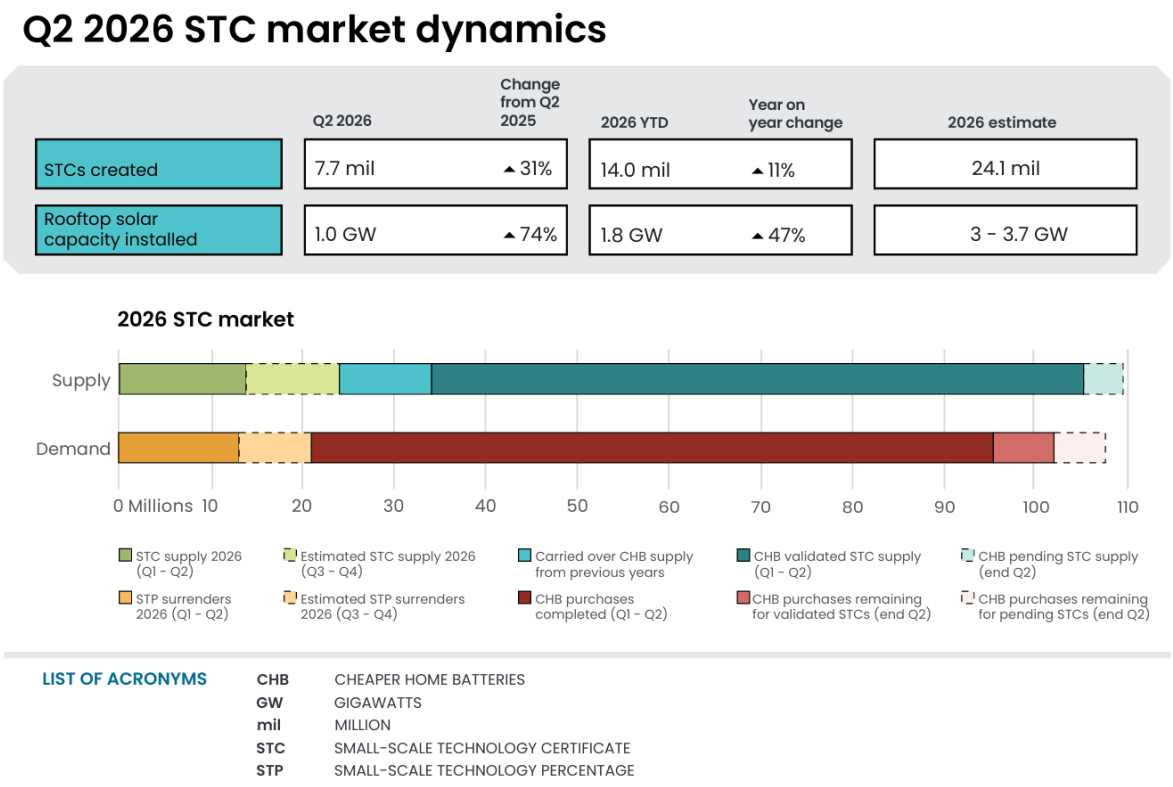
Mid-scale solar support for Australian businesses and communities

On 5 August, the Australian Government announced that solar systems of up to 1 MW will become eligible under the SRES from 1 October 2026, subject to the necessary regulations being in place. The change extends support beyond traditional residential systems and is intended to encourage greater deployment of solar in the commercial, industrial, and agricultural sectors. Eligibility for SRES support will be expanded to provide support for mid-scale solar systems above 100 kW and no more than 1 MW that meet criteria to be specified in the regulations. Eligible mid-scale solar systems installed from 1 October 2026 will be able to create STCs based on a 5-year deeming period each year to 2030, rather than the declining deeming period. More information about eligibility and compliance requirements is available on the department's website.

While some projects already in development may become eligible shortly after commencement, many industry participants will require time to respond to the new incentives and develop additional projects. As a result, the full effect of the change is likely to emerge over time. Previous CER analysis indicates that systems of this size take at least 8 months from design to approval. The Australian Government has requested that the Australian Energy Market Commission consider rule changes to improve commercial and industrial solar connection processes, which could reduce project delivery times if implemented. The change will also result in additional STC creations. These certificates will be included under the small-scale technology percentage (STP), with the impact on future STP settings expected to be modest.

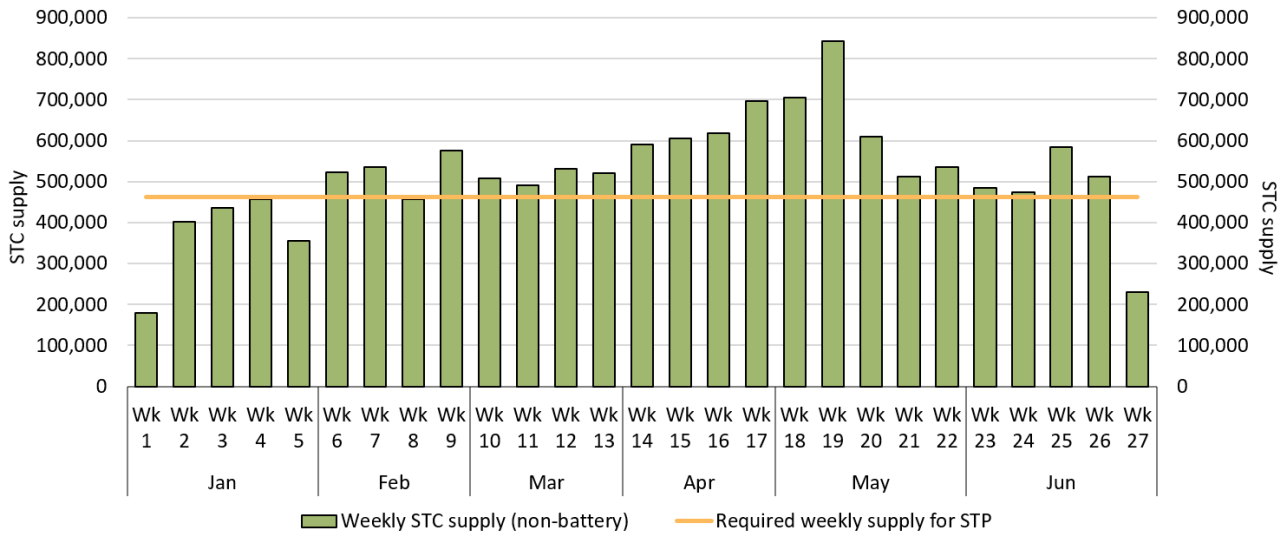
Market dynamics

Image 3.1 Q2 2026 STC market dynamics



In Q2 2026, 7.7 million STCs were created, excluding STCs created as part of the Cheaper Home Batteries Program. On average, 591,000 STCs were created per week during Q2 2026, which exceeds the average 462,000 requirement to meet the compliance demand of 21.5 million set for the 2026 STP.

Figure 3.8 Weekly STC supply and the required supply to meet the STP



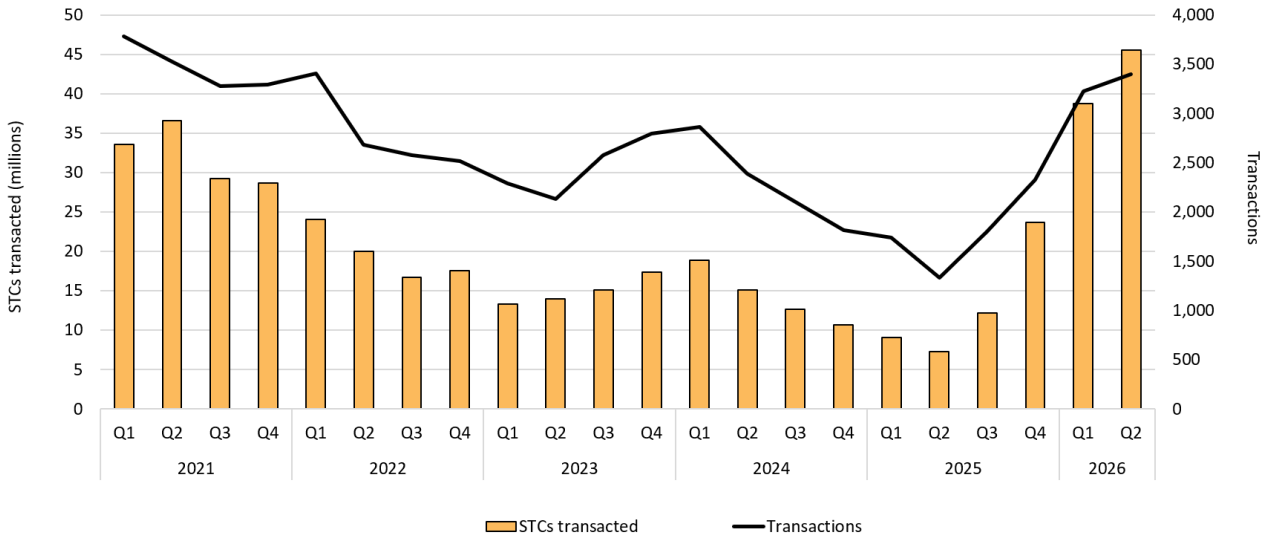
A total of 5.4 million STCs were surrendered to meet the 28 July Q2 deadline. During the period between the 29 April and 28 July surrender deadlines, around 1.5 million STCs were purchased from the clearing house by liable entities, indicating that most surrender obligations were met using certificates sourced outside the clearing house.

The surge in battery and small-scale solar installations ahead of the 1 May changes to the Cheaper Home Batteries Program was reflected in STC market activity during Q2 2026. As STC creation volumes increased throughout April, sell offers to the clearing house reached record levels. During this period, the Australian Government continued purchasing STCs through the clearing house under the Cheaper Home Batteries Program. As a result of the higher volume of sell offers, the clearing house surplus peaked at 14.4 million STCs in May, with average wait times increasing to more than 4 weeks.

These market conditions appear to have influenced participant behaviour. Some market participants elected to sell STCs through the open market rather than wait for execution through the clearing house. As a result, 45.5 million STCs were transferred between market participants during Q2 2026, the highest quarterly transaction volume on record.

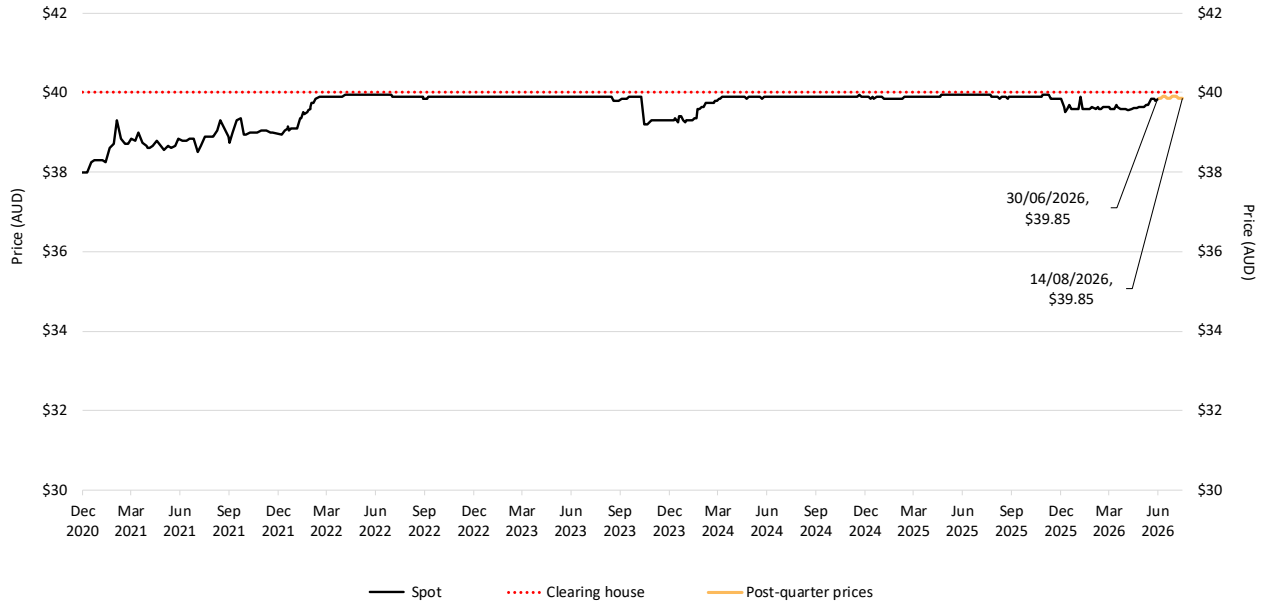
Following the 1 May changes to the Cheaper Home Batteries Program, STC creation volumes moderated as installation activity returned to more regular levels after the exceptional activity recorded in April. This was accompanied by a reduction in the clearing house surplus from its May peak to 2.5 million STCs by the end of the quarter, while average clearing house wait times declined to 13 days.

Figure 3.9 STC market transactions



Despite these changes in trading behaviour, STC prices remained close to the clearing house price of $40 throughout the quarter. This indicates that prices for STCs remained resilient despite the unusually high volume of certificates entering the market. Market intelligence suggests that intermediary buying continued to absorb increased certificate supply, limiting downward pressure on spot prices.

Figure 3.10 STC reported spot and clearing house prices



In late June 2026, the REC Registry experienced an incident that temporarily affected system availability between 30 June and 7 July. Although participants were unable to submit applications or complete certificate transactions during the outage, the incident did not affect Q2 2026 STC surrender obligations. We have directly contacted account holders whose accounts have been impacted by duplicate certificates created during the incident.

Air source heat pump installations rise

In Q2 2026, around 28,000 ASHPs were installed, up 16% from Q2 2025. ASHP installations to date in 2026 now number around 49,000.

In Q2, the biggest proportionate year-on-year increase in ASHPs was in WA, which saw 54% more installations in Q2 2026 compared to Q2 2025. Queensland and NSW also saw strong year-on-year growth with 41% and 34% more installations in Q2 2026 compared to Q2 2025 respectively. Tasmania, however, experienced a sharp year-on-year decline, with 48% fewer installations in Q2 compared to a year ago. Victoria remains the largest market for ASHP installations in the country, a position it has held since Q3 2024. Victoria accounted for 50% of all installations in the quarter. This is attributable to the combination of Victoria's Solar Homes rebate and Victorian Energy Upgrades discount, which represents some of the most generous rebates for ASHP installations in the country.

Figure 3.11 ASHP installations by state and STC validations

