Australian Government
Clean Energy Regulator

Quarterly Carbon Market Report






CLEAN ENERGY REGULATOR

March Quarter 2026

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 March Quarter 2026 (January to March 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 (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 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 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	03/06/2026	Initial publication

Glossary

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

Highlights

- Distributed energy is reshaping grid dynamics, with the latest real-world data showing solar-battery households importing less from the grid and exporting more during evening peak periods. If strong installs for small-scale solar and batteries are sustained, we could see a step change in the contribution of distributed energy resources to the grid. Consideration of the implications of additional storage will be increasingly important for understanding grid dynamics and the contribution of renewables to reaching emissions reduction targets.
  - For example, additional distribution system storage is likely to reduce instances where large-scale renewable generators lower their output due to low or negative prices.
- Battery uptake surged during the quarter and beyond. Across Australia, there are now more than 400,000 batteries installed – including validated and pending systems as at mid-May – representing over 11.4 GWh of usable capacity.
  - Industry analysis puts the total global battery installations for 2025 at 257 GWh, with around 80% in utility-scale systems. Within the remaining small-scale segment, Australia's installations are substantial by international standards.
  - Some demand reflects consumers installing systems ahead of the May program reforms, designed to maintain a similar level of support across battery sizes. That said, reductions in battery prices as the technology matures could increase battery sizes over time.
  - We expect demand for batteries to remain high post-reform, but with smaller average sizes.
- Small-scale solar hit record levels, with 791 MW installed in Q1 2026. Over the past year, additional generation from small-scale solar installations have offset underlying electricity demand growth in the NEM. The outlook for small-scale solar installations is strong for 2026.
- Renewables reached a new Q1 high, accounting for 47% of NEM generation, driven by strong wind and solar output and a decline in thermal generation.
  - Growing battery capacity is also enabling higher renewable penetration, shifting energy across time and reducing reliance on coal- and gas-fired generation for evening peaks.
- Large-scale renewables investment remains healthy: 1.1 GW was approved and 946 MW reached final investment decision (FID) in Q1 2026. Post-quarter decisions see FID of 2.4 GW so far this year.
- Record renewable generation increased LGC oversupply despite growing voluntary demand.
  - Non-RET surrenders reached a record Q1 level of 4.1 million LGCs, driven by non-government demand and lower prices attracting new entrants. First-time participation increased significantly, with around 540,000 LGCs surrendered by new entrants, up from 149,000 in Q1 2025.
- The Renewable Electricity Guarantee of Origin scheme saw its first certificates issued in the quarter.
- Data from the 2024-25 compliance year for the Safeguard Mechanism indicate the scheme continues to progress well in line with expectations and policy settings.
  - Of the 208 facilities covered for the 2024-25 reporting period, 141 facilities' net emissions exceeded their baselines with a total excess of 13.7 Mt CO2-e. To manage excess emissions, entities surrendered 10.8 million ACCUs and 2.6 million SMCs. ACCU issuance remains strong with a record Q1 of 5.5 million ACCUs. Issuances in 2026 are on track for 22 to 26 million ACCUs.
- ACCU holdings, excluding the cost containment measure, decreased by 4.2 million to 56.5 million at the end of Q1 2026 as Safeguard Mechanism entities surrendered for compliance purposes.

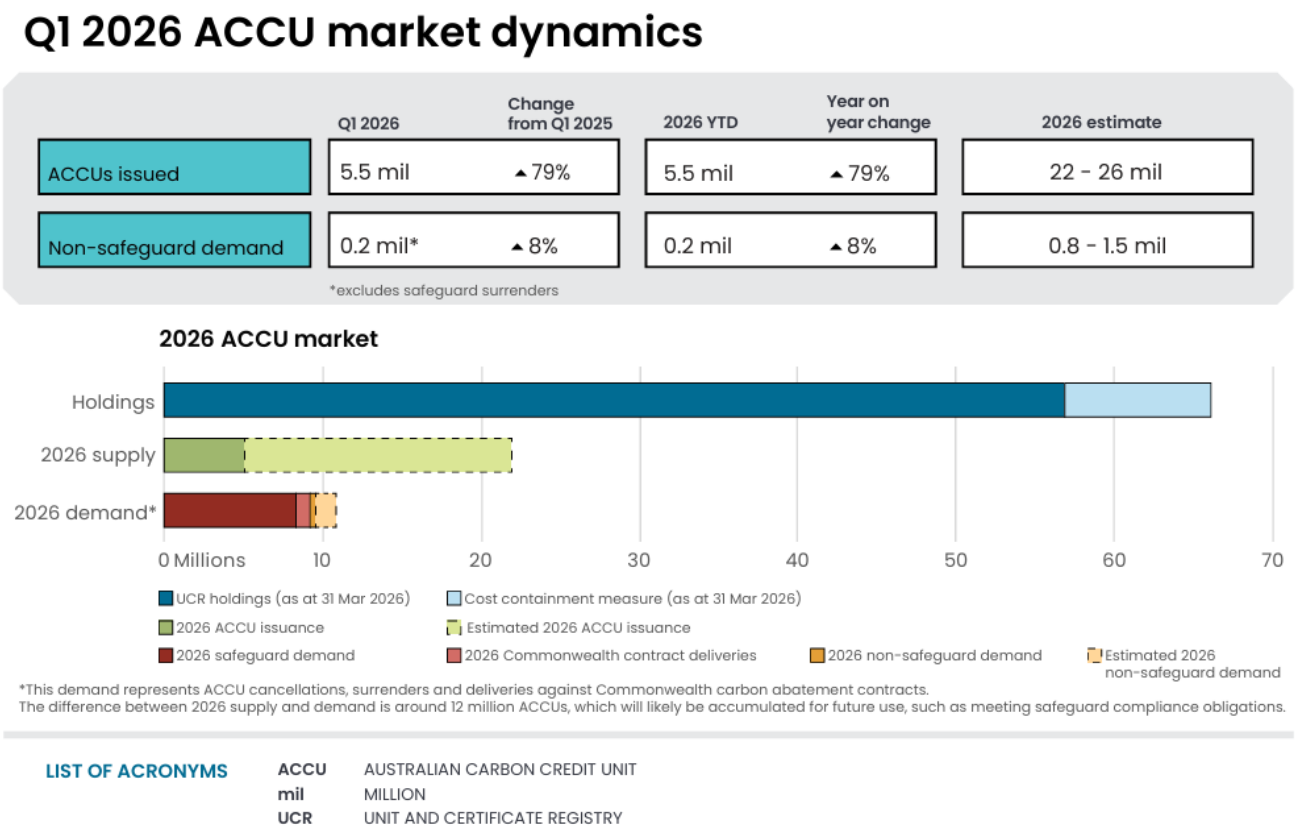
With declining baselines under the Safeguard Mechanism, we expect a drawdown of accumulated holdings later this decade.

1. Australian environmental markets

Insights

- In Q1 2026, 5.5 million ACCUs were issued. This is the highest issuance for Q1 on record. This is an increase of 79% (2.4 million) compared to the same time last year.
  - » Issuances in 2026 are on track for CER's estimated range of 22 to 26 million ACCUs.
  - » This issuance was largely driven by a total of 3.7 million ACCUs issued to vegetation projects. This is a record for vegetation issuance in a quarter, with 60% of this coming from human-induced regeneration and 29% coming from environmental plantings projects.
- The Safeguard Mechanism continues to progress well in line with expectations and policy settings. The 2024-25 safeguard publication released on 15 April shows:
  - » The cumulative impact of the scheme since its reform includes a total reduction in covered emissions of 5.8 Mt CO_2-e across the 2 completed years, with net emissions falling 17.5 Mt CO_2-e.
  - » 8.8 million ACCUs and 2.6 million SMCs were surrendered in Q1 2026 for safeguard purposes, bringing the total for the 2024-25 compliance period to 10.8 million ACCUs and 2.6 million SMCs.
- Because of the Safeguard Mechanism compliance deadline on 31 March 2026, ACCU holdings in the Unit and Certificate Registry (UCR), excluding the cost containment measure, decreased by 4.2 million to 56.5 million at the end of Q1 2026.
  - » The cost containment measure increased by 0.7 million ACCUs to reach 5.5 million at quarter end.
- SMC holdings in the UCR increased by 4.1 million to 11.0 million at the end of Q1 2026.
  - » Safeguard holdings increased by a total of 3.8 million SMCs, following issuance of 6.7 million and surrender of 2.6 million over the quarter.
- With declining baselines under the Safeguard Mechanism, we expect inventory will reach a peak followed by a progressive a drawdown of accumulated holdings later this decade.
- The ACCU supply pipeline is healthy, supported by new methods and new and existing projects. In Q1 2026, 69 ACCU Scheme projects were registered, in line with the Q1 average this decade but 23% lower than Q1 2025.
  - » In Q1 2025, there were higher registrations of waste and industrial fugitives projects prior to methods sunsetting on 31 March.
- A total of 0.2 million ACCUs were cancelled for voluntary disclosure not associated with safeguard surrenders in Q1 2026, up 8% compared to the same quarter last year.

Image 1.1 Q1 2026 ACCU market dynamics



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

Table 1.1 ACCU supply and demand summary for Q1 2026

	Q1 2026	
ACCU	Supply	Demand
Balance carried forward from Q4 2025	60.7m	-
ACCU supply	+5.5m	-
ACCU Scheme contract deliveries*	-	-0.7m
Safeguard surrenders	-	-8.8m
Non-safeguard cancellations	-	-0.2m
Net balance at the end of Q1 2026	**56.5m**	
Cost containment measure	5.5m	

*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 Q1 2026

	Q1 2026	
SMC	Supply	Demand
Balance carried forward from respective period	6.9m	-
SMC supply	+6.7m*	-
Safeguard surrenders	-	-2.6m
Net balance at the end of Q1 2026	**11.0m**	

**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 progress

The CER published the outcomes of the 2024-25 compliance period of the Safeguard Mechanism on the statutory deadline of 15 April 2026.The 2024-25 safeguard publication includes the data from the second year of declining baselines. The data shows the Safeguard Mechanism continues to progress well in line with expectations and policy settings. Key highlights include:

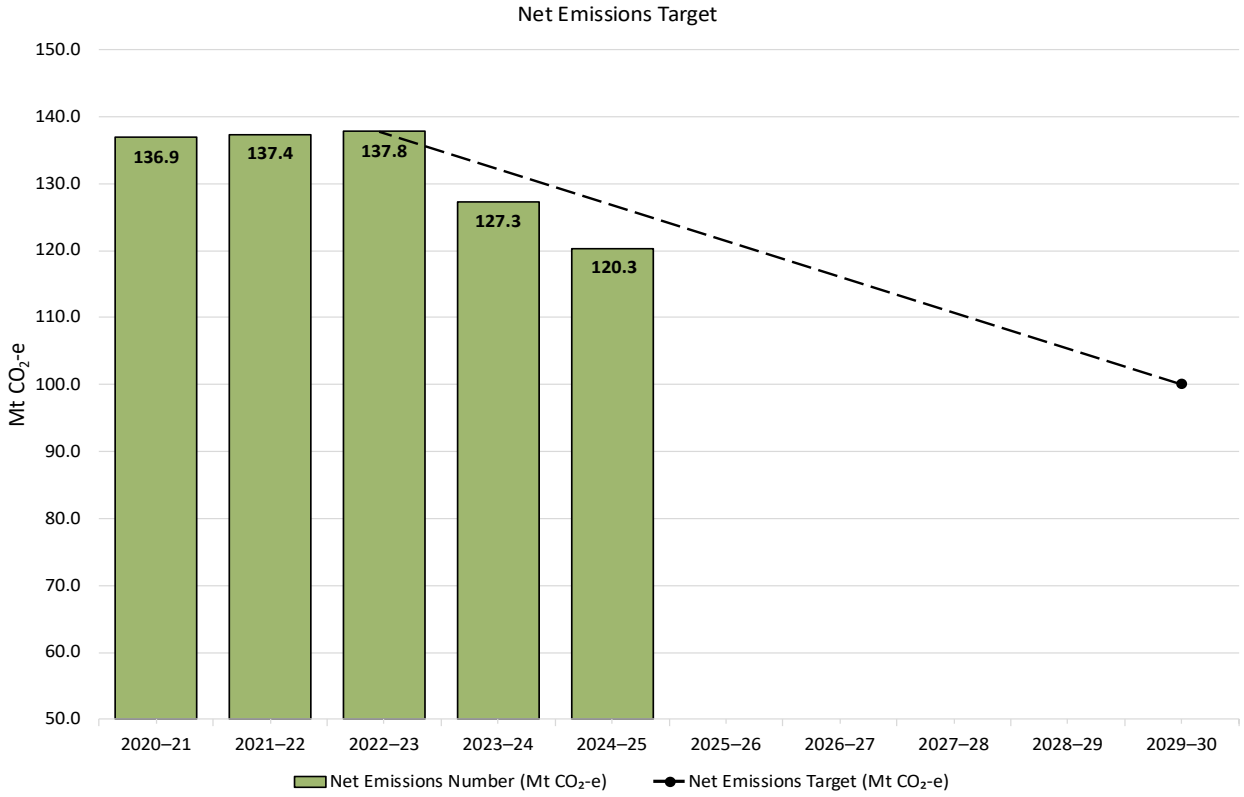
- 208 facilities were covered by the Safeguard Mechanism for the 2024-25 reporting period, down from 219 facilities covered in 2023-24. Yearly changes in the number of facilities covered by the Safeguard Mechanism are often reflective of facilities rising and falling above and below the 100,000 tCO_2-e Safeguard threshold.
- Total covered emissions from safeguard facilities for 2024-25 were 132.8 million tonnes of carbon dioxide equivalent (Mt CO_2-e), a 2.3% reduction from 136.0 Mt CO_2-e in 2023-24.
- Total baselines for 2024-25 were 126.2 Mt CO_2-e, a 7.3% reduction from 136.1 Mt CO_2-e for 2023-24.
- 141 facilities' net emissions exceeded their baselines in 2024-25, with a total excess of 13.7 Mt CO_2-e, an increase from 9.2 Mt CO_2-e excess in 2023-24.
  - » To manage excess emissions, entities surrendered 10.8 million ACCUs and 2.6 million SMCs.
- A total of 6.7 million SMCs were issued to 54 responsible emitters for 2024-25, a 19.4% reduction from 8.3 million in 2023-24.

The 2024-25 compliance year was the second since the Safeguard Mechanism reform in 2023. The cumulative impact of the scheme since its reform includes a total reduction in covered emissions of 5.8 Mt CO_2-e across the 2 completed years, with net emissions falling 17.5 Mt CO_2-e. This tracks below the trajectory for the scheme's objective of less than 100 Mt CO_2-e of net emissions in the 2029-30 financial year. Baselines have reduced by a total of 45.4 Mt CO_2-e in the 2 years. This year was the first time that total covered emissions were higher than total baselines, meaning 'aggregate headroom' -- the difference between total covered emissions and total baselines -- has been removed.

Transitioning to lower emissions production requires time and investment that may not be completed at this point. ACCU and SMC surrender act as a flexibility measure until lower emissions production can be fully achieved. Net emissions numbers decreasing in the 2 years of the reformed Safeguard Mechanism is a sign that the mechanism is working as intended, with emissions moving downward since 2022-23.

Emitters need to sustain this good early progress by investing in available technologies and continuing to support research and develop in sectors where these are still emerging.

Figure 1.1 Progress towards net emissions target of ≤ 100 Mt CO2-e in 2029–30

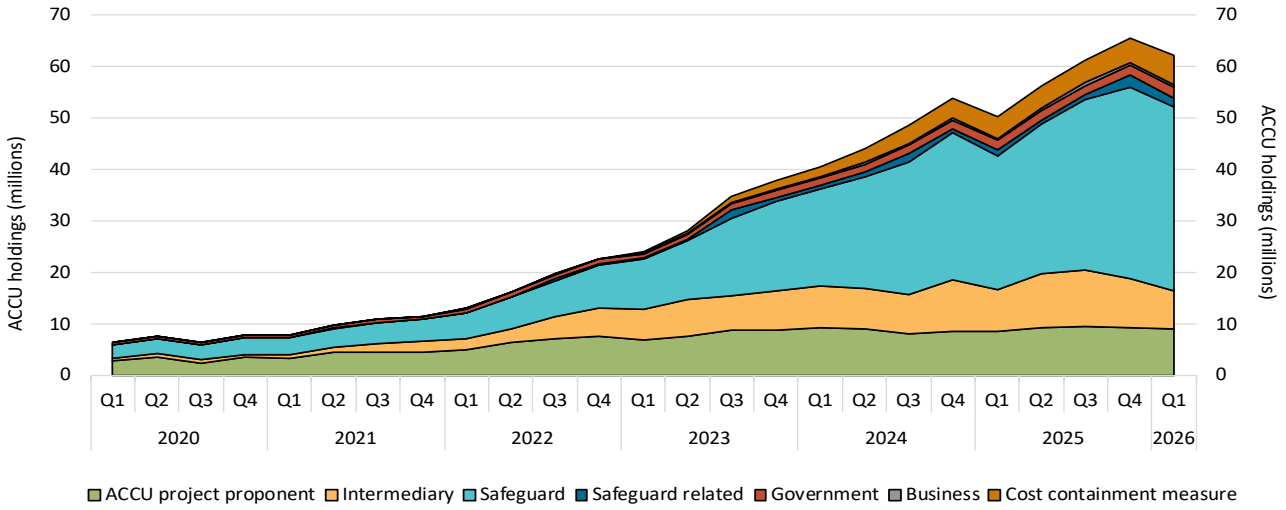


The government's review of the Safeguard Mechanism in 2026–27 will consider whether its policy settings are appropriately calibrated. The review will consider a range of matters including the emissions baseline decline rate, coverage arrangements considering any competitiveness issues, the use of offsets beyond 2030 and the suitability of arrangements for emissions-intensive trade-exposed activities.

Safeguard surrenders drive ACCU holdings

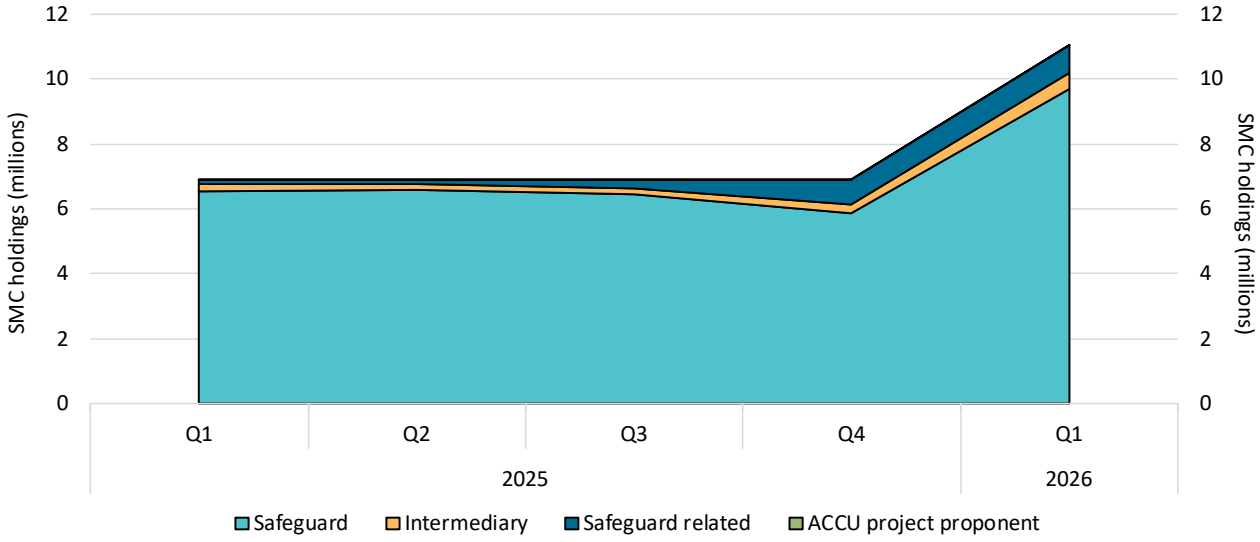
Holdings in the UCR fell as expected, with holdings excluding the cost containment measure falling from 60.7 million at the end of 2025 to 56.5 million at the end of Q1 2026. This reduction was driven by surrenders made by safeguard entities. Holdings in safeguard and safeguard-related accounts fell by 2.1 million but still make up 66% of all ACCU holdings. In addition, following the announcement of the Permanent exit arrangements for holders of carbon abatement contracts (CACs), around 0.7 million ACCUs were delivered to the Commonwealth over the same period, increasing the volume in the cost containment measure to 5.5 million ACCUs. CER analysis shows around 12% of ACCUs are held by overseas accounts (see Box 1.1).

Figure 1.2 Australian carbon credit unit (ACCU) holdings (in millions) by market participation



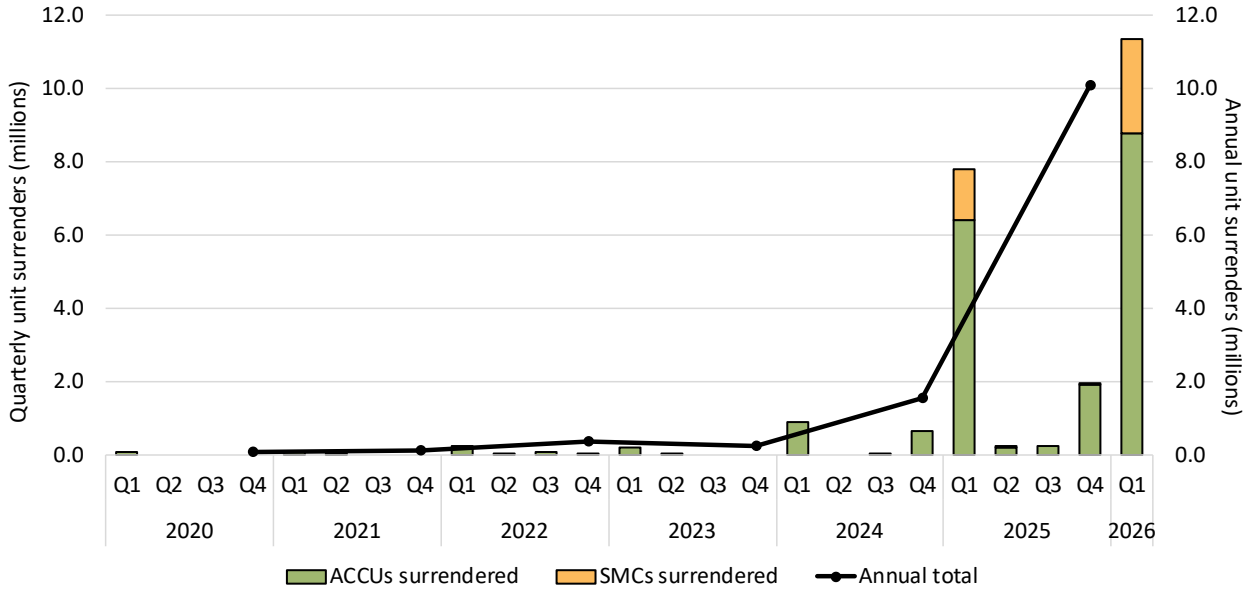
Following the issuance of 6.7 million SMCs and the surrender of 2.6 million SMCs, SMC holdings in the UCR rose to 11.0 million. Safeguard and safeguard related accounts currently hold 95% of SMCs in the UCR with the remainder being held by intermediary accounts.

Figure 1.3 Safeguard Mechanism credit unit (SMC) holdings (in millions) by market participation



Safeguard compliance remains the main driver for ACCU demand with Q1 2026 setting a record for surrenders. The overwhelming majority of ACCUs and SMCs surrendered during the quarter were surrendered for the 2024-25 reporting period, with <0.1% being surrendered for the 2023-24 reporting period because of National Greenhouse and Energy Reporting (NGER) resubmissions resulting in higher excess positions.

Figure 1.4 Australian carbon credit unit (ACCU) and Safeguard Mechanism credit unit (SMC) safeguard surrenders



Box 1.1 International ACCU holdings

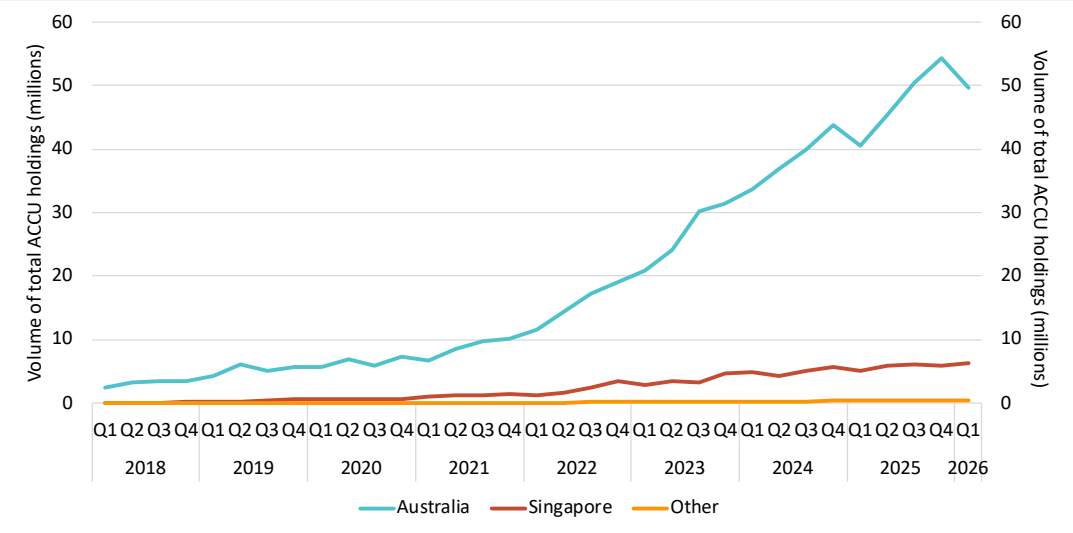
CER analysis of address data of the Australian National Registry of Emissions Units (ANREU) account holders indicates that international holdings of ACCUs currently remain closely linked to underlying safeguard compliance requirements rather than independent overseas demand.

ANREU account holders must be assessed as fit and proper to open an account but can reside anywhere in the world. However, consistent with the compliance-driven nature of the ACCU market, around 90% of ACCU holdings are held by Australian-based ANREU account holders to meet safeguard related demand. The remaining holdings are predominantly held by Singapore-based account holders.

Singapore-based ANREU accounts reflect the role of Singapore as a regional financial and trading hub. Singaporean holders of ACCUs are typically acting as intermediaries facilitating transactions for safeguard participants, or as trading arms of safeguard and safeguard-related entities.

Figure 1.5 shows the breakdown of ACCU holdings (excluding the cost containment measure) by location of the account holder. There is evidence of growing international participation in recent years. ACCUs held by international account holders have risen from around 34,000 units (around 1% of holdings) in mid-2018 to approximately 6.8 million units (12%) by the end of Q1 2026.

Figure 1.5: Volume of ACCU holdings (in millions) by location of account



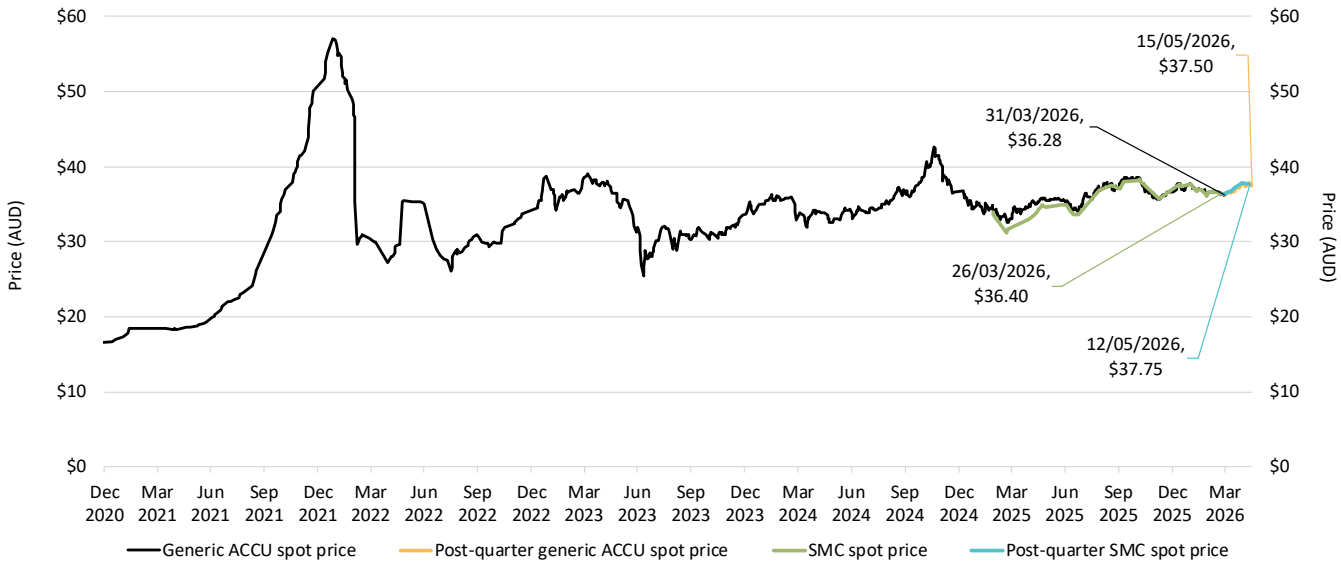
Note: Location of holdings are classified based on the self-provided addresses of ACCU account holders. They do not reflect the location of the ultimate parent company of the account holder.

Generic ACCU and SMC spot prices

The generic volume-weighted ACCU spot price was relatively flat over the quarter, falling from $36.60 at the end of 2025 to $36.28 at the end of Q1 2026. Market intelligence suggests that safeguard entities have been in engagement with the market since the previous 2024-25 compliance deadline, with many entities having acquired ACCUs well before the 31 March 2026 compliance deadline. As a result, there have been fewer major price fluctuations in the lead up to the end of Q1 2026 than in some previous years. Post-quarter the ACCU spot price rose to $37.50 on 15 May 2026.

SMC spot prices followed ACCUs closely with a maximum price difference of $0.17 in late February. Liquidity in the SMC market remains thin, with market intelligence pointing to a supply constrained market.

Figure 1.6 Generic Australian carbon credit unit (ACCU) and Safeguard Mechanism credit unit (SMC) volume weighted average spot price



ACCU issuances and project registrations

Issuance in Q1 2026 reached a record 5.5 million ACCUs, beating the previous record of 3.8 million in 2024. ACCU issuance is currently on track to meet the CER's estimated range of 22 to 26 million. Projects claiming for the first time in Q1 2026 were issued 0.8 million ACCUs. This larger issuance was driven by a total of 3.7 million ACCUs issued to vegetation method projects, with 89% of vegetation ACCUs issued to human-induced regeneration (60%) and environmental plantings projects (29%). The high issuance to environmental plantings projects was driven by a few large projects claiming ACCUs covering multiple years of abatement and several projects reporting for the first time. Issuance to waste projects were lower than usual in Q1 2026. Due to the expiring source separated organic waste method, our waste assessment team prioritised registering projects under this method over processing issuances.

In Q1 2026, 69 ACCU Scheme projects were registered, lower than the 90 in the same period last year. The result for the quarter is in line with the Q1 average this decade; Q1 2025 saw higher registrations for the waste and industrial fugitives methods ahead of their sunsetting.

Figure 1.7 Australian carbon credit units (ACCUs) issued by method type

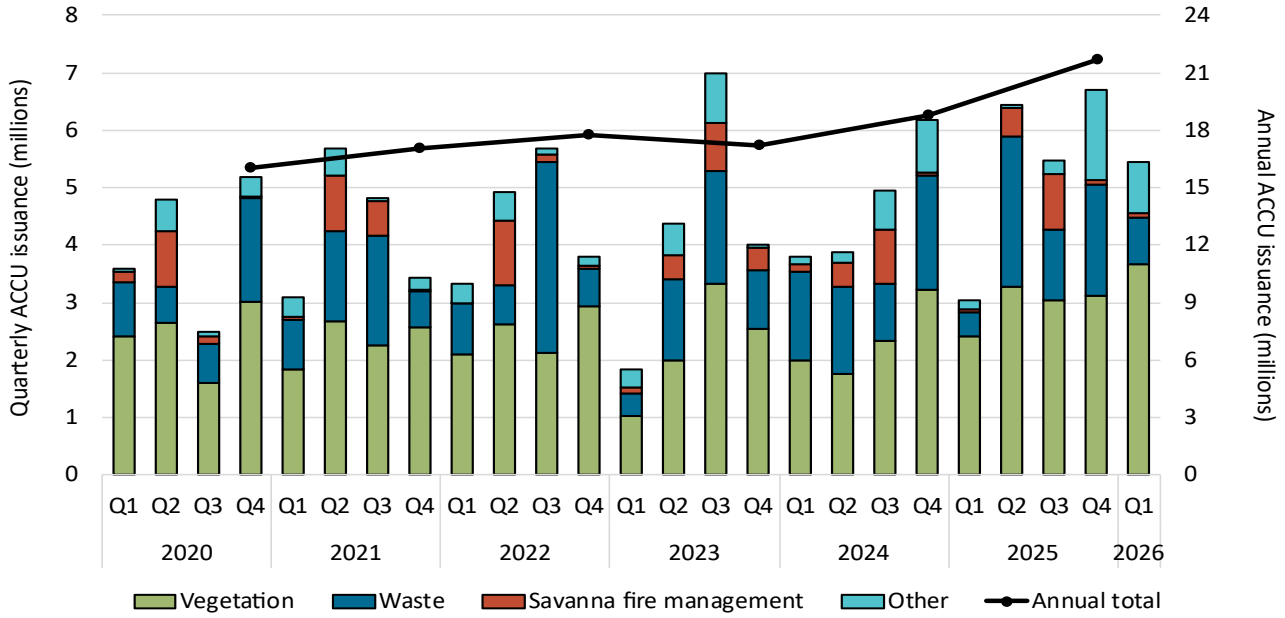


Figure 1.8 Registered Australian Carbon Credit Unit (ACCU) Scheme projects by method type

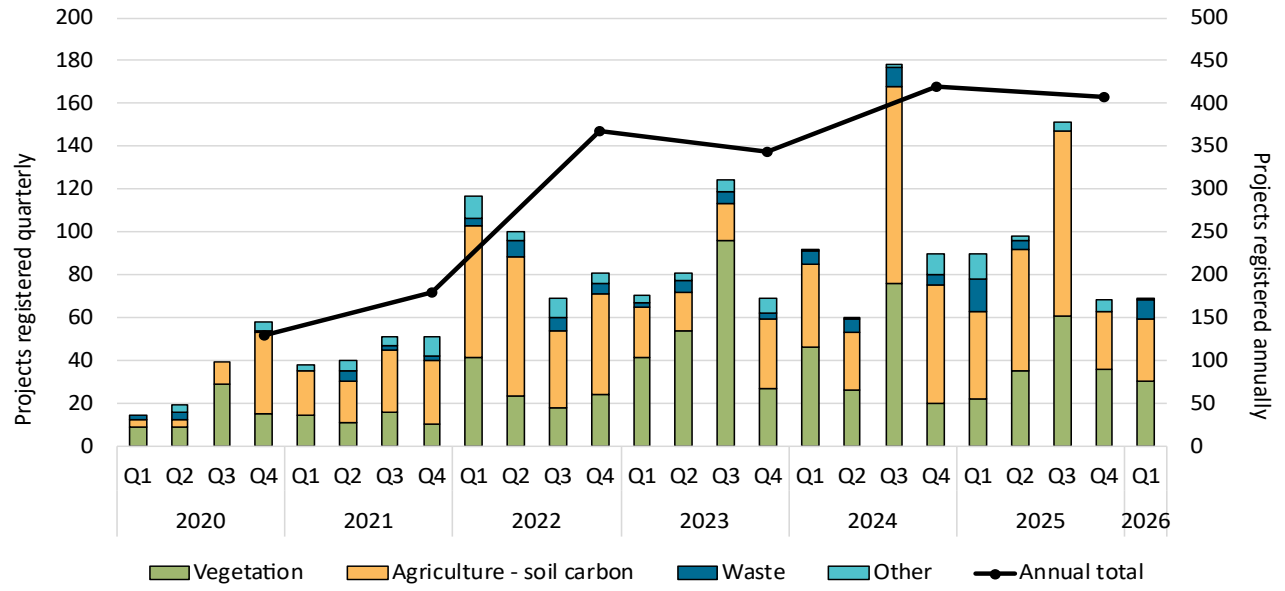
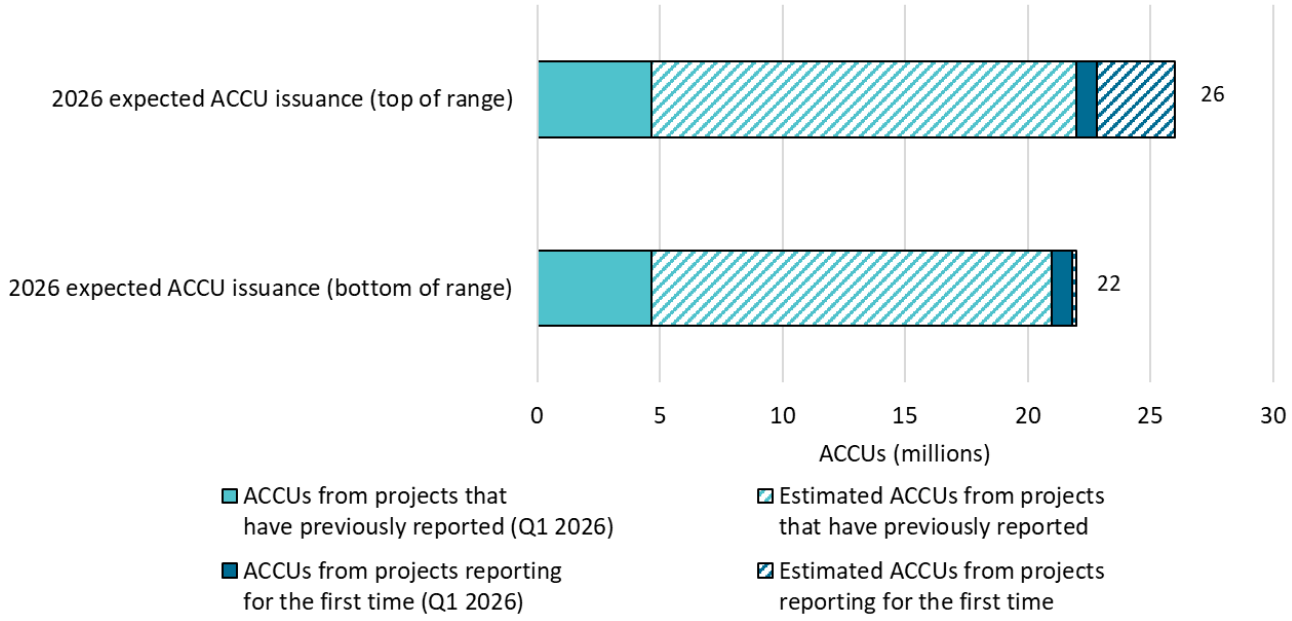


Figure 1.9 Estimated Australian carbon credit unit (ACCU) issuances in 2026



Development of new methods continues

The Department of Climate Change, Energy, the Environment and Water (DCCEEW) are continuing work on developing new ACCU Scheme methods as some older methods expired at the end of March.

On 10 April 2026, the Australian Government made 2 new savanna fire management methods. As discussed in the Q3 2025 Quarterly Carbon Markets Report (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. One of the new methods includes a novel sequestration bank mechanism, which smooths issuances over projects' crediting periods (see Box 1.2).

The CER will continue to monitor the abatement outcomes of projects under these new methods, which can vary depending on factors such as rainfall zones. The new savanna methods, along with other methods in development, will continue to support ACCU supply well into the 2030s.

As noted in the Emissions Reduction Assurance Committee's (ERAC's) meeting summary for 4 March 2026, the development of the Improved Native Forestry Management (INFM) method is progressing well. ERAC has identified several issues relating to carbon leakage, baselines, and data transparency that remain to be addressed to ensure the method meets the Offsets Integrity Standards.

On 31 March 2026 the methods high efficiency commercial appliances 2015 and refrigeration and ventilation fans 2015 expired, meaning no more projects can be registered under these methods. Due to low or no uptake, these methods are not receiving any further action. The source separate organic waste 2016 method also expired on 31 March 2026. Activities covered by the expired method will be considered in the development of the new alternative waste treatment method which has been identified for proponent-led method development.

Public consultation on the proposed Integrated Farming and Land Management (IFLM) method closed on 9 March 2026. The department and ERAC are currently considering the feedback received and next steps associated with the method's development.

More information on these and other methods can be found on DCCEEWs ACCU method tracker.

Box 1.2 The sequestration bank in the savanna fire management method: illustrative example

The Carbon Credits (Carbon Farming Initiative – Savanna Fire Management – Sequestration and Emissions Avoidance) Methodology Determination 2026 introduces a sequestration bank. This bank means ACCUs from sequestration are issued in a more gradual and predictable manner over a project's crediting period. There are 2 key components in the bank's operation:

- Additions: Half of the abatement sequestered in each calendar year is added to the bank. The remainder is issued directly in the same year.
- Releases: Abatement is released from the bank each year. The rate of release is inversely proportional to the number of years left in the project's crediting period.

Table 1.3 and Figure 1.10 below illustrate the operation of the sequestration bank for a hypothetical project. This example assumes the hypothetical project:

- has already sequestered 500 tonnes of carbon dioxide equivalent (tCO_2-e) of carbon stock
- is subject to a 25-year crediting period
- sequesters a constant 10 tCO_2-e per year for the remainder of its crediting period. This is not realistic but is adopted for simplicity to clearly illustrate the operation of the sequestration bank. In practice, the rate of sequestration tends to be highest in the early years of a project and will slow as the project matures. CSIRO analysis shows that on average, cumulative sequestration follows a logarithmic curve and is predicted to stabilise after around 15 years
- at the start of year 1, the bank holds 500 tCO_2-e. This reflects accumulated carbon stock achieved by the project prior to transferring to the new method. In the same year, 5 tCO_2-e is added to the bank, reflecting ongoing sequestration achieved by the project. Releases in year 1 are $\frac{1}{25}$ (that is, 4%) of the bank, as there are 25 years remaining in its crediting period.

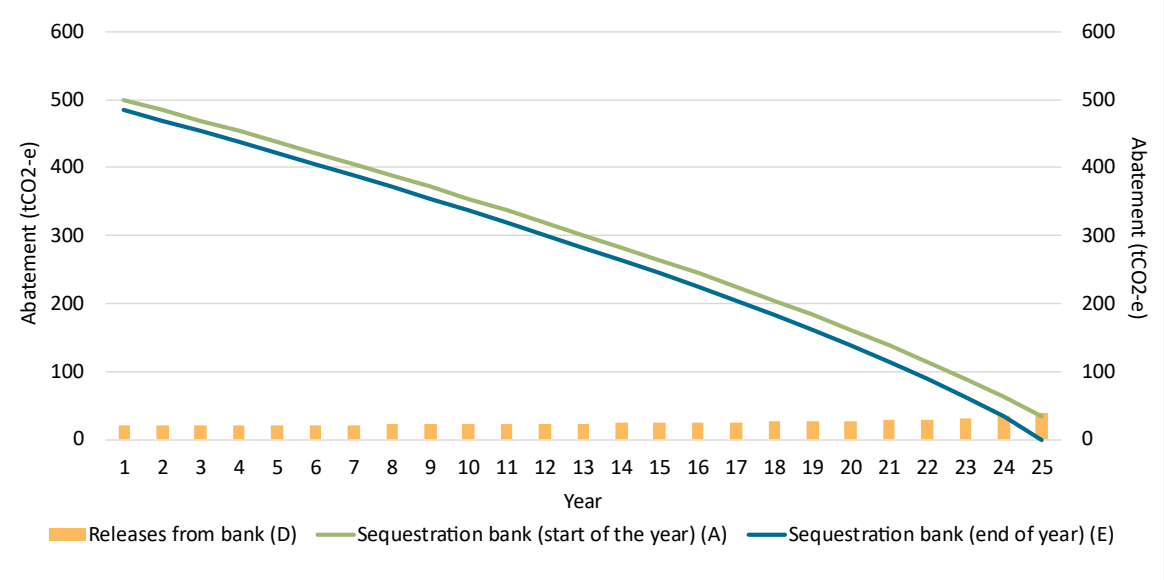
By year 21, releases will increase to $\frac{1}{5}$ (that is, 20%) of the bank, as there are 5 years of crediting left. This means the rate of release increases over time, rising to 100% of the remainder in the final year when all carbon stock in the bank has been released.

Table 1.3 Changes in the sequestration bank and releases for a hypothetical savanna fire management project

Year	Sequestration bank (start of the year) (A)	Contributions to bank (B)	Release rate (C)	Releases from bank (D)	Sequestration bank (end of year) (E)
1	500	5	4%	20	485
2	485	5	4%	20	469
…	…	…	…	…	….
5	438	5	5%	21	422
…	…	…	…	…	…
10	355	5	6%	22	337
…	…	…	…	…	…
15	264	5	9%	24	244
…	…	…	…	…	…
20	161	5	17%	28	138
21	138	5	20%	29	115
…	…	…	…	…	…
25	34	5	100%	39	0

*Note: All numbers have been rounded. Contribution to the bank (B) is half of annual sequestration. The release rate (C) is the inverse of the number of years left in the crediting period. Releases from the bank (D) are calculated as (A + B) * C. The sequestration bank at the end of the year (E) is calculated as A + B – D. Some years are omitted for simplicity.*

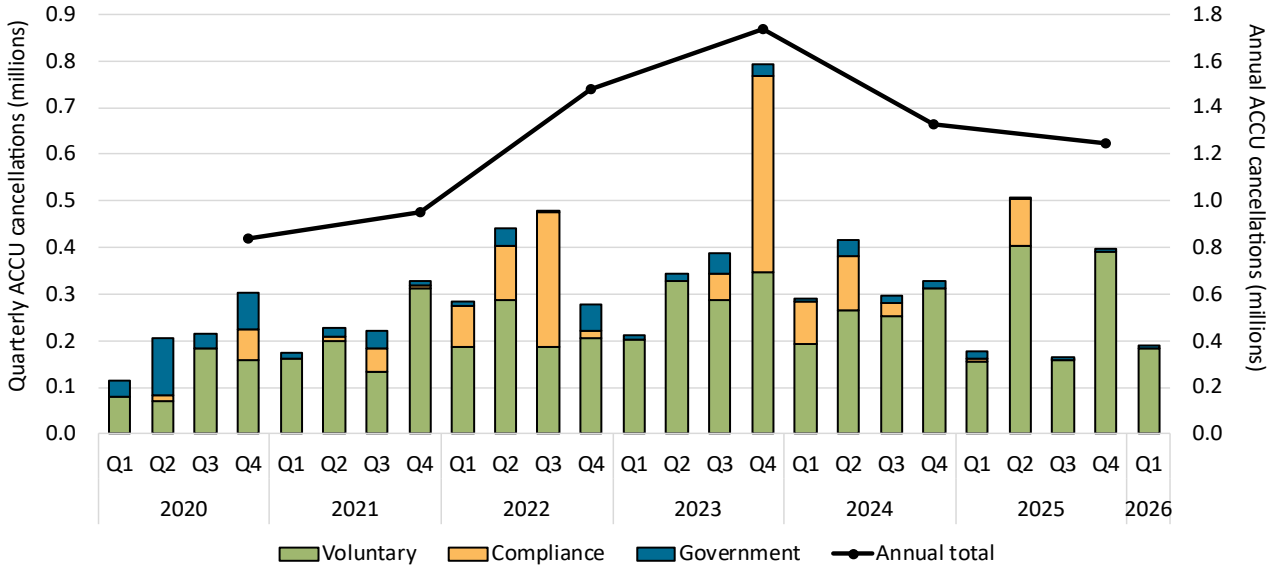
Figure 1.10: Changes in the sequestration bank and release for a hypothetical savanna fire management project



Non-safeguard ACCU cancellations

In Q1 2026 0.2 million ACCUs were cancelled for non-safeguard purposes, 8% higher than the same period last year. Non-safeguard cancellations are on track to meet the CER's estimated range of 0.8 to 1.5 million. Entities are known to cancel on a variable schedule, with some entities cancelling for the end of a financial year, while others cancel for the end of a calendar year.

Figure 1.11 Australian carbon credit unit (ACCU) non-safeguard cancellations



Other market developments

Nature Repair Market update

The Nature Repair Market is being designed to support voluntary action on nature repair as well as providing a source of offsets.

Under the replanting native forest and woodland ecosystems 2025 method, as of 27 May 2026, 2 projects have been registered, with other potential proponents actively working with the CER to support registration of additional projects.

Between 20 April and 4 May 2026 DCCEEW conducted targeted consultation on policy settings to give effect to amendments to the Nature Repair Act 2023 passed by the Parliament on 28 November 2025 as part of the Australian Government's Environment Protection Reform Bills. The reforms allowed for methods to specify whether biodiversity projects can be used as environmental offsets in limited circumstances. Consultation sought feedback on policy settings to enable the Nature Repair Market to supply environmental offsets, the Threatened Species variable biodiversity project characteristic, and proposed operational and administrative changes to the *Nature Repair Rules 2024*.

The proposed protect and conserve and enhancing native vegetation methods continue to be developed. The Nature Repair Committee plan to undertake statutory consultation on the final proposed methods in 2026.

Further work related to offsets is underway to develop National Environmental Standards and establish the Restoration Contributions Holder, for more information see Stronger environmental protection and restoration.

Product Guarantee of Origin update

DCCEEW continues consultation on new products to be certified under the Product Guarantee of Origin scheme.

The first consultation this year sought feedback on 2 additional hydrogen production pathways (gas reforming, and solid gasification & pyrolysis), and the aluminium production pathway. These consultations closed on 6 February 2026 and further details on this consultation are available at: Public consultation on the Exposure Draft of the Guarantee of Origin Methodology Determination Amendment - Department of Climate Change, Energy, Environment and Water.

A separate consultation on iron ore mining and biogas and biomethane from anaerobic digestion closed on 27 April 2026. Further details on this consultation are available at: Public consultation on the Exposure Draft of the Guarantee of Origin Methodology Determination Amendment (Biogas, Biomethane and Iron Ore) - Department of Climate Change, Energy, Environment and Water.

Emissions accounting methods for these products are expected to be made mid-year.

The CER is responsible for updating scheme cost recovery arrangements. Public consultation on a cost recovery update to cover new Product Guarantee of Origin methods opened on 13 May and will close on 8 June. It covered 4 additional products – hydrogen by gasification and pyrolysis, biogas and biomethane, and bio-LPG – which were not included in the original Guarantee of Origin Cost Recovery Implementation Statement published in October 2025. The Assistant Minister for Climate Change and Energy will consider feedback received and approve the final updated cost recovery arrangements, which will be published alongside approved methods. A periodic review of whole-of-scheme Guarantee of Origin cost recovery arrangements, separate to this update, is scheduled to commence in the second half of 2026.

International Transaction Log and certified emission reduction units

Certified emission reduction units are Kyoto Protocol carbon credits that represent one tonne of CO_2-e avoided or sequestered by projects registered under the Clean Development Mechanism prior to 2021. Following the end of the Kyoto Protocol 'true-up' period in September 2023, the United Nations Framework Convention on Climate Change (UNFCCC) Secretariat's International Transaction Log (ITL) continued to validate voluntary cancellation transactions for those national registries that continued to support certified emission reduction units, including the ANREU.

At COP30 in November 2025, parties agreed to support the disconnection of the ITL from all national registries on 31 March 2026. Changes to the ANREU system were successfully made to enable voluntary cancellations and internal transfer of certified emissions reduction Units to continue independently of the ITL. No further issuances of units or transfers to external registries will occur.

Approximately 8.5 million certified emission reduction units were still held in ANREU accounts as of 31 March 2026. These continue to be used for voluntary purposes, both within Australia and overseas. A total of 1.0 million certified emission reduction units were voluntarily cancelled by ANREU accounts in Q1 2026, an increase from both the 0.4 million units cancelled in the previous quarter, and the 0.7 million cancelled in Q1 2025.

The Clean Energy Regulator will migrate certified emission reduction units from the ANREU to the UCR in June 2026. As the number of certified emission reduction units and the number of ANREU accounts holding them are decreasing, there will be a more streamlined approach to the management of certified emission reduction units using the Notify the Regulator form via Online Services. Transaction and holdings records will be securely and irrefutably held in the Unit and Certificate Registry, and statements will be provided by email.

Carbon Credits and Other Legislation Amendment (Integrity and Transparency) Bill Consultation

DCCEEW released a consultation paper on the Carbon Credits and Other Legislation Amendment (Integrity and Transparency) Bill amendments on 30 April 2026. The proposed changes include changes in response to the Independent Review of ACCUs and Climate Change Authority ACCU Scheme reviews, including integrity and transparency improvements.

The amendments to both the Carbon Credits (Carbon Farming Initiative) Act 2011 (CFI Act) and the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) Act include changes to:

- strengthen ACCU Scheme consent requirements by recognising registered native title claimants as eligible interest holders and requiring up-front and staged consent for projects on land that is recognised as native title land, or subject to native title claims.
- enable the existing ACCU Scheme ERAC to evolve into the new Carbon abatement Integrity Committee (CAIC).
- clarify the governance arrangements for proponent-led method development in the ACCU Scheme.
- create new Ministerial powers to manage critical integrity risks the ACCU Scheme could face in the future.
- encourage greater investment and participation in research and development into new emissions reduction opportunities for the ACCU Scheme.
- enhance the CER's compliance and publication powers to ensure ongoing integrity and transparency of the ACCU Scheme.

- simplify and streamline the ACCU Scheme administration.
- enhance the transparency and administration of the NGER Scheme.

Consultation closed on 22 May 2026. Feedback will inform the final proposed legislation package.

Integrity and transparency updates

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

- published the outcomes for the 2024-25 Safeguard reporting period.
- are releasing a new QCMR Methods document concurrently with this report. This living document consolidates the approach behind QCMR projections in one place, providing interested readers with more technical information about the data and methods used in the QCMR.
- updated our website on interoperability with the Unit and Certificate Registry to include:
  - » draft principles of interoperability that guide CER's implementation of interoperability and sets expectations for third parties connecting to our systems.
  - » prototype interoperability models that describe the potential Application Programming Interface (API) connections between external systems and our registers and registries.
- published a summary of responses to our consultation on improvements to the ACCU project and contract register. Work to improve the content and presentation of the register will continue during 2026. This includes migrating the register to data services and changing the data.

2. Large-scale renewable electricity

Insights

- Renewables reached a new Q1 high share of National Electricity Market output at 47%, as reported by the Australian Energy Market Operator (AEMO), continuing the structural shift in the generation mix driven by growth in wind and solar and a sustained decline in thermal generation.
  - » These generation outcomes reflect a system increasingly able to accommodate higher renewable penetration, with lower reliance on coal and gas-fired generation at peak demand times.
  - » Small and large-scale battery storage is playing an increasingly significant role in supporting these outcomes, helping absorb surplus renewable generation and supply energy during periods of higher system demand.
- Sustained growth in renewable generation contributed to continued oversupply in the large-scale generation certificate (LGC) market, placing further downward pressure on LGC prices through Q1 2026.
  - » Oversupply was driven by record renewable generation, with LGC creations reaching an all-time high and prices declining further, from $6.25 to $2.90 over the quarter.
  - » Non-RET demand for LGCs reached a new Q1 high, driven by non-government voluntary cancellations, with demand expected to remain elevated in the near term.
  - » Market-based accounting for scope 2 emissions, including amendments to the eligibility of LGCs for reducing scope 2 emissions introduced in 2025, may further support non-government voluntary demand in 2026 and beyond.
- Despite historically low LGC prices, large-scale investment activity and approvals have remained resilient, reflecting the continued role of power purchase agreements (PPAs) and government schemes in supporting project viability.
  - » Investment resilience reflects widespread use of long-term PPAs and other support mechanisms that hedge electricity prices and limit exposure to low LGC prices.
  - » Smaller-scale and commercial projects, with fewer hedging options and limited alternative support, may be more exposed to sustained low prices.
  - » Early-year final investment decisions (FID) were strong, with 946 MW of large-scale generation capacity reaching this milestone in Q1 2026. Since the end of Q1, additional projects have reached FID, lifting the year-to-date total to around 2.4 GW. This already exceeds total FID in 2025 (2.1 GW).
  - » Together with the progression of Capacity Investment Scheme (CIS) projects, this points to a potentially robust investment pipeline for 2026, noting that final investment decision activity is inherently lumpy and uncertain.
- Alongside record voluntary Q1 demand for LGCs, Q1 2026 saw the first creation of Renewable Electricity Guarantee of Origin certificates, signalling the emergence of new market-based mechanisms as the Large-scale Renewable Energy Target system approaches completion.

Market dynamics

Image 2.1 Q1 2026 LGC market dynamics

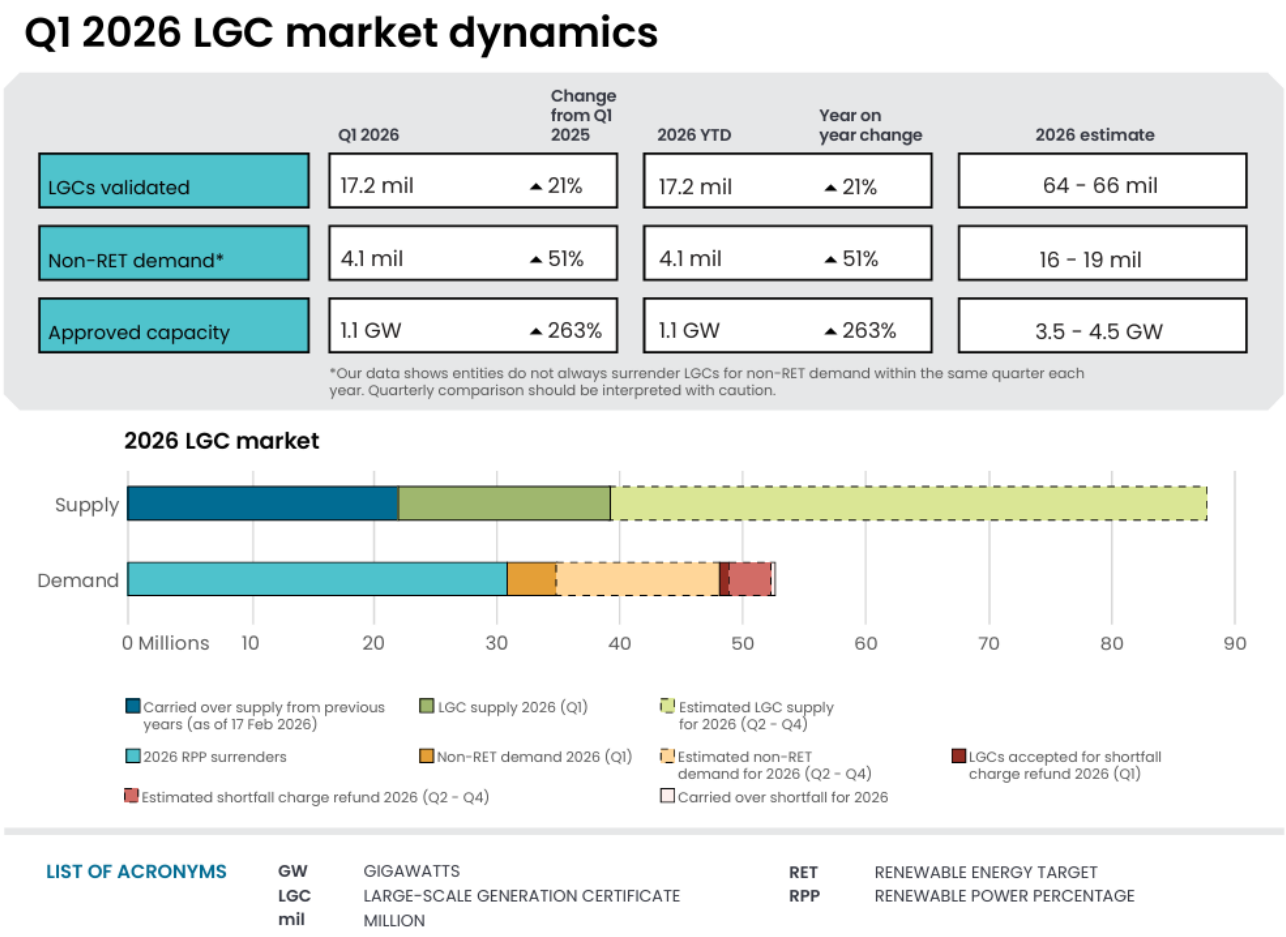


Table 2.1 LGC supply and demand balance

LGCs	Supply	Demand
Supply carried over from previous years (as of 17 Feb 2026)	**22.2 m**	-
LGC supply (Q1 2026)	17.2 m	-
Estimated LGC supply (Q2 - Q4 2026)	46.8 m to 48.8 m	
Non-RET demand (Q1 2026)	-	4.1 m
Estimated non-RET demand (Q2 - Q4 2026)		11.9 m to 14.9 m
2026 RPP surrenders (before any shortfall)	-	30.7 m
LGCs accepted for shortfall charge refund (Q1 2026)	-	0.9 m
Estimated shortfall charge refund (Q2 - Q4 2026)		2.9 m
Carried over shortfall for 2026 (less than 10% of liability)	-	0.2 m
Estimated balance as of 16 Feb 2027^	**32.5 m to 37.5 m**	

Notes: There is a total of 5.7 million LGCs in shortfall that are eligible for shortfall refunds to be claimed, representing $368.7 million in consolidated revenue as of 31 March 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.

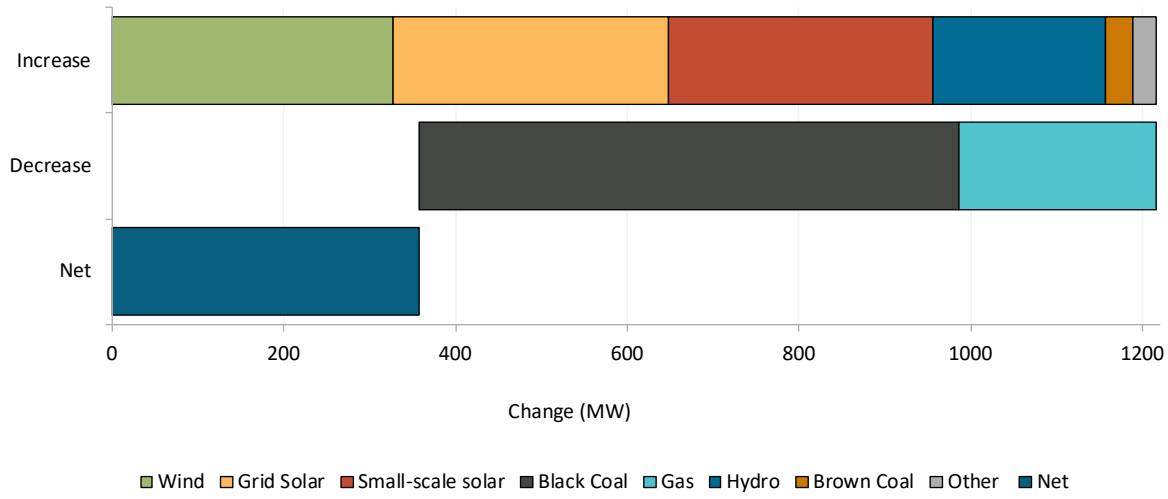
LGC creations are driven by the generation of renewable electricity by accredited large-scale power stations. One LGC is created for each MWh of eligible renewable electricity. Generation by power stations depends on installed capacity, weather, and operational factors like repairs, maintenance, and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

A record 17.2 million LGCs were created in Q1 2026, up 21% from Q1 2025 with 14.2 million LGCs. Growth was driven by higher creations from both wind and solar. Wind LGC creations totalled 9.6 million in Q1 2026, representing a 30% increase from Q1 2025, while solar accounted for over 6.8 million, up 16%. Declines in LGC creations for biomass and hydroelectricity had limited impact on the overall supply of LGCs due to their small share.

According to Australian Energy Market Operator's (AEMO) Quarterly Energy Dynamics Q1 2026, renewables reached a new Q1 high share of National Electricity Market (NEM) output for the March quarter, driven by robust growth in wind and solar generation. Grid-scale solar generation increased to a new quarterly high of 2.7 GW, up 13% from Q1 2025, while wind generation also reached a new Q1 high, rising by more than 9% to an average of 3.8 GW, supported by increased availability at new and commissioning facilities, particularly in Queensland.

In contrast, thermal generation declined over the quarter. Total coal-fired generation fell to a new Q1 low of just over 13.1 GW, down around 4% compared with Q1 2025, with marginal year-on-year growth of around 1% in brown coal-fired generation, offset by a larger decline of more than 6% in black coal-fired generation. Gas-fired generation declined more sharply, falling by 24% to 712 MW, representing its lowest quarterly average since Q4 1999.

Figure 2.1 Change in NEM supply mix by fuel type



Source: AEMO Quarterly Energy Dynamics Q1 2026.

These shifts in the generation mix lifted the large and small-scale renewable share of NEM output to a record Q1 level of close to 47% according to AEMO, up from approximately 43% in Q1 2025, and reflecting the continued transition towards lower emission generation sources. This outcome reflects a combination of higher renewable electricity generation and would also incorporate lower grid demand associated with household battery self-consumption.

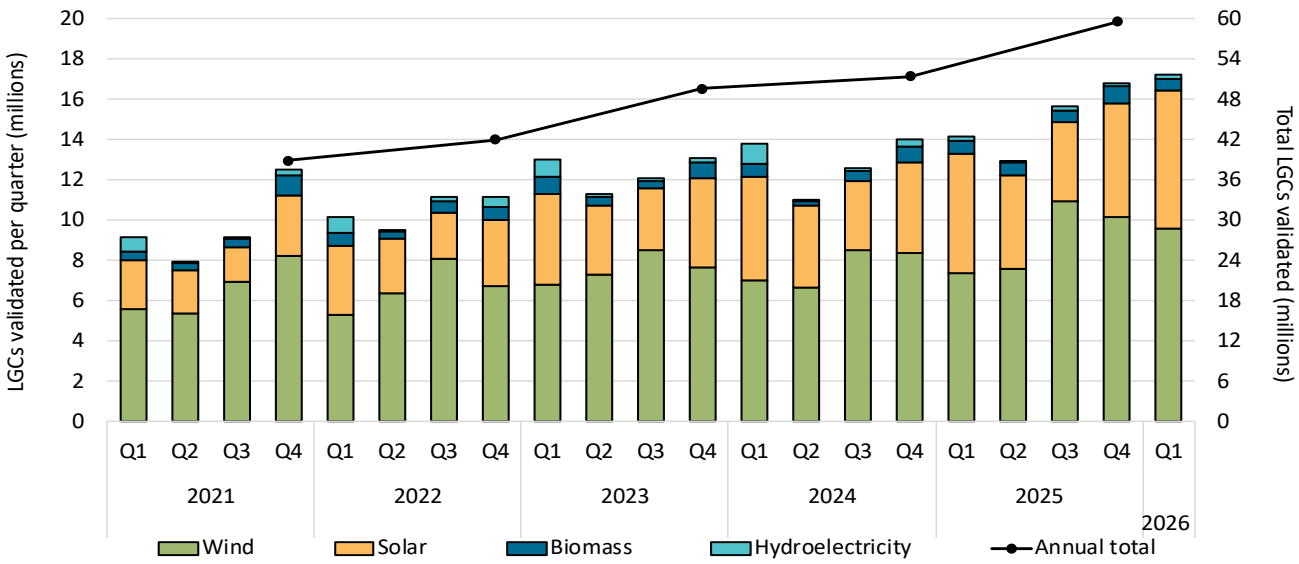
In parallel with these shifts, battery storage played an increasingly significant role in supporting system outcomes in Q1 2026. AEMO reports that battery discharge in the NEM was around 3 times higher in Q1 2026 compared to Q1 2025, consistent with substantially higher additions of new large-scale battery

capacity during the quarter relative to the same period last year. Small-scale batteries also contributed, as households with batteries exported to the grid for longer and reduced grid imports during evening peak hours, reflecting the increasing role of self-consumption of stored electricity to meet peak household load, moderating demand from the grid.

The growing presence of batteries has become an important enabler of higher renewable penetration, smoothing intraday supply–demand balances and supporting the continued transition of the generation mix. AEMO reports that in Q1 2026, combined battery charge and discharge accounted for almost one-third of price-setting dispatch intervals across the NEM, making batteries the most frequent price-setting technology in the quarter. The market operator notes that battery discharge during peak periods contributed to lower peak prices and reduced price volatility across most regions, while increased daytime battery charging also smoothing the 'duck curve', contributing to higher daytime prices year-on-year, with lower negative price occurrence.

The Renewable Electricity Guarantee of Origin (REGO) scheme, administered by the CER, recognises the increasing importance of large-scale storage in the electricity system. Energy storage systems can create REGO certificates for the renewable electricity they dispatch. To establish the renewable electricity attribute, storage must match the electricity used to charge the system with surrendered LGCs or retired REGOs or have a direct supply relationship with a renewable electricity generator. Energy storage systems cannot create LGCs under the LRET.

Figure 2.2: LGCs validated by technology type



As discussed in the Q4 2025 QCMR, LGC supply continues to exceed market demand, reflecting sustained growth in renewable generation over the fixed annual target of 33,000 GWh. This year we anticipate an oversupply of between 10.3 and 15.3 million LGCs, even with robust growth in voluntary demand. We expect:

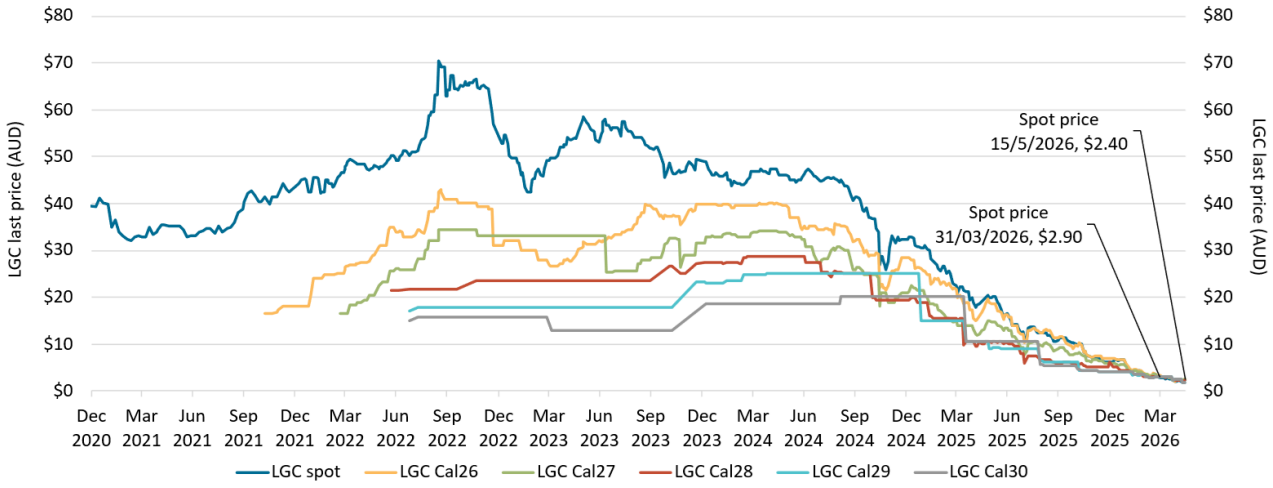
- between 64 and 66 million LGCs will be created in 2026.
- total LGC demand of between 50.7 and 53.7 million. A total of 30.7 million LGCs will be required to be surrendered in 2026 to meet the Renewable Power Percentage. We expect that between 16 and 19 million LGCs will be surrendered for non-RET purposes, with a further 4.0 million surrenders expected for 2023 shortfall charge refunds falling due in 2026 and carried over shortfall from 2025.

By comparison, 2025 saw 9.0 million more LGCs created relative to demand in that year, with 59.7 million creations compared to 50.7 million total surrenders. As discussed in previous QCMRs, healthy LGC supply indicates large volumes of renewable energy generation, and the historical success of the Large-scale Renewable Energy Target (LRET) in incentivising investment in large-scale renewable energy.

The ongoing LGC oversupply is continuing to place downward pressure on LGC prices. The LGC spot price declined through Q1 2026, falling from $6.25 at the start of the quarter to $2.90 by the quarter end. The LGC spot price continued to decline post-quarter and sat at $2.40 on 15 May 2026. Since beginning its steady decline at the start of Q4 2024, the LGC spot price has fallen by more than 90%, reflecting continued downward pressure associated with persistent market oversupply. The forward prices across all vintages from 2026 to 2030 followed a similar downward trajectory over the course of Q1 2026.

These market dynamics are occurring alongside the commencement of the REGO scheme, which is expected to play an increasing role in certifying renewable electricity attributes as the LRET concludes. The CER will continue to administer both schemes during the transition period and will monitor emerging market dynamics, including market formation in the new voluntary market.

Figure 2.3: LGC reported spot and forward prices



Healthy Q1 for large-scale approvals

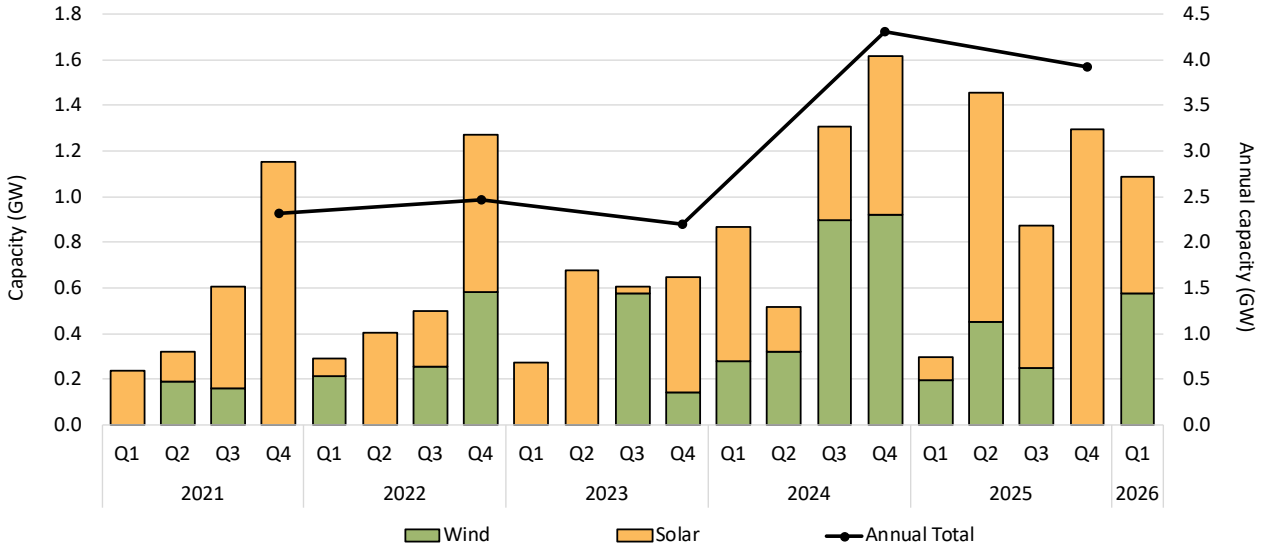
Approvals in Q1 2026 were strong. As of 31 March 2026, 1.1 GW of capacity was approved to generate LGCs under the LRET. Another 0.5 GW of large-scale capacity remains under assessment as of 31 March 2026. While approvals were strong in Q1 2026, large-scale project approvals are typically volatile from quarter to quarter and strong outcomes in a single quarter are not necessarily indicative of full-year performance. We will monitor approval activity throughout the year and provide updates to our annual approval projection of around 3.5 to 4.5 GW in future QCMRs. This is broadly similar to expected new small-scale generation capacity of 3.0 to 3.7 GW, with indicators at this stage suggesting a strong annual result (see Chapter 3).

Capacity contributions from wind and solar were broadly balanced in Q1 2026. Solar projects accounted for around 0.5 GW of approved capacity, while wind projects contributed around 0.6 GW.

Major power stations approved in Q1 2026 include:

- Golden Plains Wind Farm Stage 2 (577 MW, VIC)
- Broadsound Solar Farm (377 MW, QLD).

Figure 2.4 Approved large-scale wind and solar capacity



A robust start to 2026 final investment decisions

Large-scale investment activity had a robust start to 2026, with 946 MW large-scale generation capacity reaching final investment decision (FID) in Q1. The investment was broadly distributed across technologies with solar projects accounting for approximately 525 MW of capacity reaching FID and wind projects contributing around 421 MW. Since the end of the quarter, additional projects have announced FID or commenced construction, lifting year-to-date FID to around 2.4 GW. This already exceeds total FID recorded in 2025 (2.1 GW), although FID activity is inherently lumpy and year-to-date outcomes may not be indicative of how activity evolves over the remainder of the year.

Market analysts have indicated that 2026 could be a more positive year than 2025 for wind, with some expecting improved investment conditions and a pipeline of projects progressing toward commitment. However, the outlook is subject to broader uncertainty, including global geopolitical developments, inflationary pressures, and financing conditions, which may influence the timing and scale of investment decisions.

The CSIRO's GenCost 2025-26 Draft Report also suggests that onshore wind capital costs are showing tentative signs of stabilising after several years of sharp increases. The easing of cost pressures may improve investment conditions for onshore wind, although cost trends represent only one of several factors influencing final investment decisions. The report finds that combination of solar PV, onshore wind, storage and gas or hydrogen remains the least-cost generation mix for Australia's electricity system to 2050. This pathway supports the legislated 82% renewables by 2030 target and remains least-cost across a range of 2050 emissions outcomes, including net zero.

Major projects reaching FID in Q1 2026 include:

- Solomon Airport Solar Farm (440 MW, WA)
- Palmer Wind Farm (288 MW, SA)
- Nullagine Wind Farm (133 MW, WA).

Palmer Wind Farm was the fifth generation project supported by the Capacity Investment Scheme (CIS) to reach FID. As of Q1 2026, the CER's large-scale project pipeline included 13.7 GW of capacity attributed to projects with announced support for either the full project or part of the project under the CIS. Of this

capacity, 58 MW has been accredited, and 985 MW has reached FID. This reflects the capacity expected to be accredited under the LRET from these projects if developed and includes generation capacity from hybrid (generation and storage) projects where only the storage component is supported by the CIS.

In December 2025, DCCEEW reported that 22 projects with a combined capacity of 6.5 GW had signed CIS agreements, with a further 41 projects (out of 63, totalling 18.2 GW) subject to ongoing negotiations. DCCEEW indicated that they expect FID for much of this capacity to be announced in 2026, with construction to commence shortly afterwards. The outcome of tenders 5 and 6 were announced on 2 May 2026. Projects announced under these tenders have committed to add an additional 1.9 GW of generation and 3.7 GWh of storage respectively to Western Australia's wholesale electricity market. On 23 May 2026, the Australian Government announced the outcome of CIS tender 7, with 19 projects representing 7.8 GW of generation capacity being selected across the NEM. This outcome materially expands the pipeline of government-supported renewable generation and discharge projects and reinforces the role of the CIS in supporting investment. The selected projects include 3 with more than 1 GW of generation capacity:

- Yanco Delta Wind Farm (1,498 MW, NSW)
- Bungaban Wind Energy Project (1,150 MW, QLD)
- Theodore Wind Farm (1,022 MW, QLD)

The CIS targets delivery of projects by 2030, supporting the acceleration of large-scale renewable generation and storage capacity.

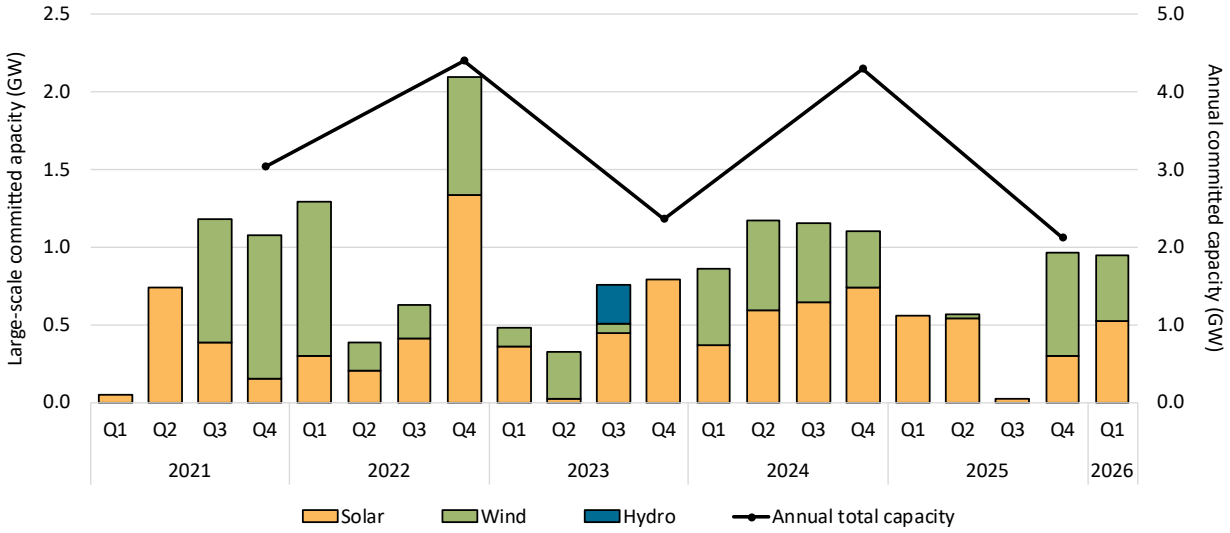
As discussed in previous QCMRs, market intelligence has indicated that the fall in LGC prices observed over the last several quarters is unlikely to have a significant influence on investor behaviour in the utility-scale sector, as the signing of power purchase agreements (PPA) prior to projects reaching a final investment decision hedges projects from LGC price risk. Further, more recent projects have planned their finances under assumptions of low LGC prices, and other government programs such as the CIS and state-based schemes like New South Wales's Long-term Energy Service Agreements are providing support for utility-scale renewable energy projects.

Expectations of ongoing low LGC prices could negatively affect investment in commercial and industrial facilities. These are facilities below 5 MW but above the 100kW threshold for the Small-scale Renewable Energy Scheme. Projects of this size have fewer alternative supports available to them compared to utility-scale projects and are more likely to be built for self-consumption rather than export to the grid, meaning they do not typically sign PPAs. These factors make commercial and industrial renewable energy projects more sensitive to the expected income stream from LGCs.

While FID for these approvals is not always readily publicly available, approvals offer some insight. To date, we have not observed any discernible impact of the reduction in LGC prices since Q4 2024 on commercial and industrial approvals. The average and median quarterly approvals of projects in this category from Q4 2024 to Q1 2026 (46.0 MW and 49.4 MW respectively) are both higher than the corresponding quarterly approvals since Q1 2018 (38.8 MW and 38.0 MW respectively). However, the lead time from design to installation and approval for these systems appears to be at least 8 months. This means that financial commitment to projects being approved in Q1 2026 would likely have occurred around Q2 2025 or earlier, when the LGC price was at or above $20.00.

We will continue to monitor commercial and industrial approvals and provide analysis on any emerging trends in future QCMRs.

Figure 2.5 Final investment decision capacity (GW) for large-scale renewable generation by fuel source



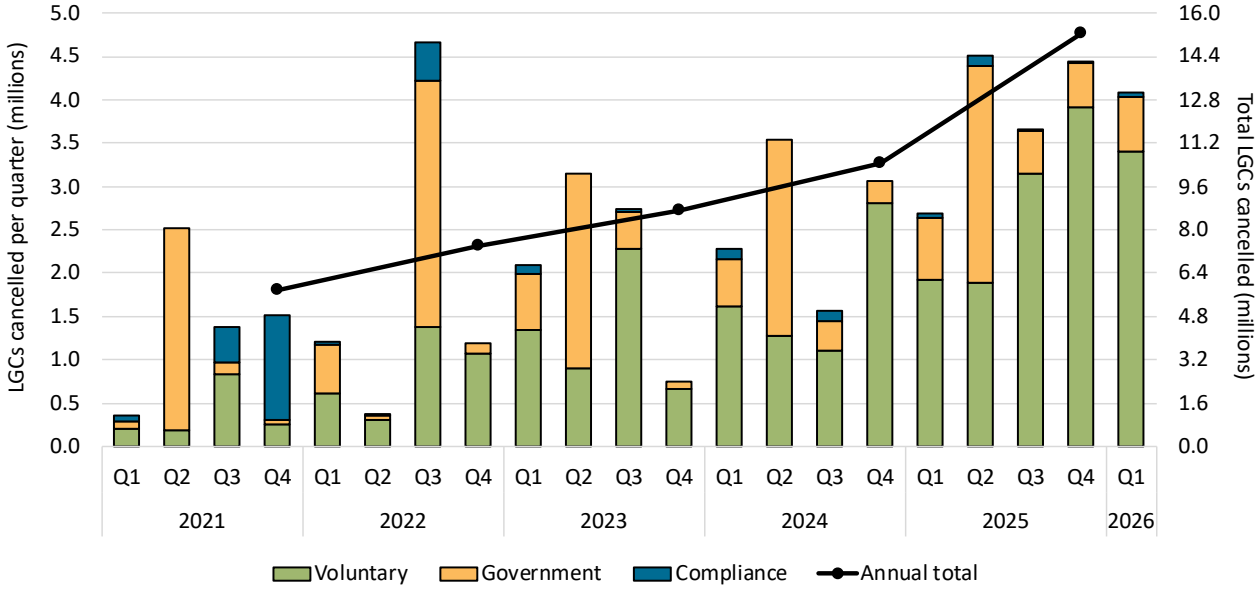
Strongest Q1 on record for non-RET surrenders

The highest level of voluntary cancellations for a first quarter on record occurred in 2026, coinciding with the sharp decline in LGC spot prices. The 4.1 million non-RET LGC surrenders in Q1 represents a 51% increase on the previous Q1 high of 2.7 million in 2025. Voluntary cancellations from non-government sources accounted for over 83% of quarterly non-RET surrenders and were around 78% higher than the same period last year, indicating significantly stronger participation from corporate and other non-government entities. Government voluntary cancellations accounted for over 15%, while compliance related voluntary cancellations contributed just over 1% of the total non-RET surrenders for the quarter.

Government voluntary cancellations are expected to increase in Q2 2026, primarily driven by the annual surrender by the ACT Government, which is expected to support a strong overall outcome for the non-RET surrenders next quarter.

An oversupplied LGC market and declining LGC prices continued to shape non-RET demand dynamics. Market intelligence indicates increased interest in LGCs by electricity retailers on behalf of their customers, as lower prices improve the affordability of voluntary renewable electricity offerings. This may incentivise further growth in non-RET demand. Further, the ongoing development of market-based scope 2 emissions accounting for NGER reporters may incentivise large Australian corporations to increase participation in the voluntary LGC market (Box 2.1).

Figure 2.6 Non-RET LGC cancellations by demand source



CER analysis of Q1 2026 non-RET surrenders shows increased participation by first-time voluntary surrenderers during a period of lower LGC prices. Of the 4.1 million LGCs surrendered, around 540,000 were surrendered by first-time participants, a substantial increase on the 149,000 first-time surrenders in Q1 2025. The remaining 3.5 million surrenders in Q1 2026 were attributed to repeat surrenderers. This demonstrates that while established surrenderers continue to drive most of the voluntary demand, there is also evidence of new entrants responding to more affordable LGC prices. Notable among the new surrenderers, 2 utility-scale battery storage entities surrendered for the first time in Q1 2026. Battery storage entities have not historically participated in voluntary LGC surrender and their entry may signal emerging market dynamics or new business models in the clean energy sector.

Box 2.1 Market-based emissions accounting and renewable energy certificates (RECs)

Voluntary surrender of RECs, such as LGCs and REGO certificates, are key to underpinning an entity's claim of renewable energy use under market-based emissions accounting frameworks.

Emissions accounting is the process of measuring and reporting an entity's greenhouse gas (GHG) emissions. Accurate, transparent, and consistent emissions accounting is necessary to report on current emissions, set and track emissions targets, and compare emissions between different entities. A range of robust emissions accounting frameworks exist. There are 2 major frameworks used in Australia:

- The National Greenhouse and Energy Reporting (NGER) scheme, administered by the CER, is the national reporting scheme under which Australia's largest corporations must report on their annual emissions, energy production, and energy consumption.
- The GHG Protocol Corporate Accounting and Reporting Standard (GHG Protocol) and addendum on Scope 2 Guidance is another common framework for corporate emissions accounting. The mandatory climate-related disclosure component of the Australian Sustainability Reporting Standard (AASB S2) uses the GHG Protocol as its primary measurement framework. Climate-related disclosure requirements apply to a wider range of companies than NGER reporters, so some companies are required to report under both frameworks. NGER reporters can use NGER reporting methods, where applicable, for climate-related disclosure purposes under AASB S2.

Under the various accounting frameworks, there are 2 accounting methods that can be used to estimate emissions:

1. **The location-based method**. Under this method, emissions associated with the operations that occur at a physical location are estimated, and the use of offsets or other types of market-based certificates is not recognised.

   Emissions associated with the generation of electricity that was not produced on-site are known as scope 2 emissions. When estimating scope 2 emissions using the location-based method, a grid-average emission factor is applied. This emissions factor includes both fossil fuel generation and renewable generation. The same average factor is applied to every unit of grid electricity consumed by an entity, and the emissions 'benefit' of renewable generation is evenly spread across the grid, or state on the grid – no single user can lay claim to the emissions decrease from a megawatt hour of renewable energy.

2. **The market-based method.** Under this method, organisations report emissions based on the electricity they choose to buy, recognising renewable energy purchases and contracts rather than just the average grid mix. To ensure that the use of renewable electricity can only be used once, the person or entity claiming the use of a unit of renewable electricity verifies that claim by cancelling a market instrument such as a REC created by the generator. The ability to claim the use of renewable energy, and thereby reduce an entity's scope 2 electricity emissions, is given to the entity that cancels the associated RECs. Emissions from all other grid electricity are worked out using a 'residual mix factor' (RMF) – this is like the location-based grid-average emissions factor but deducts the contribution of all renewable electricity that has been issued a REC to ensure those emissions benefits are not double-counted.

Both methods are accurate and internally consistent, though they should not be mixed or directly compared to avoid double-counting energy and emissions. Together, they tell 2 complementary but different policy stories. Market-based accounting shows how an entity is responding to market signals and the emissions effect of changing its energy purchasing behaviour, while location-based accounting illustrates a facility's overall exposure to the emissions of the grid or system to which it is connected.

NGER and the GHG Protocol both include mandatory location-based and voluntary market-based reporting. The table below sets out key emissions accounting frameworks and the application of scope 2 location- and market-based emissions accounting rules.

Emissions accounting framework	Use of location-based scope 2 method	Use of market-based scope 2 method
NGER Mandatory Australian government scheme	Mandatory	Optional
Product Guarantee of Origin Voluntary Australian government scheme	Not used	Mandatory
Climate Related Disclosures (AASB S2) Mandatory Australian government scheme	Mandatory	Optional
ClimateActive Voluntary Australian government scheme	Mandatory	Optional
GHG Protocol Non-government scheme	Mandatory	Optional

At an entity level, the advantage of the market-based method is that it allows for purchases of REC-backed renewable energy to be recognised in organisational emissions accounting. Surrendering RECs allows an entity to prove their use of the equivalent quantity of renewable electricity, providing integrity, credibility and transparency when reporting on emissions and tracking progress towards climate targets using the market-based method. Certificates can also support more granular claims about renewable time-of-use – for example, REGO certificates may be 'time-stamped' for generation at hourly, daily, monthly, or yearly intervals to allow users to time-match their renewable energy generation and consumption.

Mandatory use of market-based accounting in the Product Guarantee of Origin (PGO) scheme provides a level of transparency not possible under the location-based method. GO certifies the emissions intensity of products like hydrogen, low carbon fuels, and metals, using the market-based method to provide detailed traceability about the inputs into a product batch. Being able to trace the amount, type and origin of renewable electricity used to create a batch of GO-certified product based on the RECs surrendered provides confidence to the product seller and buyer about its emissions attributes.

Use of voluntary market-based scope 2 NGER reporting

Voluntary market-based scope 2 reporting was first introduced to the NGER scheme for the 2023-2024 reporting year. For the 2024-2025 reporting year, 61 entities reported voluntarily against the market-based scope 2 method, up from 36 in 2023-2024. Of these 61 entities, 34 were above the publication threshold. In 2024-2025, 28 published entities cancelled a combined 0.9 million LGCs to demonstrate a reduction in their scope 2 emissions, up from 0.5 million cancellations by 16 published entities in the previous year. Sectors using the method included retail, education, finance, utilities, real estate, heavy industry, food production, and transport.

It is expected that more entities will report using NGER market methods over time. In addition to supporting corporate emissions reporting and providing transparency towards climate targets, NGER legislation was also amended in mid-2025 to improve usability of the market method and reduce barriers to its use. The amended *National Greenhouse and Energy Reporting (Measurement) Amendment (2025 Update) Determination 2025* allows voluntary LGC surrenders made at any time before an entity submits its NGER report to be used to offset scope 2 emissions, provided the LGC has a generation date within 36 months of the end of the reporting period. This replaces the previous requirement that surrender occur within the reporting year. NGER reporting is due on 31 October of each year. The amendment considered public consultation which took place from 28 February 2025 to 11 April 2025. A summary of consultation outcomes is available on DCCEEW's website, together with non-confidential submissions.

The extended surrender period gives NGER entities greater flexibility in managing their scope 2 emissions and may encourage greater voluntary surrender of LGCs. More information on the amendment can be found on our website.

Market-based scope 1 accounting and outlook

Scope 1 emissions are 'direct' emissions resulting from on-site activities at a facility. Market-based emissions accounting is also beginning to emerge for scope 1 emissions accounting. It is especially useful when accounting for renewable fuels that are transported through shared or co-mingled infrastructure with their conventional fossil fuel equivalents.

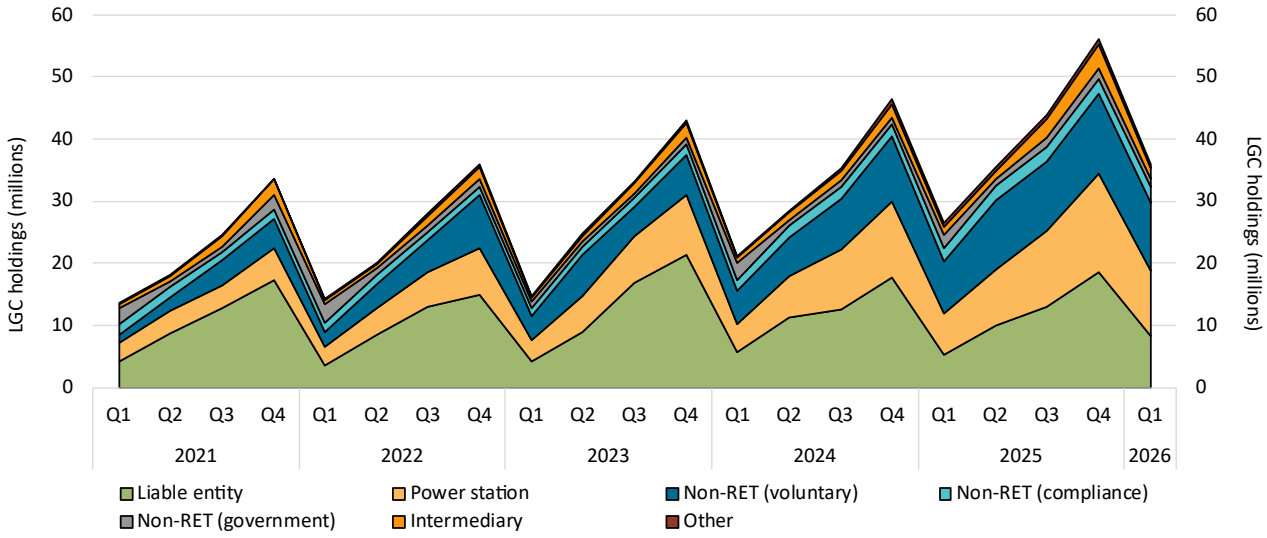
- The NGER scheme permits entities that combust liquid and gaseous fuels sourced from a network to use market instruments to prove the use of low-emissions equivalents, such as renewable diesel, biomethane or hydrogen, and correspondingly report lower emissions. The 2026 NGER scheme updates propose expanding this framework by adding market-based accounting methods for use of co-processed liquid fuels.

- The Clean Energy Regulator administered Product Guarantee of Origin (GO) certificate, which currently certifies hydrogen from electrolysis and is slated to expand to other energy products, will be one of the accepted certificate types to prove use of low-emissions fuels under the market-based scope 1 emissions accounting methods.

  Market-based emissions accounting is critical to developing markets and economic signals for low-emissions energy products. Use of market-based approaches are expected to grow as more entities seek to report on emissions reductions through renewable energy procurements, underpinned by credible and transparent certificates and units.

LGC holdings totalled 35.9 million certificates at the end of Q1 2026, representing an increase of 36% compared with Q1 2025, when holdings stood at 26.5 million LGCs. Growth in holdings was driven by power stations, which accounted for around 15 percentage points of the net increase, followed by liable entities (11 percentage points) and non-RET voluntary (10 percentage points).

Figure 2.7 LGC holdings (in millions) by market participation



First REGO certificates created

In Q1 2026, the first REGO certificates were created, marking the commencement of a new certification framework that will operate alongside the LRET.

The REGO scheme commenced on 3 November 2025 and will provide an ongoing renewable electricity certification mechanism after the end of the RET in 2030, with expanded fuel source eligibility and greater depth of information for each certificate.

REGO certificates are digital documents that are issued for each MWh of renewable electricity generated or dispatched. They are a market-based instrument that are designed to demonstrate the use of renewable electricity in market-based accounting frameworks. This empowers Australian businesses to make confident, objective, and credible claims about the renewable electricity they generate or use.

REGO certificates are tradeable instruments like LGCs, but unlike the LRET, the REGO scheme does not include annual targets or compliance obligations. Only LGCs can be surrendered for compliance under the

LRET. During the period to the end of 2030, eligible facilities may choose to create either LGCs or REGOs for each unit of renewable electricity generated.

REGOs show key details for generated renewable electricity, including when renewable electricity was made, with support for hourly timestamping of generation. Other key information includes details of the generating facility including its location, fuel source, and any attributes relating to First Nations or other characteristics of the facility, as well as whether the certificate has been retired or transferred.

More information on the REGO scheme can be found on our website.

3. Small-scale Renewable Energy Scheme

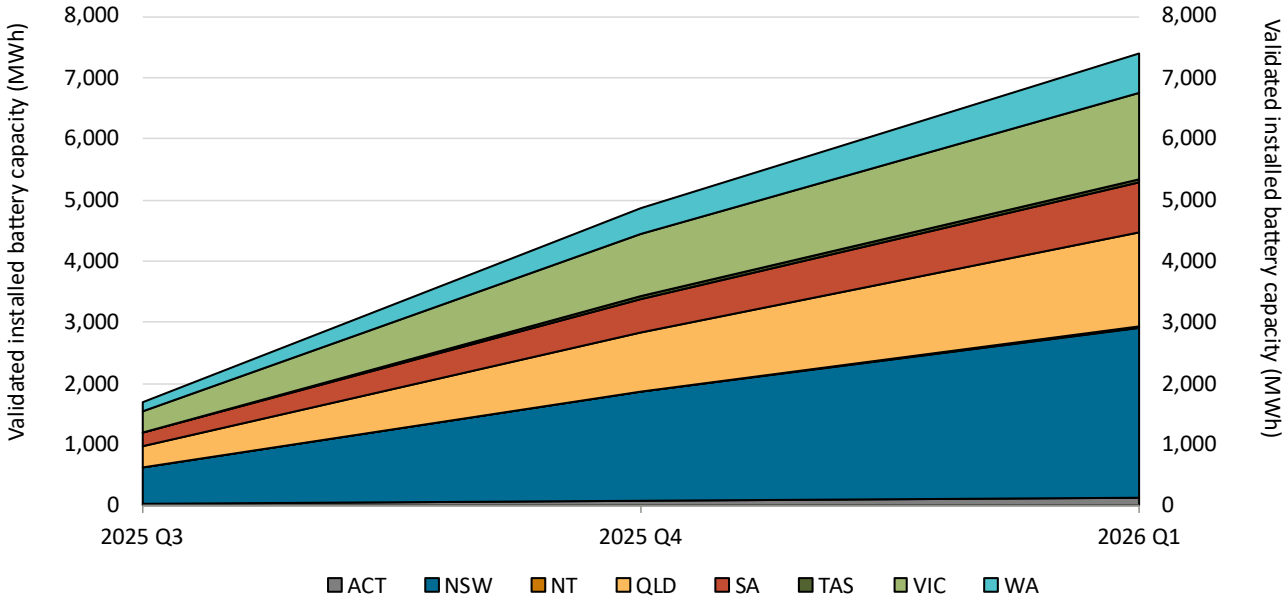
Insights

- Distributed small-scale solar and battery systems continue to scale rapidly. Real-world grid data already show changes to household energy use, and we expect further changes to market dynamics and grid outcomes as our substantial distributed energy system continues to evolve.
- The Cheaper Home Batteries Program continues to drive a surge of installations, with more than 82,000 validated batteries, or over 2.5 GWh of storage capacity, installed in Q1 2026.
  - » Total storage capacity installed under the program reached 11.4 GWh across more than 400,000 installations (both validated and pending) by mid-May. This represents less than a year's worth of installations, placing Australia at the global forefront of small-scale storage. Industry analysis puts total global installations for 2025 at 257 GWh, around 80% of which is utility scale.
  - » Growth in battery sizes may be driven by consumers taking advantage of the higher effective rebate available for them before the 1 May 2026 batteries program reforms. We expect demand for batteries to remain high post-reform, but with smaller average sizes.
  - » The positive impacts of solar batteries are visible in emerging patterns in household solar and battery behaviour visible in intraday demand profiles. Residential demand data from the Australian Energy Market Operator (AEMO) shows that households with solar and batteries are shifting grid interactions by importing less electricity and exporting more energy during evening peaks.
  - » With the rapid growth in distributed generation and storage assets, it is particularly important to ensure consumer benefits from the rapid upscaling of household generation and storage are maximised. As announced in the 2026–27 Budget, the Clean Energy Regulator will be the National Technical Regulator for consumer energy resources.
- Small-scale solar set a Q1 record with 791 MW installed capacity across 77,000 installations. AEMO Q1 2026 data show how material small-scale solar capacity growth is for the National Electricity Market (NEM), with growth in small-scale solar output offsetting growth in electricity demand over the year and increasing the share of NEM electricity supplied by renewables.
  - » Strong Q1 solar outcomes may partly reflect accelerated concurrent installations of small-scale solar and batteries ahead of the 1 May 2026 reforms.
  - » The average system size for a small-scale solar system in Q1 was 10.3 kW and has now been greater than 10 kW for the past 3 quarters.
- Replacement rates continue to increase, with 27% of systems installed in Q1 2026 being replacement systems, up from 19% in Q1 2025.
  - » Some of the states with the highest replacement rates are those where legacy feed-in tariffs will expire over coming years, so customers may have brought forward system replacements ahead of the 1 May battery program reforms.
- Small-scale technology certificate (STC) prices fell slightly over Q1 2026, settling to $39.65 as at the end of the quarter, while the Clearing House remained in surplus for the quarter.

Battery installations strong in Q1 2026

The batteries program continues to drive exceptionally high levels of battery uptake, as the program reaches 7.4 GWh of validated usable capacity installed as of Q1 2026, with more than 284,000 validated batteries installed. Q1 added at least of 2.5 GWh of battery capacity from 82,000 batteries.

Figure 3.1: Cumulative validated battery capacity installed by state and territory



The average usable capacity installed has increased each quarter since the introduction of the batteries program. Nationally, installations in Q1 2026 averaged 30.6 kWh of useable capacity, up from 27.3 kWh in Q4 2025 and 19.7 kWh in Q3 2025.

The increase in average system size in Q1 2026 reflects both the continuation of the shift toward higher-capacity systems together with behavioural responses ahead of the 1 May program changes (see Box 3.1). Behavioural changes may include both installers prioritising larger systems and consumers who prefer higher-capacity batteries bringing installations forward. We anticipate average system sizes being installed to decrease after the 1 May 2026 changes, as the progressive tapering of STCs reduces the relative incentive for larger batteries.

While the available data do not yet allow for a definitive assessment of post-reform consumer behaviour, we expect a moderation in average battery sizes following the introduction of the 1 May 2026 reforms, consistent with their policy intent. Following the initial moderation in battery sizes after the 1 May reforms, average capacities are likely to increase over time as the technology matures and costs decline. Industry feedback indicates installations will remain strong, particularly from residential consumers.

Box 3.1 Changes to the Cheaper Home Batteries Program

Changes to how small-scale technology certificates (STCs) are generated under the battery program took effect on battery installations from 1 May 2026. These changes affect how many STCs are created for eligible battery installations and, in turn, the level of financial support available through the scheme.

Under the 1 May 2026 reforms, the STC Factor that determines how many STCs a battery is entitled to create per kilowatt-hour of usable capacity was adjusted. The STC Factor now declines more frequently, shifting from annual to six-monthly reductions, and declines at a faster rate over time.

The reforms also introduced a progressive tapering of the STC Factor based on the usable capacity of a battery. As previously, batteries with usable capacities up to 100 kWh are eligible under the scheme, with STCs calculated on the first 50 kWh of usable capacity. Within the first 50 kWh, different portions of capacity now receive a different percentage of the STC Factor. Under the tapering arrangement, the percentage of the STC Factor applied is:

- 100% for the first 14 kWh of usable capacity
- 60% for each additional kWh above 14 kWh and up to 28 kWh (inclusive)
- 15% for each additional kWh above 28 kWh and up to 50 kWh (inclusive).

These thresholds were designed to maintain a broadly similar level of support for a range of battery sizes.

As an example of the calculation under the tapered system, a 40-kWh battery installed between 1 May 2026 and 31 December 2026 generates 164 STCs on validation, calculated as:

- 14 kWh at 100% of the STC Factor (95 STCs)
- 14 kWh at 60% of the STC Factor (57 STCs)
- 12 kWh at 15% of the STC Factor (12 STCs).

Further information on the 1 May 2026 changes, including applicable STC Factor rates, is available on DCCEEW's Cheaper Home Batteries Program webpage. The Clean Energy Regulator's solar battery STC calculator can be used to estimate the number of STCs created for individual eligible battery installations.

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

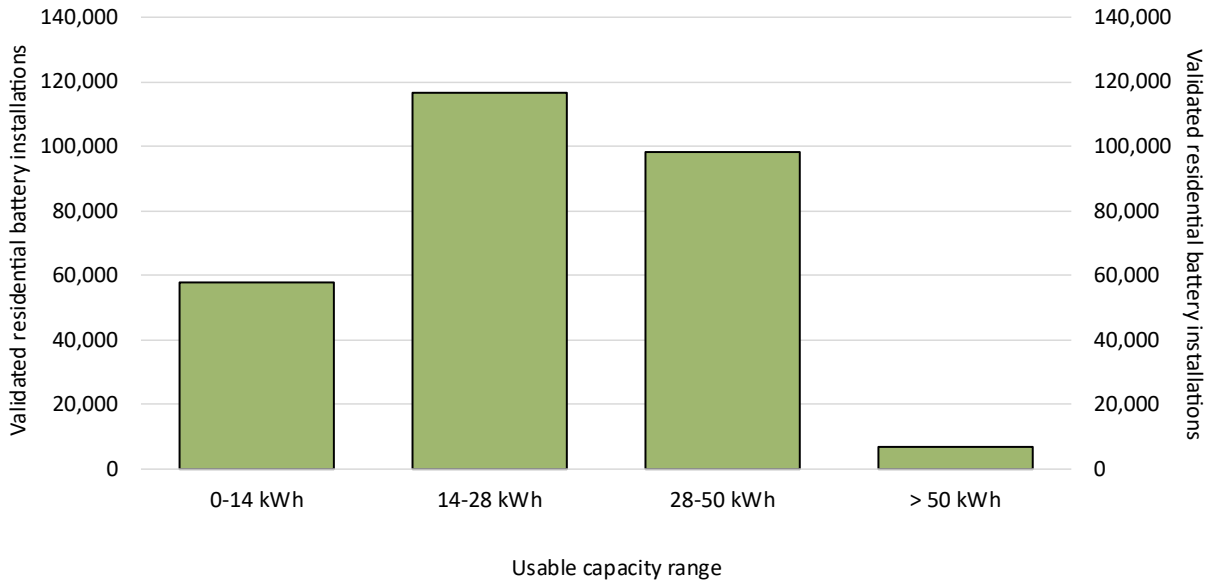
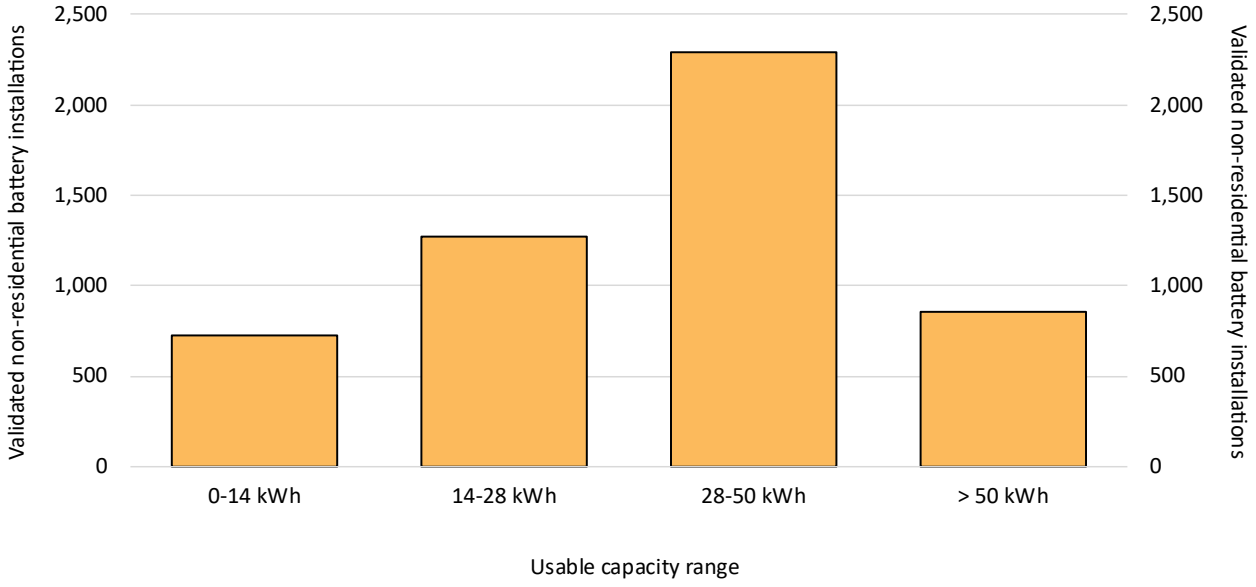


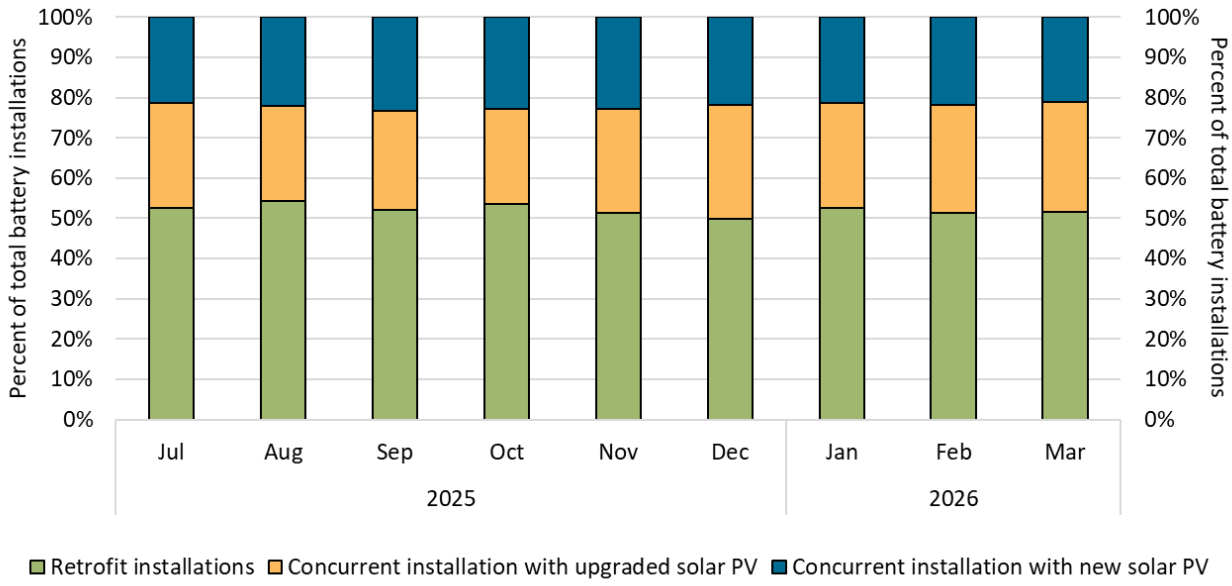
Figure 3.3 Distribution of validated battery installations by size range for non-residential systems



The distribution of installations between retrofits and concurrent installations has remained stable over the 3 quarters of the program so far.

As of Q1 2026, around 52% of all battery installations were retrofits to addresses with existing small-scale solar systems, with no change to the solar installation. The remaining 48% of battery installations were installed concurrently with small-scale solar systems, comprising a mix of new installations and systems that upgraded or replaced existing solar, with a slight preference toward upgrades or replacements.

Figure 3.4 Distribution of validated battery installations by installation type



In an analysis of household battery demand profiles, AEMO observed that households with batteries export electricity later into the day and rely less on grid-supplied electricity during evening peak periods compared with households with rooftop solar only. In aggregate, this behaviour reduces household demand from the grid during peak periods and increases the availability of stored solar generation later in the day, moderating net demand on the grid during the evening peak. While these behaviours reduce grid-supplied demand during peak periods, over time increased access to low-cost solar and stored energy may lead to higher overall household electricity consumption; these changes can be considered as the grid evolves.

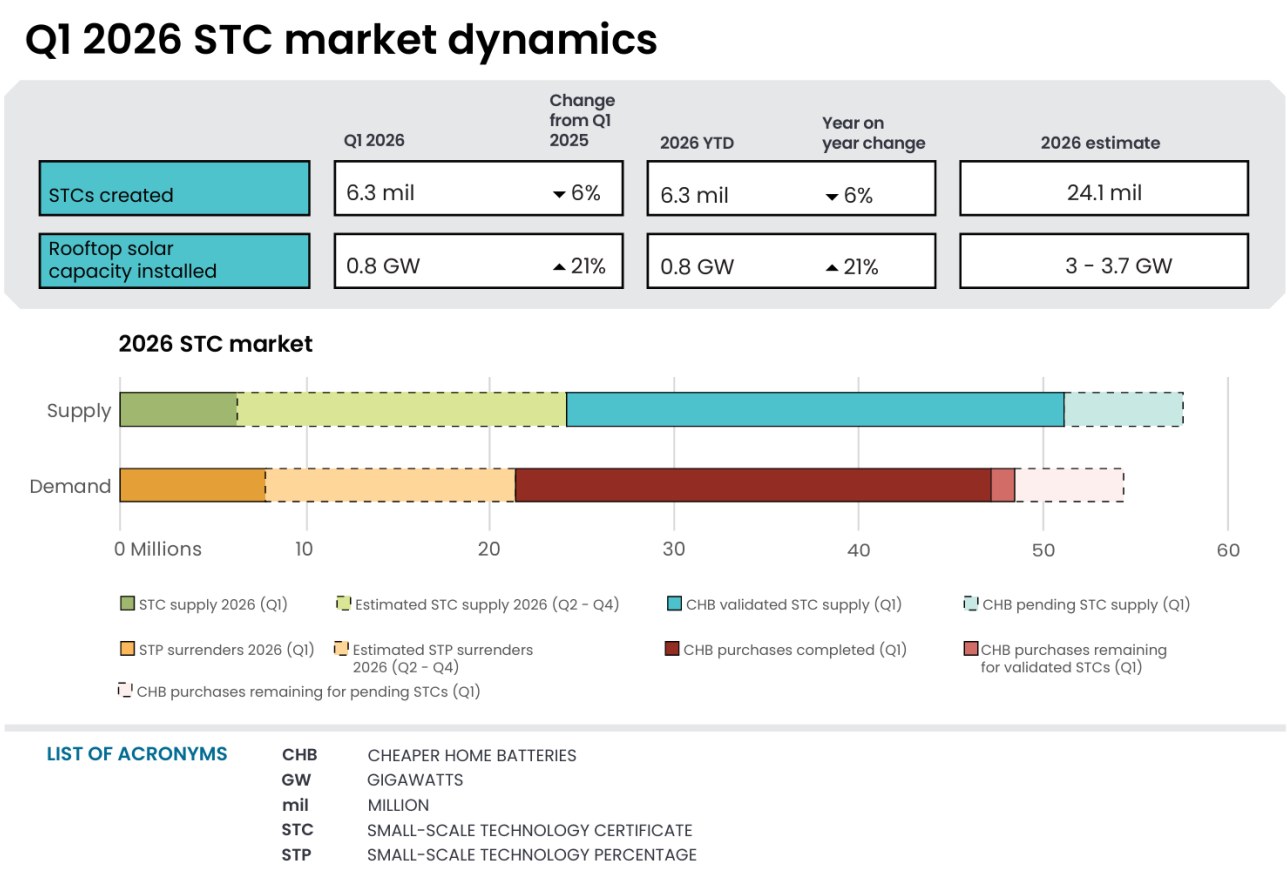
Wholesale electricity prices in the NEM reflect the price that balances supply and demand at each 5-minute interval. By reducing grid demand during peak periods, increased household battery discharge would generally be expected to place downward pressure on prices, all else being equal. AEMO's latest report shows NEM wholesale prices are 12% lower than the same quarter last year. As discussed in Chapter 2, the main cited drivers are large-scale, with higher utility-scale batteries influencing prices setting and higher levels of large-scale renewable generation.

In the 2026-27 Budget, the Government announced that the Clean Energy Regulator will fulfil a new role as National Technical Regulator (NTR) to support a national approval and compliance framework for how consumer energy devices work together to maximise benefits (interoperability). This will include ensuring new consumer energy resources meet national standards, are installed by accredited professionals, and are recorded in a centralised national register of installed devices. These functions are designed to enable the secure and efficient integration of small-scale generation and batteries into the national electricity system, which will support a stable, integrated electricity grid and achievement of the 82% renewables by 2030 target.

This framework is a key reform for modernising Australia's economy by improving productivity and increasing competition across Australia's energy ecosystem and enabling new energy market services. It will empower Australian households to maximise the benefits of their own energy systems and contribute to Australia's electricity markets if they choose.

Market dynamics

Image 3.1: Q4 2025 STC market dynamics

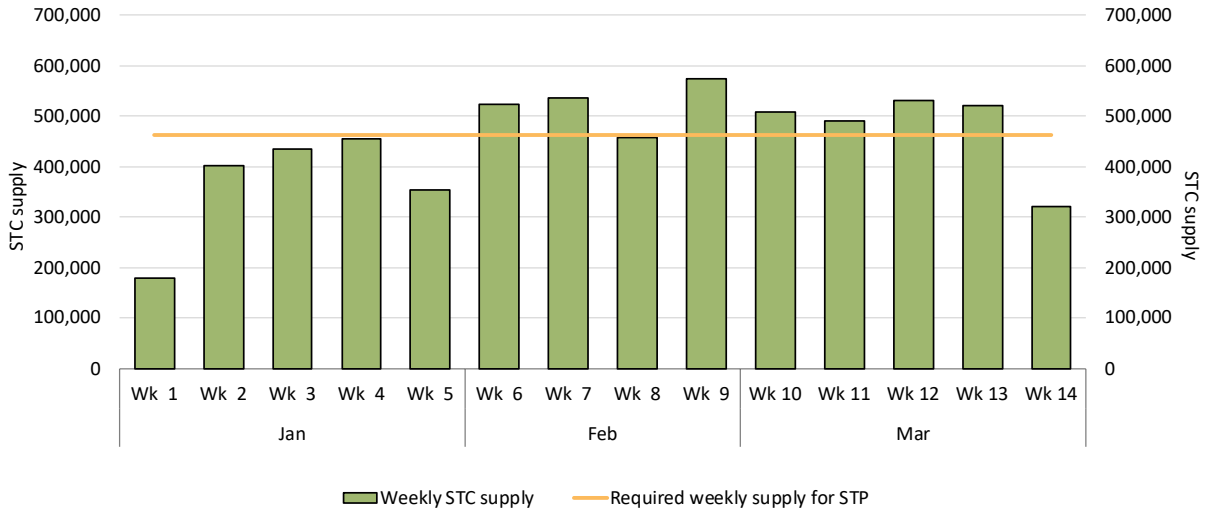


LIST OF ACRONYMS

CHB	CHEAPER HOME BATTERIES
GW	GIGAWATTS
mil	MILLION
STC	SMALL-SCALE TECHNOLOGY CERTIFICATE
STP	SMALL-SCALE TECHNOLOGY PERCENTAGE

In Q1 2026, 6.3 million STCs were created, excluding STCs created as part of the batteries program. On average, 489,000 STCs were created per week during Q1 2026, which exceeds the average 462,000 requirement to meet the compliance demand of 21.5 million set for the 2026 STP.

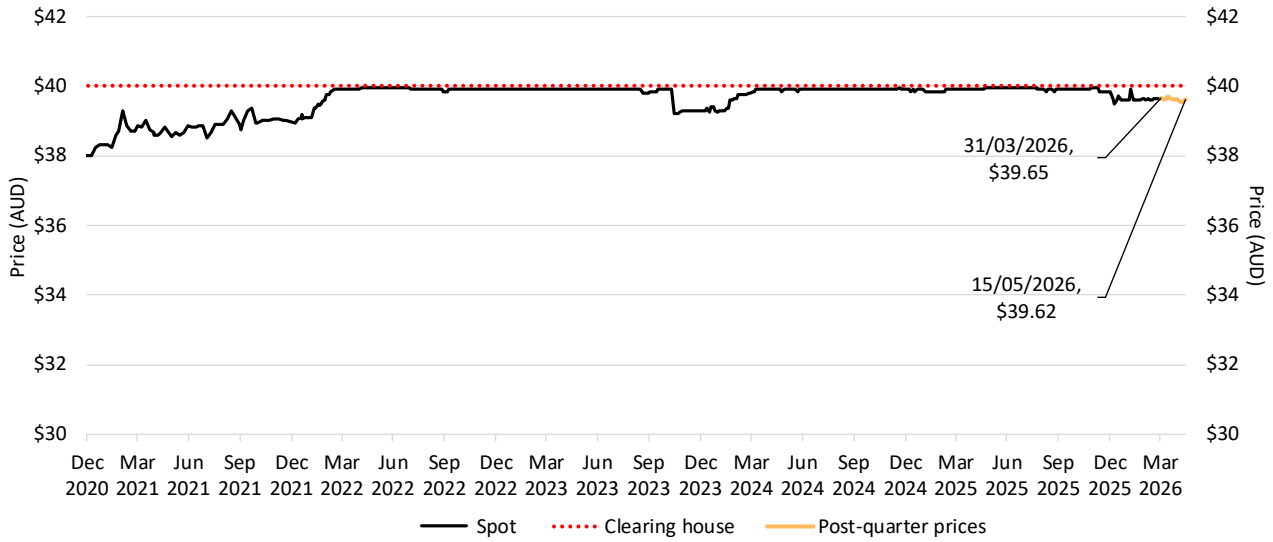
Figure 3.5: Weekly STC supply and the required supply to meet the 2026 STP



By the 28 April Q1 deadline, 7.5 million STCs were surrendered. Between 15 February and the 28 April deadline, around 426,000 STCs were purchased from the clearing house (excluding STCs purchased by the government under the batteries program), with most surrenders met through certificates sourced outside the clearing house.

Small-scale technology certificates can be sold either through the STC clearing house at the fixed clearing house price of $40 or through the open market. STC prices remained below $40 through Q1 2026, reflecting ongoing surplus conditions in the clearing house. The STC spot price opened the year at $39.65, briefly increased to $39.90 in early February, and then settled back to $39.65 by the end of the quarter. The spot price has remained steady in the period after the end of Q1, sitting at $39.62 on 15 May 2026.

Figure 3.6: STC reported spot and clearing house prices

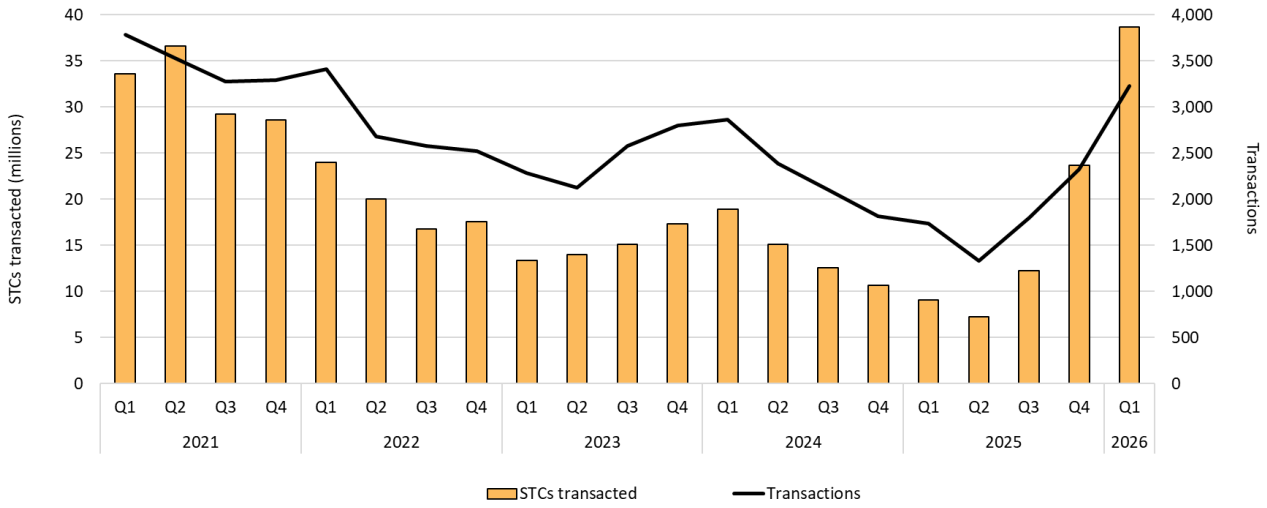


STC market activity increased markedly through the second half of 2025 and into Q1 2026, reflecting substantially higher volumes of certificates being transacted in the open market. A total of 38.7 million STCs were transferred in Q1 2026, the highest quarterly volume on record. This increase reflects a higher availability of STCs in the market, largely associated with the rapid scaling of battery installations, which has resulted in a greater volume of battery-related STCs being transacted alongside certificates from other sources.

In contrast, activity through the STC clearing house declined. STC purchases from the clearing house (excluding purchases by DCCEEW) totalled 1.2 million STCs in Q1 2026, down 73% from 4.5 million STCs in Q1 2025. This decline coincided with increased clearing house queue wait times and 4.5 million STCs being withdrawn from the queue during the quarter.

Despite these changes in trading behaviour, STC prices remained close to the clearing house price of $40 throughout the quarter, indicating that demand at the clearing house price remains resilient even as participants adjust between sales channels.

Figure 3.7: STC market transactions



Q1 2026 sets a record for small-scale solar capacity; outlook strong

Installed small-scale solar capacity reached a new Q1 record in 2026. Over the quarter, 791 MW of small-scale solar capacity was installed, a 21% increase from 655 MW in Q1 2025 and a new Q1 record for capacity installed. The number of installations was also strong with 77,000 systems, 15% more than the 67,000 installations in Q1 2025. Installation numbers have kept their pace in the start of Q2, with April 2026 capacity at 467 MW as of 15 May, more than double the 207 MW capacity installed in April 2025. Some of this strength may reflect increased interest in higher-capacity solar systems among households installing batteries, where larger or upgraded solar systems can better support battery charging and use.

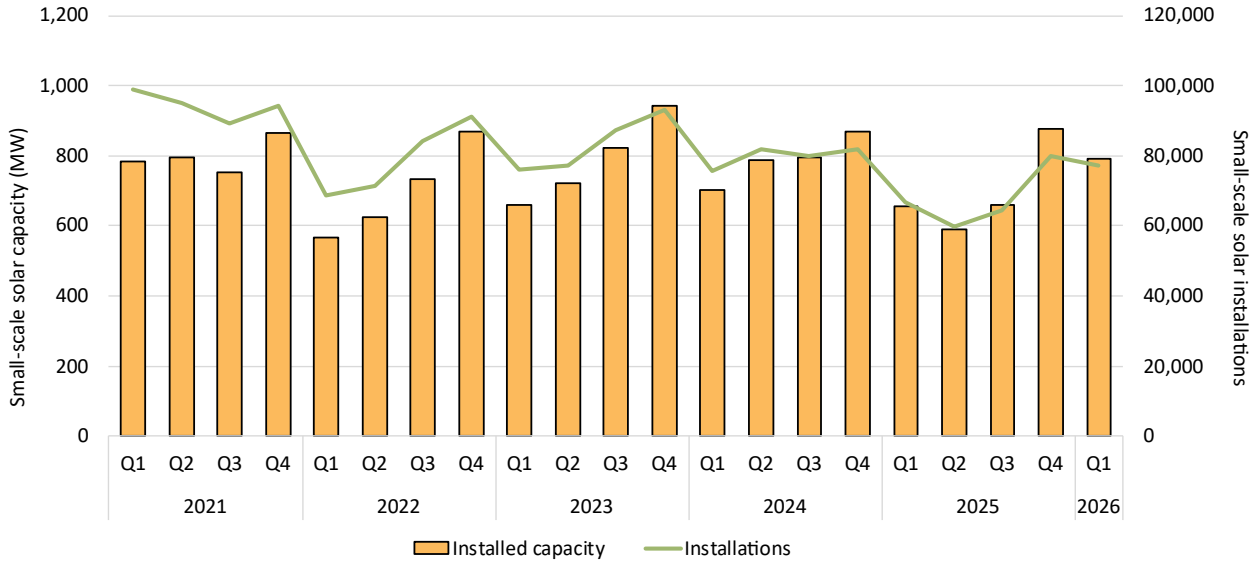
Part of the strong Q1 outcome may have been the result of short-term timing effects ahead of the changes to the batteries program that commenced on 1 May 2026, affecting installer scheduling and consumer decisions. As such, some component of the Q1 strength may be transitory. That said, industry feedback suggests there may be significant ongoing demand for solar installations, including upgrades of older systems.

If strong installs for small-scale solar and batteries are sustained, we could see a step change in the contribution of distributed energy resources to the grid, and consideration of the implications will be increasingly important. The impact and importance of distributed energy resources for our electricity grid and in progressing towards the government's 82% renewables target are already visible in the latest AEMO figures for the NEM.

- AEMO showed a record Q1 total demand for electricity, while grid-supplied ('operational') demand remained roughly the same as Q1 the previous year. That is, household solar output offset growth in underlying demand.
- The use of electricity stored by household batteries also contributes to a higher renewable energy penetration in the grid through downward pressure on grid demand, lowering the need for grid electricity from gas power stations during peak demand periods.
- Reduced grid demand from households and taking advantage of the ability to coordinate distributed energy resources, means less new large scale renewable generation and storage are needed over the same timeframes to meet our overall energy needs.

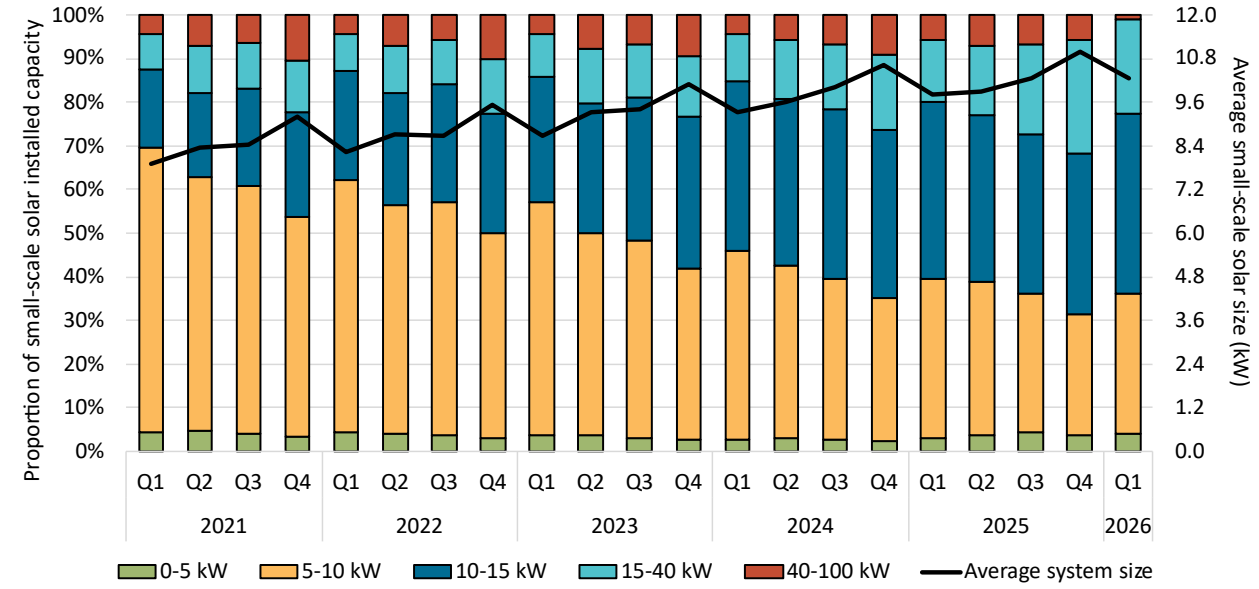
We will continue to monitor small-scale solar installations and report on any trends observed in future QCMRs.

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



The average small-scale solar system size in Q1 2026 was 10.3 kW, marking the third quarter in a row where the average system size has been greater than 10 kW. This trend has been driven by the growth in the popularity of installations sized between 15-40 kW which represented 22% of total installs in Q1 2026, compared to 14% in Q1 2025. There has also been a decrease in the popularity of systems sized between 5-10 kW, which fell from 37% of all installations in Q1 2025 to 32% in Q1 2026. While this upward trend in system size predates the Cheaper Home Batteries Program, installations that include a battery tend to be larger, with the average capacity of a small-scale solar system installed with a battery at 11.1 kW since the start of the scheme, compared to 9.1 kW for systems not installed with a battery.

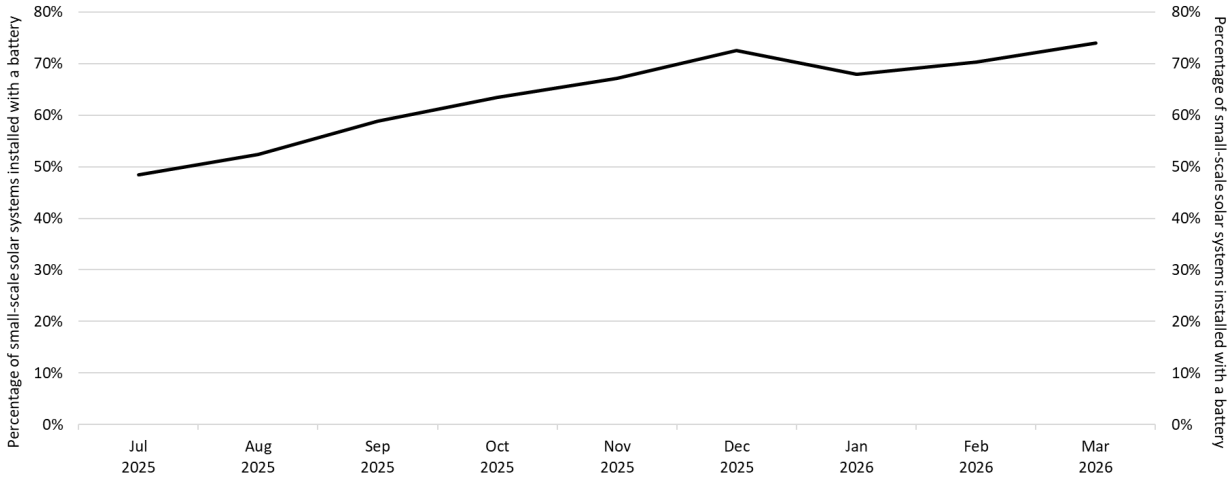
Figure 3.9 Distribution of small-scale solar installed capacity by size band and average system size (kW)



Another feature of recent installation patterns is the increasing share of small-scale solar systems being installed alongside batteries. Since the introduction of the batteries program, the proportion of solar systems installed with a battery has risen from 53% in the first quarter of the program to 71% in Q1 2026. This trend suggests that batteries are increasingly being incorporated as a standard installation alongside

household solar systems. Solar and battery installations appear to be becoming more closely integrated, reflecting a shift toward combined system configurations rather than independent deployment of generation and storage.

Figure 3.10 Percentage of small-scale solar systems installed with a battery by month



Small-scale solar replacements on the rise

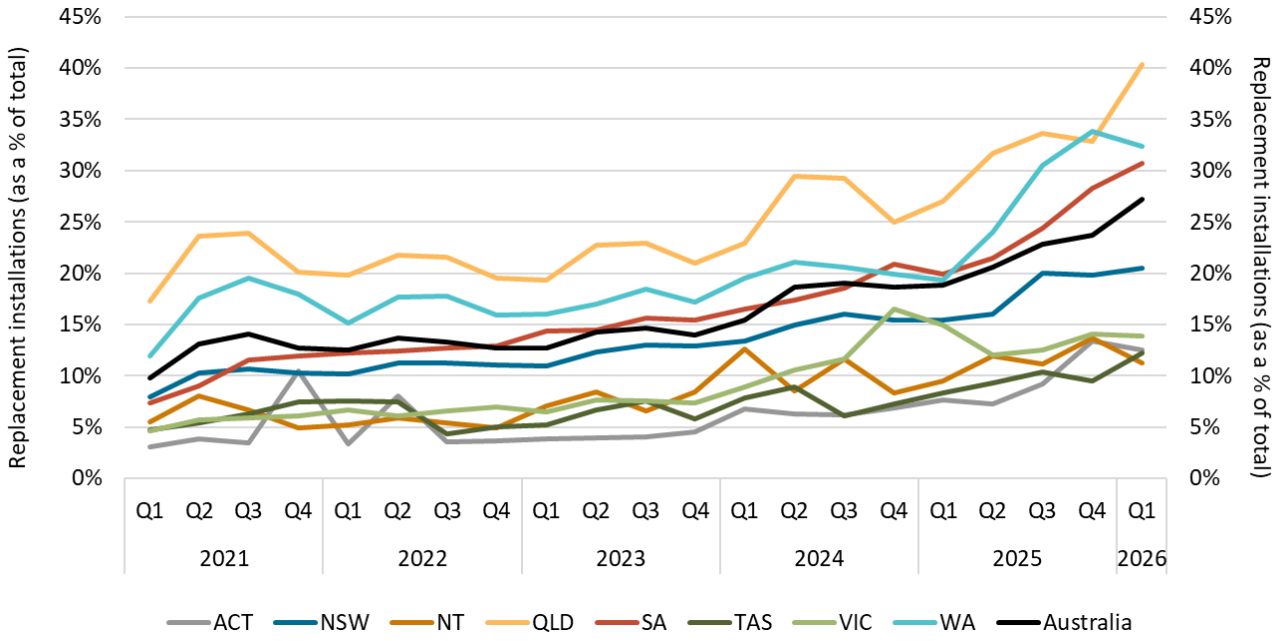
Replacements accounted for 27% of all small-scale solar installations across the country in Q1 2026, up 8 percentage points compared to the same quarter in 2025. The replacement rate has been steadily growing across all states and territories since the installation type data was first recorded in 2021. Part of the increase in replacement and upgrade activity may reflect households reassessing older solar systems when installing batteries, where larger or upgraded solar systems can better align with battery charging and use. Replacement trends may also be influenced by other factors, including the approaching expiry of legacy feed-in tariffs in some states.

The biggest increase in replacement rate was in Queensland, which saw an increase from 33% in Q4 2025 to 40% of all installations in the current quarter. The surge of replacements may have been caused by the approaching end to the Solar Bonus Scheme 44 cent feed-in tariff (FiT) in 2028, which previously constrained system changes for households in Queensland to remain eligible for the FiT.

South Australia similarly has a 44-cent legacy FiT expiring in 2028 for systems installed prior to 30 September 2011. As the end of the FiT approaches, the replacement rate in South Australia has steadily increased, reaching 31% of installations in the state in Q1 2026.

A spike in small-scale solar replacements can also be seen in Q4 2024 in Victoria, when the state's 60 cent FiT ended in November 2024. In Q4 2024, the state's replacement rate reached a record high for the state of 16%.

Figure 3.11 Replacement small-scale rooftop solar as a proportion of total installations by state and territory



First quarter shows growth for air source heat pumps (ASHPs)

In Q1 2026, around 21,000 ASHPs were installed, a 9% increase compared to Q1 2025, when around 19,000 systems were installed. The increase was driven primarily by installations in Queensland and Western Australia, which saw the strongest year-on-year growth. Queensland had 3,100 installations in the quarter, an increase of 57% compared to the 2,000 installed in Q1 2025. Western Australia had 2,300 ASHPs installed in Q1 2026, an increase of 55% compared to the 1,500 installed in Q1 2025.

In contrast, Victoria saw a modest 5% year-on-year decline in installations in Q1 2026 with 11,000 installations compared to 11,600 in Q1 2025. Despite this, Victoria remained the largest ASHP market nationally, with Queensland having the second-highest number of installations in Q1 2026.

Figure 3.12: ASHP installations by state and STC validations