Australian Government
Clean Energy Regulator

Quarterly Carbon Market Report








CLEAN ENERGY REGULATOR

September Quarter 2026

Contents

About this report **3**

Highlights **4**

1. Australian environmental markets **5**

2. Large-scale renewable electricity **16**

3. Consumer energy resources **26**

4. Attachment A: 2025-26 Safeguard preliminary insights **37**

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

Suggestions

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

- email: enquiries@cer.gov.au
- post: Clean Energy Regulator, GPO Box 621 Canberra ACT 2601

Report disclaimer

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

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

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

Version history

Version	Date	Changes
1.0	26/11/2026	Initial publication

Glossary and Methods document

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

Highlights

- All 7 of the CER's certificate-based schemes have been performing well in Q3 2026, with many metrics on track to meet or exceed our projections for the calendar year.
- Large-scale renewable investment set a new annual record, supported by the Capacity Investment Scheme (CIS). Projects totalling 5.0 GW reached final investment decision (FID) in the first 3 quarters of 2026, already exceeding the previous full-year record of 4.9 GW. More than half of the generation capacity reaching FID to the end of Q3 2026 received CIS support, demonstrating the scheme's growing influence on the investment pipeline. Wind also showed encouraging signs, with 1.1 GW reaching FID in Q3, the highest quarterly total on record for the technology. As at mid-November, further investment took year-to-date FID even higher, to 5.5 GW.
- Consumer investment in energy technologies continued to grow at scale in Q3. Rooftop solar recorded its strongest September quarter on record, with 890 MW installed, taking 2026 installations to 2.8 GW and putting the year on track to exceed the previous annual record of 3.2 GW. From 1 October 2026, eligible solar systems between 100 kW and 1 MW can create small-scale technology certificates, creating further opportunities for growth in the mid-scale solar sector.
- Home battery installations also remained strong, with 10.3 GWh of capacity installed and approved under the Cheaper Home Batteries Program in 2026 to the end of Q3, leading us to increase our 2026 projection from 8–12 GWh to 13–15.5 GWh.
- The growing deployment in consumer investment is increasingly visible in electricity demand and market outcomes. The Australian Energy Market Operator found that growth in distributed solar exceeded growth in total (grid plus distributed) electricity demand in Q3, reducing average demand from the grid. Households with rooftop solar and batteries imported 74% less electricity during the evening peak than households with solar alone, contributing to lower evening peak demand from the grid.
- Our new large-scale battery pipeline tracker highlights the rapid expansion in battery storage investment. A total 13.8 GWh of storage capacity reached FID in Q3, taking the 2026 total to 20.0 GWh, while the average capacity of batteries coming into service more than doubled from 265 MWh in 2025 to 621 MWh in 2026. Grid-scale batteries are also playing a growing role in electricity market outcomes. Together with lower demand from the grid, increased grid-scale battery participation contributed to National Electricity Market wholesale electricity prices falling 27% compared with Q3 2025.
- Australian carbon credit unit (ACCU) issuance in Q3 2026 was a record 8.2 million, showing strong continued supply. This brings issuance in 2026 to 19.1 million, tracking within our estimated range of 22 to 26 million.
- This year, we will release the first application programming interface (API) accessible ACCU Scheme project register on our data services portal in line with our continued work to improve data accessibility.
- Preliminary CER data for the 2025–26 compliance year of the Safeguard Mechanism appears at Attachment A. The preliminary data indicates that emissions from facilities that had been covered by the scheme in the previous year reduced by 0.5%. Covered emissions increased by 0.4% from 132.8 $MtCO_2$-e in 2024–25 to 133.3 $MtCO_2$-e in 2025–26. The primary source of this increase was large oil and gas facilities that were not covered in 2024–25.
  - Responsible emitters of 48 facilities reported covered emissions below their baseline and may be eligible for an approximate total of 4.5 million Safeguard Mechanism credit units (SMCs). Covered emissions for 145 facilities exceeded their baselines, totalling 19.7 $MtCO_2$-e in potential excess.
  - The preliminary data is subject to change and does not consider the approval of any ongoing flexibility measure applications. Finalised Safeguard Mechanism data for 2025–26 will be published by 15 April 2027.
- The Nature Repair Market continues to grow with an additional method commencing, and 2 new projects registered. The Product Guarantee of Origin Scheme added 3 new products.

1. Australian environmental markets

Insights

- Australian carbon credit unit (ACCU) issuance in Q3 2026 was a record 8.2 million, showing strong continued supply. This brings ACCU issuance in 2026 to 19.1 million, 28% or 4.2 million units higher than the same period last year.
- ACCU issuance for 2026 is tracking towards the upper end of our estimated range of 22 to 26 million, in part due to additional crediting to avoided deforestation projects from eligible biomass growth.
  - » The Climate Change Authority Review of the ACCU Scheme was published on 1 September 2026 and found that the scheme remains fundamentally sound.
- In Q3 2026, 63 ACCU Scheme projects were registered, a decrease of 58% (88 projects) compared to Q3 2025. This brings the total projects registered in 2026 to 207, a decrease of 39% (132 projects) compared to the same time last year.
  - » Soil carbon project registrations remain lower than average, likely due to proponents awaiting final resolution of the method update. Overall, the pipeline of projects and new methods remains robust.
  - » At the end of Q3 2026, there were 4 projects registered under the 2026 savanna fire management methods.
- Excluding the cost containment measure, ACCU holdings in the Unit and Certificate Registry (the registry) increased by 7.7 million to 68.9 million at the end of Q3 2026. This growth is expected as safeguard and safeguard-related entities continue to accumulate ACCUs in preparation for the 2025–26 compliance deadline.
- In Q3 2026, 0.1 million ACCUs were delivered against carbon abatement contracts, bringing the total number of deliveries since the permanent exit arrangements announcement to 1.6 million. In addition, 1.2 million ACCUs exited, with 95 contracts meeting the 25% minimum delivery requirement to exit at the discounted rate. We remain on track for outcomes in the 6–month projected deliveries table from August 2026.
- Preliminary CER data and insights for the 2025–26 compliance year of the Safeguard Mechanism are at Attachment A. The preliminary data is subject to change and does not consider the approval of any ongoing flexibility measure applications. The preliminary data indicates:
  - » Total covered emissions were 133.3 Mt CO2-e – a 0.4% increase from 132.8 Mt CO2-e in 2024–25. Covered emissions for 145 facilities exceeded their baselines, totalling 19.7 MtCO2-e in potential excess. Emissions from facilities that had been covered by the scheme in the previous year reduced by 0.5%.
  - » Responsible emitters of 48 facilities reported covered emissions below their baseline and may be eligible for about 4.5 million Safeguard Mechanism credit units (SMCs).
- The Government expects to release policy positions and any draft rule amendments from the Review of the Safeguard Mechanism in early 2027.
- In October, the Nature Repair Market saw 2 projects successfully registered, both of which are on land already hosting an ACCU project, and the second method, Enhancing Native Vegetation, commenced. In September, 3 new products were added to the Product Guarantee of Origin.

ACCU and SMC market dynamics summary

Image 1.1 Q3 2026 ACCU market dynamics

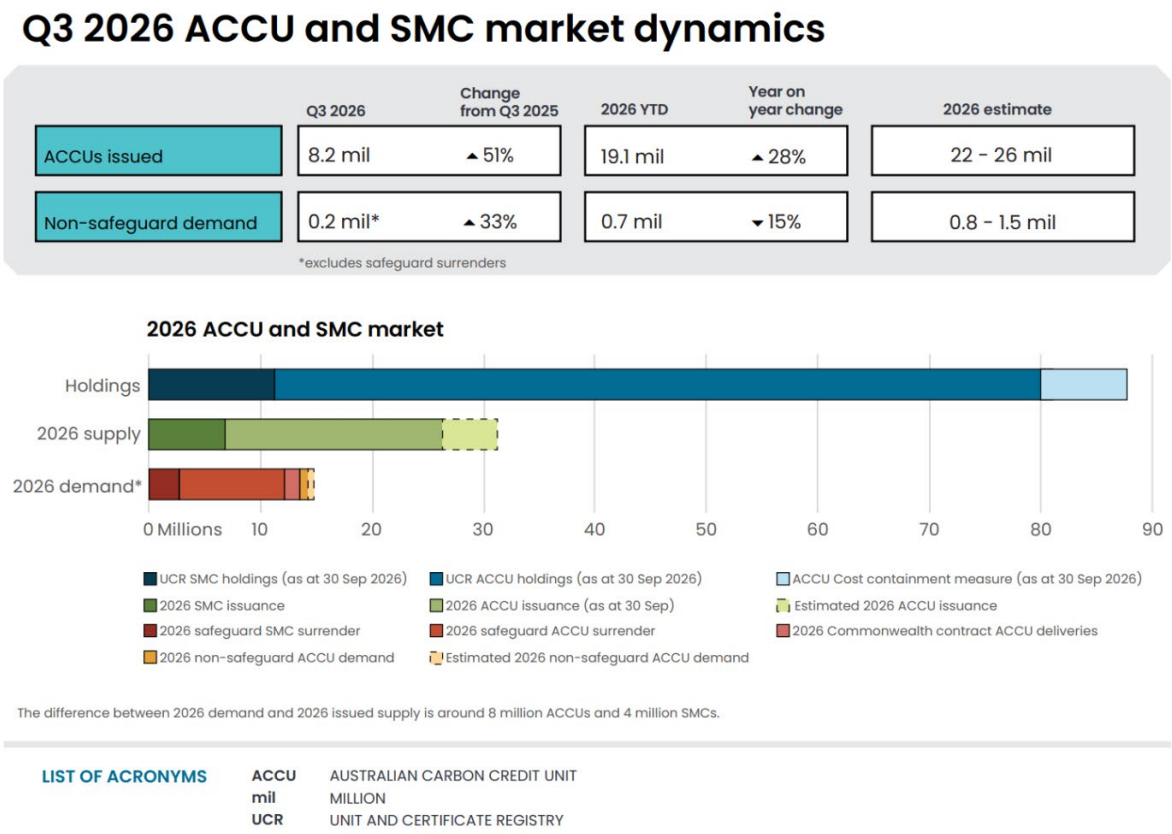


Table 1.1 ACCU supply and demand summary for Q3 2026

	Q3 2026	
ACCU	Supply	Demand
Balance carried forward from Q2 2026	61.2m	-
ACCU supply	+8.2m	-
ACCU Scheme contract deliveries*	-	-0.1m
Safeguard surrenders	-	-0.1m
Non-safeguard cancellations	-	-0.2m
Net balance at the end of Q3 2026	**68.9m**	
Cost containment measure balance at end of Q2 2026	6.0m	
Quarterly change in cost containment measure*	+0.1m	
Cost containment measure balance at the end of Q3 2026	**6.1m**	

*Totals may not sum due to rounding. *This refers to ACCUs delivered under Commonwealth carbon abatement contracts (CAC) in the quarter. These ACCUs are held in the cost containment measure and are available to eligible safeguard entities to purchase at a fixed price of $87.72 for 2026–27, rising at the Consumer Price Index plus 2% each year.*

Table 1.2 SMC supply and demand summary for Q3 2026

	Q3 2026	
SMC	**Supply**	**Demand**
Balance carried forward from Q2 2026	11m	-
SMC supply	0m*	-
Safeguard surrenders	-	0m
Net balance at the end of Q3 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 we receive the application.*

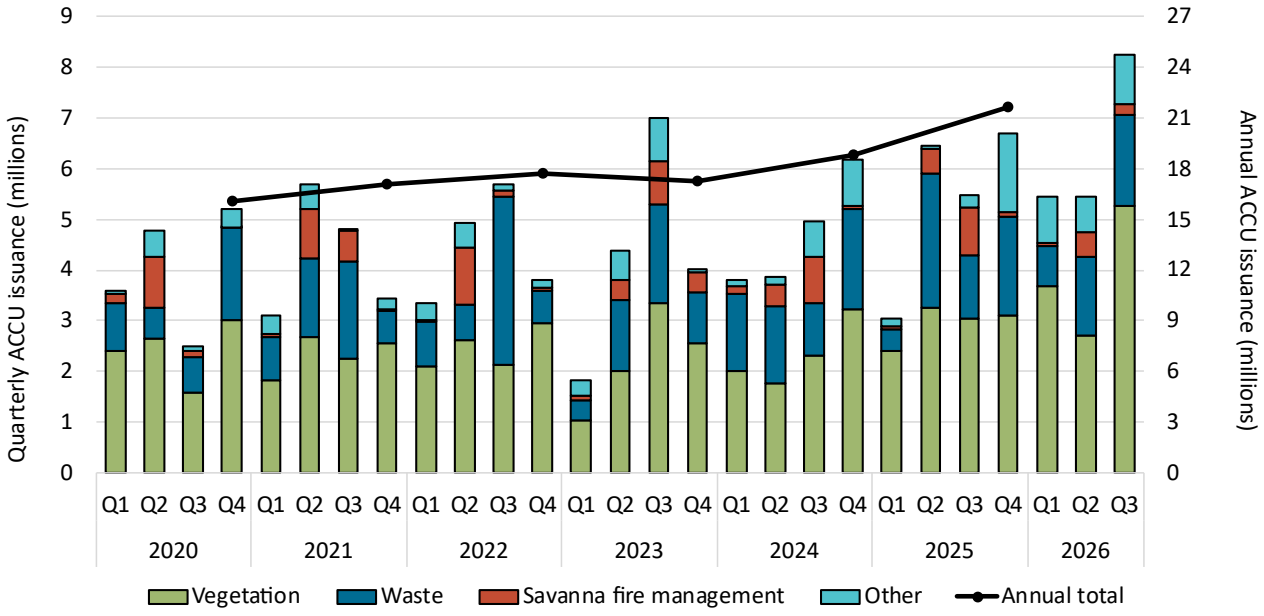
Highest ever quarterly ACCU issuance

ACCU supply from existing projects reached a record level in Q3 2026. A record 8.2 million ACCUs were issued this quarter, 51% higher than the 5.5 million in the same period last year. This was driven by 5.3 million ACCUs issued to vegetation projects, including 2.2 million issued to human-induced regeneration projects and 2.8 million issued to avoided deforestation projects.

As outlined in the Q2 2026 QCMR, the increase in avoided deforestation issuance is driven by additional credits generated from eligible biomass growth over a project's crediting period. For forest growth to be credited under the avoided deforestation method, there are strict requirements for biomass surveys to be conducted to determine the change in carbon stocks during the crediting period of the project. Of the 2.8 million ACCUs issued to avoided deforestation projects in Q3 2026, around 90% are attributable to this eligible biomass growth. While this increase may appear significant, it represents biomass enhancement achieved over the full 15–year crediting period of many projects, at an average of about 1.8 ACCUs per hectare per year.

Total year to date ACCU issuance for 2026 at the end of Q3 2026 has reached 19.1 million, including 2.5 million ACCUs issued to projects for the first time. Issuances are tracking toward the upper end of our estimated range of 22 to 26 million.

Figure 1.1 ACCUs issued by method type



Preliminary data for the third year of the reformed Safeguard Mechanism

The Clean Energy Regulator's (CER) preliminary Safeguard Mechanism data insights for 2025–26 is at Attachment A. Preliminary data is based on reports submitted to the CER under the National Greenhouse and Energy Reporting (NGER) Scheme as of 2 November 2026. Preliminary data is subject to change due to the CER's assurance program, which ensures the accuracy and completeness of NGER data, as well as emitters surrendering units to manage excess emissions and applying for flexibility measures. Final safeguard data will be published by 15 April 2027.

Looking ahead, the 2026–27 Safeguard Mechanism review remains underway. Submissions on the Safeguard Mechanism review consultation paper released by the Department of Climate Change, Energy, the Environment and Water closed on 18 September. The department is now considering the material received. The review will also consider the Climate Change Authority's (CCA) 2026 Annual Progress Advice, published on 26 November 2026. The Australian Government intends to release a position paper with final positions in early 2027.

Project registrations slow in Q3 2026

While project registrations in 2026 are lower than in previous years, the pipeline of new methods remains robust.

A total of 63 ACCU Scheme projects were registered in Q3 2026, lower than the 151 in the same period last year. This includes 4 project registrations under the 2026 savanna fire management sequestration and emissions avoidance method. Total project registrations this year were 207 at the end of Q3, below the 339 in the same period last year.

This is the first Q3 with fewer than 100 registrations since 2022. However, this is a result of previous Q3s having higher than average registrations. Previous Q3s have coincided with the sunsetting of methods with high registration volumes, including human-induced regeneration in Q3 2023 and environmental plantings in Q3 2024. As discussed in the Q3 2025 QCMR, Q3 2025 had higher than expected registration volumes for soil carbon projects due to application processing efficiencies. In addition, as indicated in the Q2 2026 QCMR, soil carbon project proponents may be awaiting final resolution of the soil carbon method update.

ACCU Scheme methodology and policy updates

Progress on new methods continues, supporting the registration of future projects.

The Improved Native Forest Management (INFM) method was approved by parliament on 10 September 2026. The first INFM project, the North East RFA Improved Native Forest Management Project, was approved on 22 October. This project is run by the New South Wales Department of Climate Change, Energy, the Environment and Water and will allow ACCUs to be generated from stopping timber harvesting in carbon protection areas.

As discussed in the Q2 2026 QCMR, consultation by the Department of Climate Change, Energy, the Environment and Water on the soil organic carbon method 2021 ended on 18 August 2026. The proposed cap of 3 tonnes of carbon per hectare per year (3 tC/ha/yr) for projects with a 25–year permanence period and 3.8 tC/ha/yr for projects with a 100–year permanence year would be achieved through a pre-discount threshold of 4 tC/ha/yr. The cap will be implemented through the method's forthcoming amended Supplement.

In other methods, the department sent the draft Integrated Farm and Land Management method to the Emissions Reduction Assurance Committee November 2026 meeting, for their consideration and advice on next steps. Further methods currently under development include the Avoided Re-clearing and Native

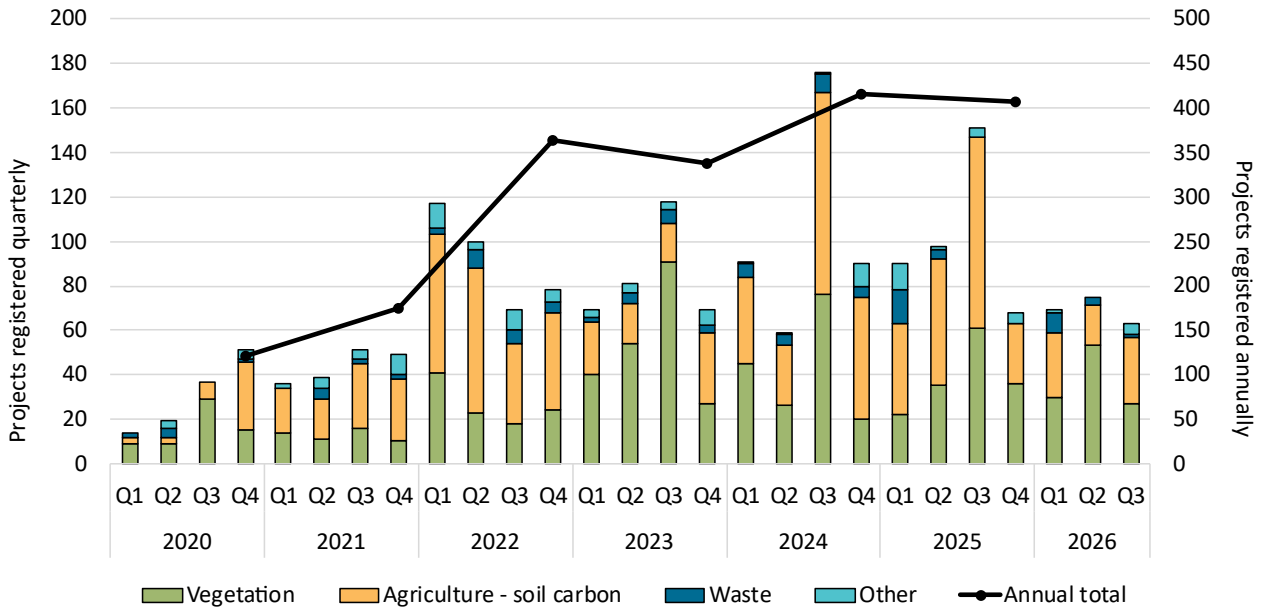
Reforestation method and the Reducing disturbance of coastal and floodplain wetlands by managing ungulates method. The Australian Resources Recovery Council, the lead developers of the new Alternative waste treatment method have released a consultation paper on that method. Feedback on the consultation paper can be provided via survey until 29 November 2026.

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

On 1 September 2026, the CCA published their fifth review of the Carbon Credits (Carbon Farming Initiative) Act 2011. The review found that the ACCU Scheme is fundamentally sound and that recent reforms are strengthening integrity, governance, and transparency. The CCA made 6 recommendations to strengthen confidence and support investment, around the 4 categories of permanence, public value, transparency, and method development. This includes a recommendation to build on what the authority recognises as important transparency and registry improvements to date by improving access to detailed, standardised, and reuseable project, unit, and market information. The Australian Government is considering the recommendations and has 6 months to respond, with a response due by 27 February 2027. The CER is committed to providing markets with useful information consistent with its legislation; see the 'Other policy and market updates' section below for information about enhancements to the ACCU project and contract register.

Proposed legislative amendments to the *Carbon Credits (Carbon Farming Initiative) Act 2011* are before the Parliament. The Senate Environment and Communications Legislation Committee are holding an inquiry to consider the amendments, and are expected to report by 26 February 2027. The proposed amendments implement recommendations from past independent reviews, including to enhance transparency and strengthen integrity of the ACCU Scheme.

Figure 1.2 Registered ACCU Scheme projects by method type



Minor ACCU and SMC spot divergence; prices broadly steady

ACCU and SMC spot prices diverged further in Q3 2026, although the SMC price premium has narrowed post-quarter. The generic ACCU spot price rose from $37.95 at the end of Q2 2026 to $38.40 at the end of Q3 2026. The SMC spot price moved from near-parity with ACCUs at $38.00 at the end of Q2 2026 to a peak of $39.75 by the beginning of September. SMC prices settled lower at $39.25 at the end of Q3 2026, creating a premium of $0.85 over generic ACCUs. Following the end of the quarter, ACCU prices lowered to $37.98 on 13 November 2026.

Market intelligence suggests that higher SMC prices may be linked to options discussed in the Safeguard Mechanism review consultation paper, which sought feedback on a range of matters including possible post–2030 options for encouraging onsite abatement via restrictions on ACCU use.

ACCU and SMC prices are important factors for understanding carbon market supply and demand dynamics. The CER regularly receives questions from stakeholders and market participants on how these markets operate and where pricing information can be found. Box 1.1 explores these aspects of the ACCU and SMC markets.

Figure 1.3 Generic ACCU and SMC volume weighted average spot price



Safeguard entities continue to build ACCU holdings

At the end of Q3 2026, ACCU holdings, excluding the cost containment measure, increased to 68.9 million. This growth largely occurred in safeguard accounts, with project proponent accounts also seeing their largest increase on record. After an increase of 4.7 million this quarter, safeguard and safeguard-related accounts held 67% of ACCUs in accounts in the registry at the end of Q3 2026, in line with the previous quarter.

In Q3 2026 0.1 million ACCUs were delivered against carbon abatement contracts and added to the cost containment measure.

The timing of deliveries reflects a range of factors such as delivery schedules, project development timelines, and availability of ACCUs. This means deliveries are likely be concentrated at points rather than spread evenly over the delivery period.

ACCUs delivered into the cost containment measure include those delivered under the permanent exit arrangements which opened on 1 July. To support market transparency, we are publishing 6–monthly projections of expected ACCU deliveries and exits under fixed delivery carbon abatement contracts.

Box 1.1: The ACCU and SMC markets: participation, prices, and transparency

The ACCU and SMC markets bring together voluntary and compliance demand with supply from ACCU Scheme projects and safeguard facilities emitting less than their baselines. While ACCUs and SMCs both represent 1 tonne of CO_2-equivalent (tCO_2-e), they are distinct units with different

sources of supply and uses in the market. ACCUs are offsets that can be used for compliance or voluntary purposes while SMCs are compliance units for use under the Safeguard Mechanism only. These differences contribute to differing levels of liquidity across the 2 markets—the ACCU market has greater liquidity, with higher trading volumes and more consistent activity across the year (Figure 1.5).

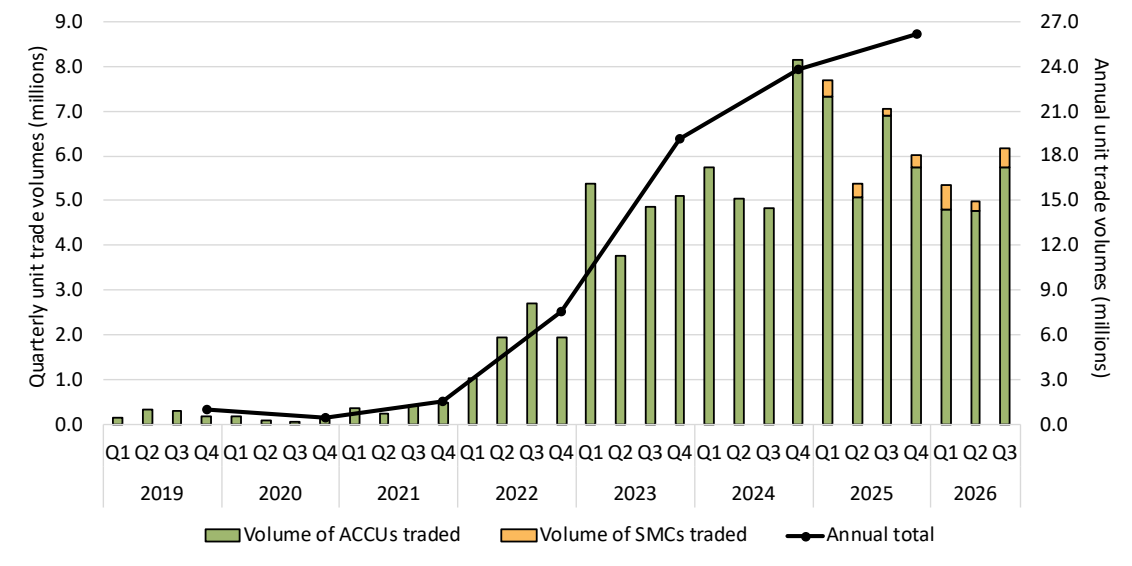
The CER's role in the market

As the ACCU and SMC markets have evolved, so too has the CER's role in supporting their effective functioning. As steward of these markets, the CER has an active interest in ensuring market participants have access to timely and reliable market information, have confidence in the integrity of units and certificates, and can transact freely with minimal friction.

The registry acts as key infrastructure in supporting the ACCU and SMC markets. Built on Trovio's CorTenX, the registry uses scalable, secure blockchain technology for environmental assets. The blockchain ledger ensures that the registry's data is secure and verifiable throughout its lifecycle. The registry holds all ACCUs and SMCs issued by the CER and records all subsequent transfers, surrenders, cancellations, and deliveries. As the ACCU and SMC markets have evolved, the vast majority of activity now occurs between market participants, while the involvement of the CER through carbon abatement contracts for ACCUs diminishes. This represents a robust secondary market that allows participants to manage compliance obligations, meet voluntary commitments, and respond to changing business circumstances.

While the registry records the movement of units, the commercial terms of transactions occur outside the registry. It operates in a similar way to a property title register: it records who owns the unit and when ownership changes but not the agreed price between buyer and seller. This means that transaction prices are not visible to the CER, nor are there any requirements to inform the CER of prices. The CER seeks to improve market transparency by publishing some pricing information, consistent with the terms of our contracts with data providers.

Figure 1.4 Volume of ACCUs and SMCs traded over time



Participating in ACCU and SMC markets

Market participants seeking to hold ACCUs and SMCs must hold an Australian National Registry of Emissions Units (ANREU) account, which is managed in the registry. An account can be opened by lodging an application with the CER.

Participants can search the Carbon Market Institute's Marketplace Directory to identify parties that may have ACCUs and SMCs for sale, or traders and brokers who can assist with sourcing of ACCUs and SMCs. Alternatively, individuals can search the ACCU Scheme project register to identify project originators that may have ACCUs for purchase.

Trading in ACCU and SMC markets

The primary market for ACCUs is the purchase of ACCUs directly from project originators or investment in ACCU projects directly. These trades may not be visible to the market as ACCUs may be issued directly to purchasers within the registry.

The secondary market for ACCUs and SMCs is trading that can be observed either through the registry, brokers, or a futures exchange. Most trading in this market occurs through over-the-counter (OTC) transactions. In OTC transactions, buyers and sellers negotiate the terms of trade directly or with the assistance of brokers. Brokers help participants identify counterparties and negotiate prices. Because ACCUs and SMCs are a financial product under the *Corporations Act 2001,* brokers, and other providers of financial services in relation to ACCUs and SMCs must hold an Australian financial services licence.

Market prices are determined by supply and demand. Market prices may vary between transactions depending on a range of factors. This includes contract structure, timing of delivery, transaction size, credit quality, market conditions, and unit attributes or co-benefits. For example, while each ACCU represents one tonne of carbon dioxide equivalent, some market participants value the non-carbon benefits of different ACCUs, and therefore the ACCUs themselves, differently.

Some common types of transactions on the secondary market include:

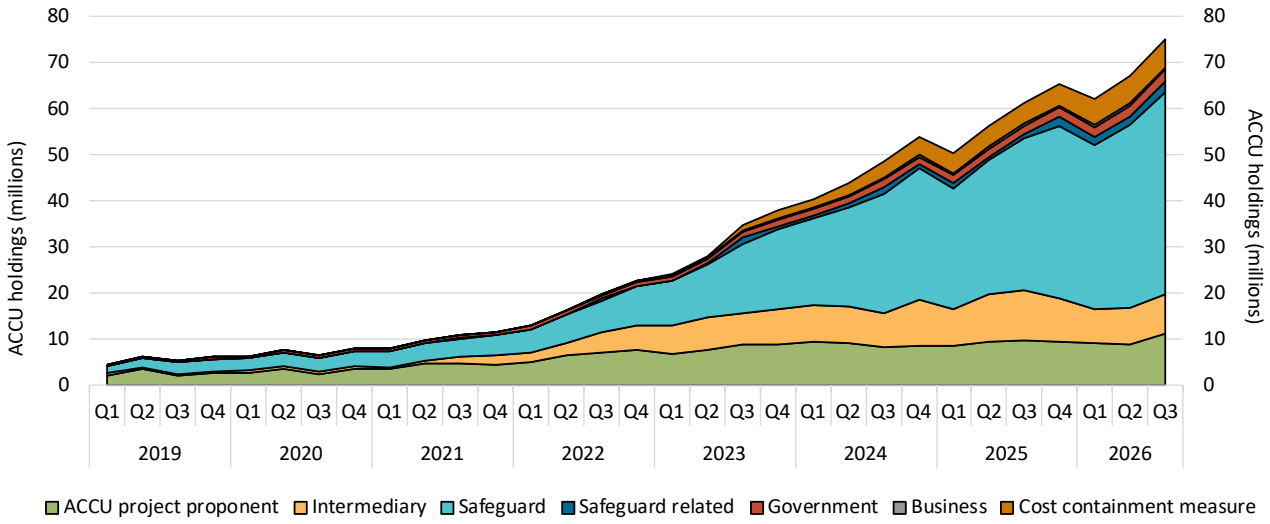
- spot trades: purchases or sales of units for near-immediate delivery at a current market price. Spot trades are the most common trades in the current market, accounting for 86% of trades for all time and 91% of trades this calendar year to date.
- forwards: customised contracts to buy or sell at a pre-determined price in the future.
- futures: standardised contracts on an exchange to buy or sell units at a specified future date and price.

Transactions on the secondary market are an important indicator of current and expected future market conditions. Spot prices reflect the value of units available today whereas forward and futures prices reflect market expectations of future supply-demand balance and market risks.

While most trading of ACCUs and SMCs occurs through OTC markets, exchange-traded ACCU futures and contracts also exist. In exchange-traded markets, transaction prices are often publicly visible whereas the terms of OTC transactions are privately negotiated and are rarely publicly disclosed. As a result, prices reported in CER publications, and some market indices, only represent part of overall market activity. See our website for further information about buying and selling ACCUs and SMCs.

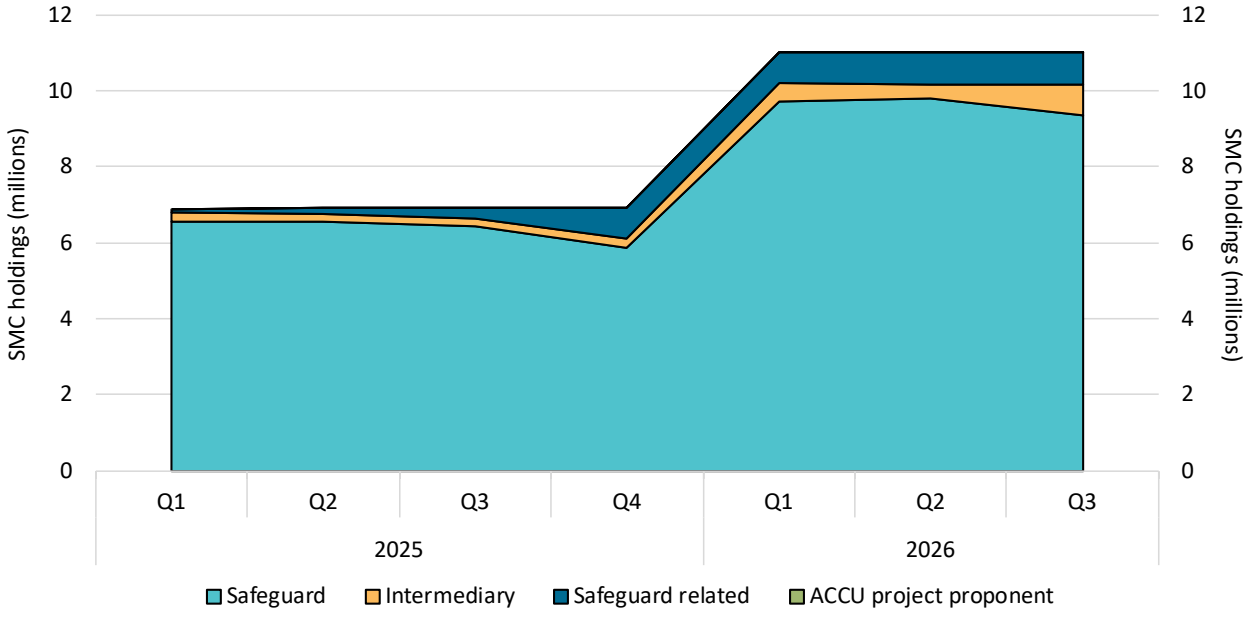
Since the permanent exit arrangements announcement, 1.6 million ACCUs have been delivered. Of this, 0.1 million were delivered in Q3 2026. Also, in Q3 2026, 1.2 million ACCUs have exited and 95 contracts met the 25% minimum delivery requirement to exit at a discounted rate. The volume of ACCUs released from contractual obligations should not be assumed to represent ACCUs immediately available to the market. Sellers may have existing commercial arrangements with private buyers, meaning ACCUs released from contractual obligations may not become available on the spot market. We remain confident that our July to December 2026 projection of a minimum 0.7 million ACCUs delivered, a minimum 1.6 ACCUs exited and at least 91 contracts exited, will be met. We expect to publish projections for the 6–month period of January to June 2027 in February next year.

Figure 1.5 ACCU holdings (in millions) by market participation



The vast majority of SMC issuances and surrenders occur in the first and final quarter of the calendar year respectively, related to the safeguard annual compliance deadline of 31 March. Without any SMC issuances or surrenders in Q3, the total amount of SMCs held in accounts in the registry remained unchanged, with a small shift in holdings from safeguard and safeguard-related accounts into intermediaries.

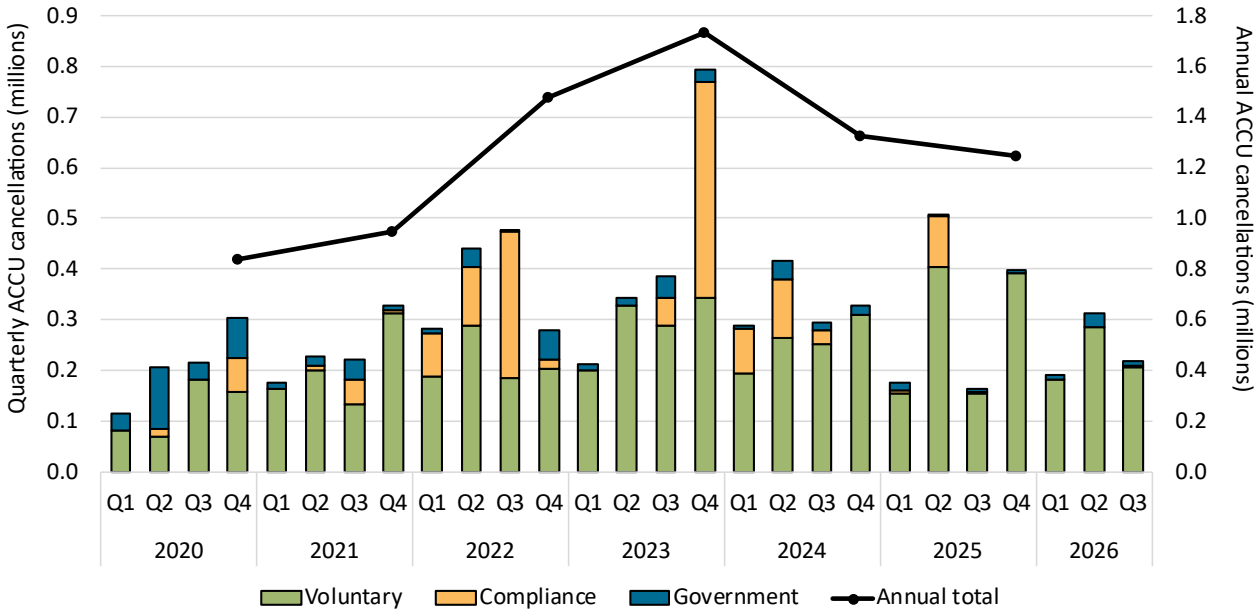
Figure 1.6 SMC holdings (in millions) by market participation



Non-safeguard ACCU cancellations steady

In Q3 2026, 0.2 million ACCUs were cancelled for non-safeguard purposes, 0.1 million higher than the same period last year. This brings total non-safeguard cancellations for 2026 to 0.7 million, 0.1 million lower than the same period last year. Non-safeguard cancellations remain on track to reach the lower end of our estimated range of 0.8 to 1.5 million.

Figure 1.7 ACCU non-safeguard cancellations



Other policy and market developments

ACCU Scheme project register updates soon accessible by Application Programming Interface (API)

We will be publishing data from the ACCU Scheme project register on Data Services from the November 2026 monthly release, expected in mid–December.

Publication on Data Services will make the project register accessible via an API for the first time, streamlining access to project register data. API access will complement but not replace publication of project register files and project pages on the CER website.

During consultation for our Registry Interoperability Project, API accessibility was identified by users as a high priority for increased interoperability with CER systems. Implementation reflects our commitment to increasing interoperability were feasible. It also helps provide more accessible information about ACCUs and projects, in line with recommendation 4 of the CCA's 2026 Review of the ACCU Scheme.

Additions to the monthly project and contract register data identified through our previous consultation on the register are planned for future releases. More information about the API, data format and planned future improvements to the project and contract register data will be provided in a forthcoming email. To receive updates, including alerts when we publish data, please subscribe to the CER mailing list.

The CER will continue to explore ongoing improvements to our data products and welcomes stakeholder feedback and suggestions. To suggest improvements on our data products, including to the project and contract register, please contact us at enquiries@cer.gov.au.

Product Guarantee of Origin grows to support users

The Guarantee of Origin (GO) Scheme continues to evolve, with new products, production pathways, and updates to cost recovery arrangements.

In September 2026, 3 new products were added to the Product Guarantee of Origin (PGO) framework: biomethane, aluminium, and iron ore, and 2 new ways for making hydrogen. PGO certificates can now be registered for:

- Hydrogen produced via the electrolysis, gas reforming, and solid gasification and pyrolysis pathways.
- Methane produced via the biogas by anaerobic digestion and biomethane by biogas upgrading pathways (new)
- Aluminium produced via the aluminium production pathway (new)
- Iron ore produced via the iron ore production pathway (new).

In October 2026, Version 1.2 of the GO Cost Recovery Implementation Statement (CRIS) was approved by the Assistant Minister for Climate Change and Energy following public consultation. The updated CRIS includes cost recovery arrangements for the new GO products and reflects policy updates to the functional units. Prices for participants remain unchanged, with profile and certificate costs fully remitted in the first 2 years after scheme commencement.

The planned periodic review of GO Scheme cost recovery will commence later this calendar year.

More Nature Repair Market projects registered; second method launched

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

In early October, the Nature Repair Market saw 2 more projects registered under the Replanting native forest and woodland ecosystems 2025 method. Both projects are 'stacked' with ACCU Scheme projects using the Reforestation by environmental or mallee plantings - Full Carbon Accounting Model 2024 method. Stacking allows project proponents to participate in both the ACCU Scheme and the Nature Repair Market on the same area of land, generating ACCUs for abating emissions and biodiversity certificates for delivering verified improvements to or protection of Australian biodiversity. To satisfy ACCU method requirements for newness and additionality, ACCU projects need to be registered first.

The second Nature Repair Market method, Enhancing Native Vegetation (ENV) commenced on 30 October 2026. The ENV method enables projects that:

- restore native vegetation through revegetation and facilitated regeneration
- enhance the ecosystem condition of remnant vegetation to support biodiversity and/or
- maintain the ecosystem condition of moderate to high quality remnant vegetation.

The ENV method is the first 'offset-capable' method under the Nature Repair Market. Projects seeking registration as offset-capable must meet relevant requirements under the method and Nature Repair Rules.

Registering a project as offset-capable means that the biodiversity certificate can be considered for use against an offset liability under the *Environment Protection and Biodiversity Conservation Act 1999* (EPBC Act), or other relevant State and Territory offset schemes. Registering a project as offset-capable, however, does not guarantee that it will be found to be suitable for use as an offset. This remains the decision of the relevant offset environmental regulator.

Further information on EPBC Act related offsets requirements is available from the National Environmental Protection Agency's website and the department's website.

2. Large-scale renewable electricity

Insights

- Large-scale renewable investment has reached record levels, supported by the Capacity Investment Scheme (CIS). Projects totalling 2.1 GW reached final investment decision (FID) in Q3 2026, lifting the year-to-Q3 total to a record 5.0 GW. As at mid-November, further post-quarter investment has seen the year-to-date total rise further to 5.5 GW.
  - » Around 52% of generation capacity reaching FID through Q3 2026 has received CIS support.
  - » We have raised the lower bound of our 2026–2027 FID projection from 6 GW to 8 GW, with the revised range now 8 to 16 GW.
- Large-scale batteries are increasingly influencing electricity market outcomes. The Australian Electricity Market Operator (AEMO) reported that average large-scale battery discharge more than tripled year-on-year and that large-scale batteries set prices in a record 48% of National Electricity Market (NEM) dispatch intervals.
  - » Increased battery charging and changing demand patterns were associated with fewer negative-price intervals and allowed more available large-scale solar generation to be used. The share of available solar generation reduced by solar farms in response to low prices ('economic offloading') fell by 54% year-on-year while batteries supplied more evening peak generation (8.0%) than gas (5.1%) for the first time in any quarter.
- Australia's large-scale battery pipeline is expanding rapidly and evolving towards both larger standalone projects and hybrid projects, where battery storage is integrated with renewable generation.
- Our approvals of renewable generation projects under the Large-scale renewable energy target (LRET) remain subdued and are expected to lag the recent uplift in investment. A total of 0.6 GW was approved in Q3, bringing approvals to 2.1 GW for the year to date.
  - » With 570 MW under assessment as at 30 September, we have revised our 2026 approvals projection, from 3.5 to 4.5 GW, to 2.6 to 3.4 GW.
- Strong non-RET demand is absorbing a greater share of LGC supply. A record 8.0 million LGCs were surrendered for non-RET purposes in Q3, taking year-to-date surrenders to 17.6 million.
  - » We now project 20 to 25 million non-RET surrenders in 2026. LGC supply nevertheless continues to exceed demand, with annual creation tracking towards the upper end of our unchanged 64 to 66 million projection.
- Participation in the Renewable Electricity Guarantee of Origin (REGO) scheme continued to grow, with 10 renewable electricity facilities registered in Q3 2026, bringing the total to 13 facilities representing 552 MW. These registrations do not represent additional generation capacity because all registered facilities are also accredited under the LRET.
- The Australian Government progressed plans for renewable energy obligations for large data centres through the release of a consultation paper on 17 September 2026, which proposed the use of REGO certificates to demonstrate renewable electricity procurement and explored transitional arrangements allowing REGO certificates and LGCs from existing renewable electricity facilities to be used for a period while new renewable generation is brought online.

Market dynamics

Image 2.1 Q3 2026 LGC market dynamics

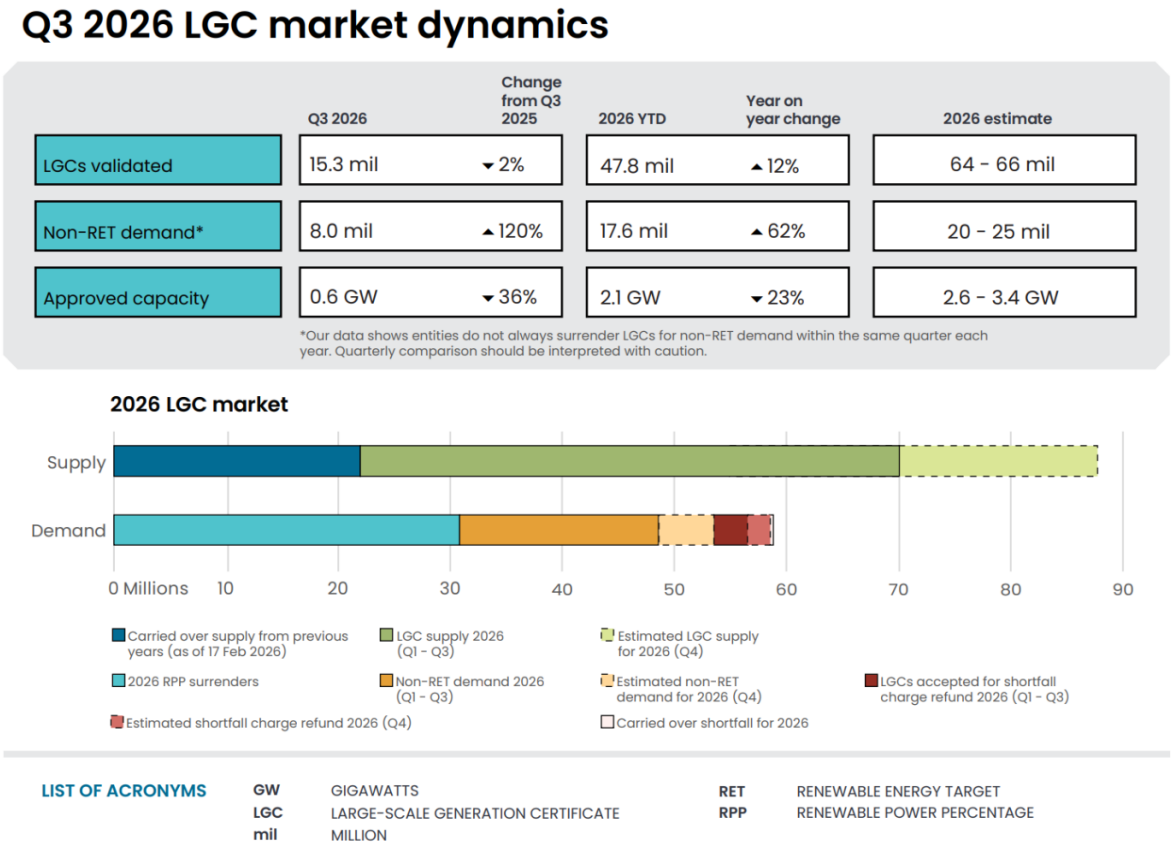


Table 2.1 LGC supply and demand balance

LGCs	Supply	Demand
Supply carried over from previous years (as of end of 2025 compliance period: 17 Feb 2026)	**22.2 m**	**-**
LGC supply (Q1 to Q3 2026)	47.8 m	-
Estimated LGC supply (Q4 2026)	16.2 m to 18.2 m	
Non-RET demand (Q1 to Q3 2026)	-	17.6 m
Estimated non-RET demand (Q4 2026)		2.4 m to 7.4 m
Estimated 2026 Renewable Power Percentage surrenders (before any shortfall)	-	30.7 m
LGCs accepted for shortfall charge refund (Q1 to Q3 2026)	-	3.0 m
Estimated shortfall charge refund (Q4 2026)		2.1 m
Carried over shortfall for 2026 (less than 10% of liability)	-	0.2 m
Estimated balance as of end of 2026 compliance period: 16 Feb 2027^	**25.2 m to 32.2 m**	

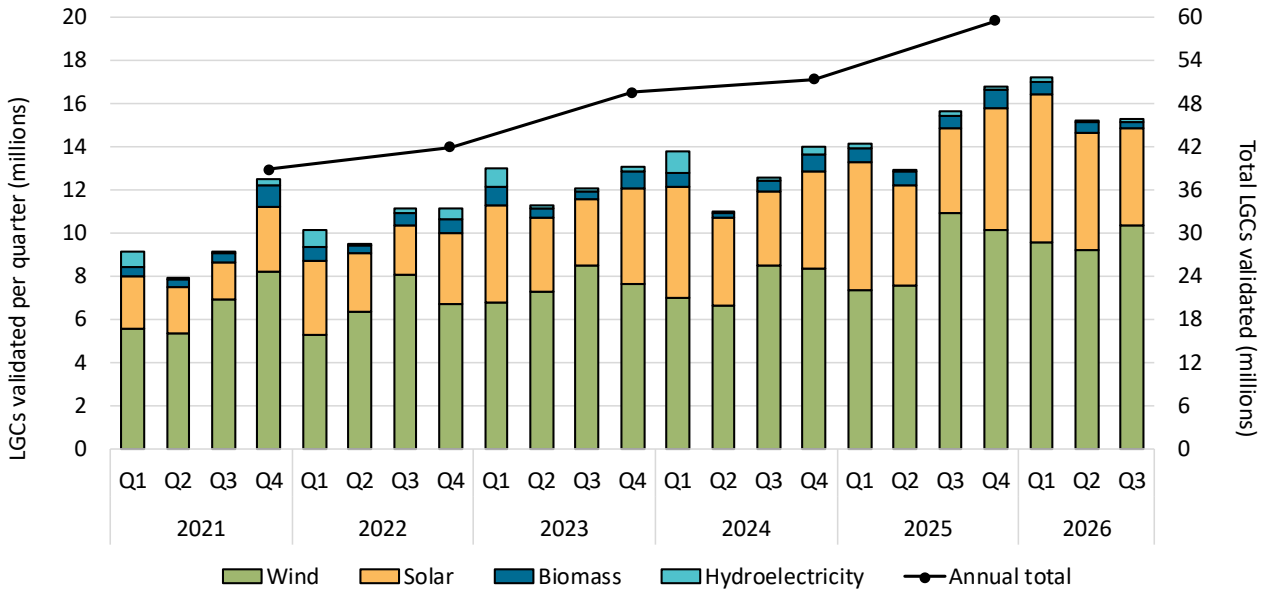
Notes: There is a total of 3.6 million LGCs in shortfall that are eligible for shortfall refunds to be claimed, representing $234.0 million in consolidated revenue as of 30 September 2026. This excludes LGCs in shortfall from entities under administration.
^Sum of all supply items, less the sum of all demand items. This assumes no further shortfall is taken for the 2026 compliance year. Figures may not sum due to rounding.

LGC creations are driven by the generation of renewable electricity by accredited large-scale power stations. One LGC is created for each megawatt-hour (MWh) of eligible renewable electricity. Generation by power

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

In Q3 2026, 15.3 million LGCs were created, a decrease of 2% (0.3 million) compared to Q3 2025. Year-to-date LGC creations total 47.8 million. The year-on-year decline in LGCs created in Q3 2026 was driven by reductions in creations from wind, which saw a 5% decline (0.6 million) compared to Q3 2025. Creations from biomass and hydroelectricity also declined, although their smaller shares meant they had only a minor effect on overall supply. These declines were partially offset by a new Q3 record for creations from solar, which increased by 14% (0.6 million) to 4.5 million.

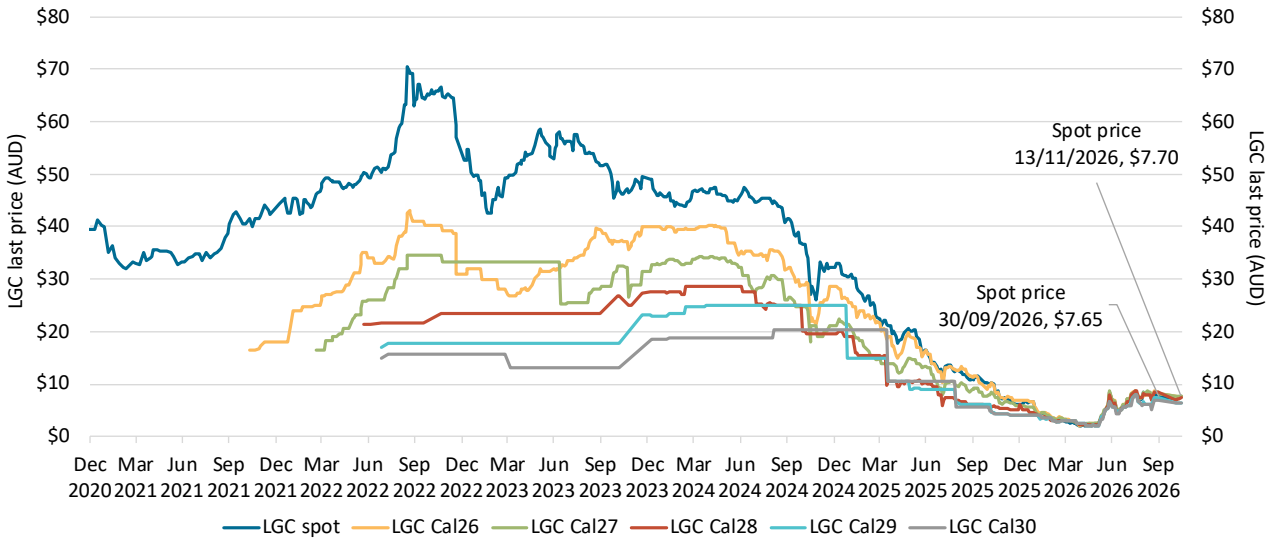
Figure 2.1 LGCs validated by technology type



LGC supply continues to outpace demand. Year-to-date LGC creations indicate that annual supply is tracking towards the upper end of our projection of 64 to 66 million LGCs, although as discussed in the Q2 2026 QCMR, weather remains a source of uncertainty, particularly given the current El Niño phase of the El Niño-Southern Oscillation. As discussed below, non-RET demand growth is strong, offsetting a larger share of growth in supply than previously.

LGC prices were volatile during Q3 2026, falling from $7.00 to $4.60 by mid-July, before recovering to end the quarter at $7.65. LGC prices stabilised around here post-quarter, reaching $7.70 on 13 November 2026. Market intelligence suggests expectations around potential future data centre demand was an important influence on sentiment, following the renewable electricity obligations announced by the Minister for Climate Change and Energy in July and further announcements. These included the 17 September consultation paper on artificial intelligence (AI) infrastructure which outlined and sought feedback on the use of REGOs and LGCs to meet the proposed renewable energy obligation. Reported purchasing activity by investors, retailers, and other market participants, together with differing views about the scale and timing of future demand, coincided with substantial price variability.

Figure 2.2 LGC reported spot and forward prices



The growing role of renewable generation and storage is increasingly visible in broader electricity market outcomes. According to the Australian Energy Market Operator's (AEMO) Q3 2026 Quarterly Energy Dynamics (QED) Report, renewables accounted for a record 44.3% of NEM generation in Q3 2026, up from 41.8% in Q3 2025. Growth was led by large-scale solar generation, which increased by 30% year-on-year and reached a new Q3 high, while hydroelectricity generation increased by 15%.

Wind remained the largest source of renewable generation in the NEM in Q3 2026; however, generation declined 6% year-on-year, as weaker wind generation conditions affected much of the east coast. Average wind speeds declined across South Australia, Victoria and New South Wales, and several widespread wind lull events occurred during July and August.

Battery storage is increasingly reshaping electricity supply, demand, and price patterns in the NEM. Batteries set wholesale market prices in a record 48% of dispatch intervals during Q3 2026, up from 18% in Q3 2025 and reflecting their growing influence on market outcomes. Batteries charged predominantly during daylight hours and supplied 8.0% of generation during the evening peak, exceeding gas-fired generation's 5.1% contribution for the first time in any quarter. Gas-fired generation across the NEM fell 34% year-on-year to its lowest Q3 average since 2000, although this outcome also reflected broader changes in generation and demand across the quarter.

Increased daytime battery charging and higher operational demand also absorbed more renewable generation, increasing the efficiency of the grid. Large-scale solar economic offloading in response to low wholesale prices fell 54% to 149 MW, declining from 15.7% to 5.9% of available solar generation. Negative or zero prices occurred in 14.4% of NEM dispatch intervals, down 4.5 percentage points from Q3 2025. AEMO linked the reduction in daytime negative prices to higher operational demand and increased large-scale battery charging, which reduced the frequency with which variable renewable generation remained the marginal price-setting technology.

NEM-wide wholesale spot prices averaged $63/MWh, 27% lower than in Q3 2025 and the lowest Q3 average since 2021. AEMO attributed this result to lower evening peak operational demand, increased large-scale battery participation and reduced price volatility. Household batteries are contributing to this lower peak operational demand: AEMO's sample analysis found that households with rooftop solar and batteries drew around 74% less electricity from the grid during the evening peak than households with rooftop solar alone.

Together, these trends highlight the growing role of storage in enabling higher renewable generation and reshaping electricity market outcomes.

Large-scale renewable investment reaches a new annual record

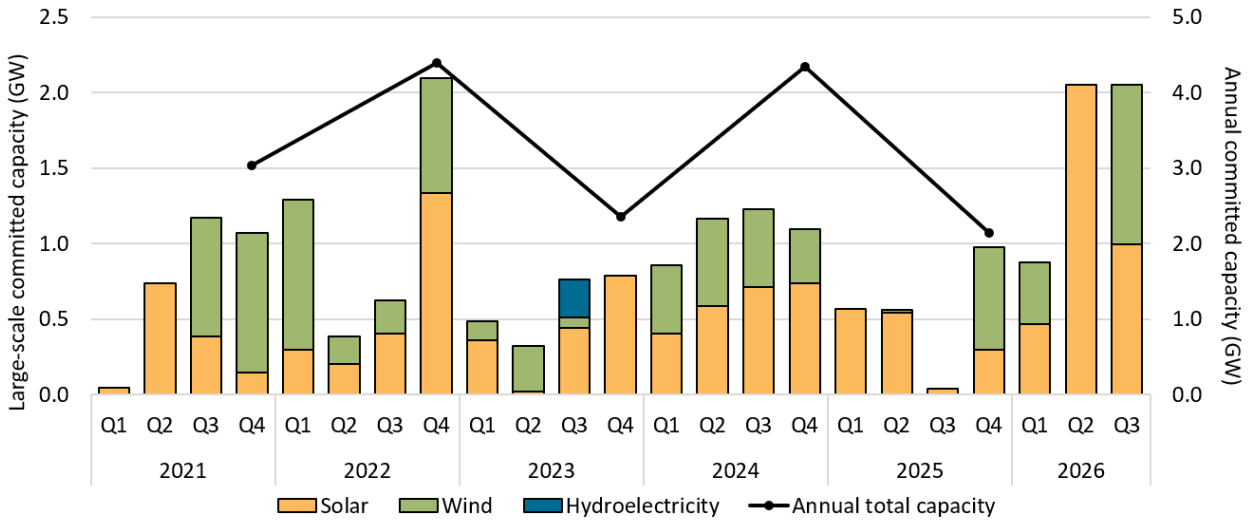
Q3 2026 saw projects totalling 2.1 GW of large-scale renewable generation capacity reaching FID. This is in line with the previous quarterly high recorded in Q4 2022. Wind saw its strongest quarter since we began tracking, with 1.1 GW of capacity reaching FID, while solar had its fourth-strongest quarter with 1.0 GW of capacity reaching FID.

The Q3 result lifted FID to the end of Q3 to 5.0 GW, already exceeding the previous full-year record of 4.9 GW set in 2018. As at mid-November, further post-quarter investment has seen the year-to-date total rise further to 5.5 GW. These results indicate a material increase in large-scale renewable investment. While the timing between FID, construction and accreditation varies between projects, as these projects progress through construction and commissioning, they are expected to contribute to future LRET accreditation activity.

Solar accounted for 3.5 GW of FID in 2026 to date. Australian Renewable Energy Agency's (ARENA) update to their Ultra Low-cost Solar white paper identified a range of opportunities to reduce the cost of deploying utility-scale solar in Australia, which could continue to strengthen the investment case for both standalone solar and hybrid solar-and-storage projects. The ARENA paper highlights improved cell and module efficiency, innovation in construction and deployment models, including automation, prefabrication, modular delivery, and digital and data-driven operational and maintenance optimisation as potential pathways to lower project costs.

In the Q4 2025 QCMR, we projected that between 6 and 16 GW of large-scale renewable generation capacity would reach FID over 2026 and 2027. The record level of investment activity observed during 2026 has significantly reduced downside risks to this outlook. With 5.5 GW already reaching FID by mid-November, we are revising the lower bound of our projection upward from 6 GW to 8 GW while maintaining the upper bound at 16 GW. The revised range reflects both the strength of current market activity and the growing contribution of CIS-supported projects to the investment pipeline. While uncertainty remains around the timing of future project commitments, current outcomes indicate continued momentum in large-scale renewable investment.

Figure 2.3 FID capacity (GW) for large-scale renewable generation by fuel source



CIS-supported projects are now making a substantial contribution to investment outcomes. Around 52% of the generation capacity reaching FID through Q3 2026 has received CIS support, indicating that the CIS pipeline is increasingly translating into committed large-scale renewable investment. Of the 9 projects to reach FID in Q3 2026, 5 have received support under the Capacity Investment Scheme (CIS).

- Parron Maam Marang Wind Farm (470 MW, Western Australia)
- Gawara Baya Wind Farm (408 MW, Queensland)
- Narrogin Wind Farm (179 MW, Western Australia)
- Ganymirra Solar Power Station (150 MW, Queensland)
- Majors Creek Solar Farm (150 MW, Queensland).

Large-scale battery capacity and investment expanding rapidly

Grid-scale battery capacity continues to expand across Australia, with total national in-service capacity now at 29.8 GWh, almost tripling the 11.8 GWh that was in service at the end of 2025.

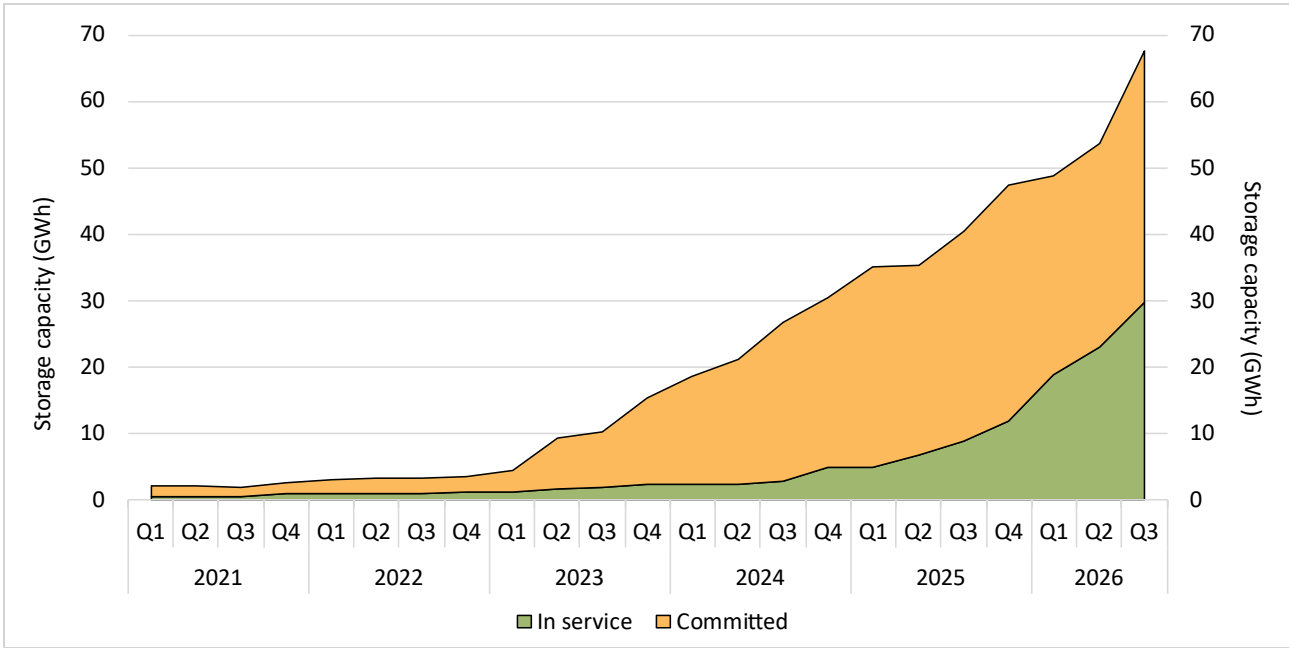
As previewed in the Q2 2026 QCMR, we have developed a pipeline like the Large-scale renewable energy project pipeline to individually track the development progress of storage projects greater than 5 MW, while also capturing projects below 5 MW in aggregate. This data will be available on our website from December 2026 and will be updated monthly from January 2027.

In Q3, 3.4 GW, and 13.8 GWh, have reached FID, taking the annual total to 5.1 GW and 20.0 GWh, respectively. Notable projects reaching FID included:

- Richmond Valley Solar Farm (BESS) (2,200 MWh, New South Wales)
- Baranduda Electrical Energy Reserve (1,860 MWh, Victoria)
- Mortlake Energy Hub BESS (1,350 MWh, Victoria)
- Supernode BESS (South Pine) Stage 3 (1,215 MWh, Queensland)
- Moorabool Battery (1,200 MWh, Victoria)
- Koolunga BESS (800 MWh, South Australia); which is supported by the CIS.

According to our data on the individually tracked developments, 85 large-scale battery storage projects have become in service since 2021 contributing 29.4 GWh, with an additional 58 projects totalling 37.7 GWh reaching FID.

Figure 2.4 Large-scale battery storage pipeline progress



The capacity of new battery projects has increased substantially. The average storage capacity of projects coming in service has more than doubled from 265 MWh in 2025 to 621 MWh for projects in 2026. As discussed in the Q2 QCMR, the trend towards larger battery projects is likely being supported by declining large-scale battery capital costs, consistent with Commonwealth Scientific and Industrial Research Organisation's GenCost analysis.

As discussed further below, REGO creates a new way to demonstrate the renewable electricity stored and subsequently discharged by eligible batteries. Eligible batteries can create REGO certificates under the Guarantee of Origin Scheme using either REGO certificates or surrendered LGCs to represent an input of renewable electricity to the storage system from an eligible renewable electricity generation facility.

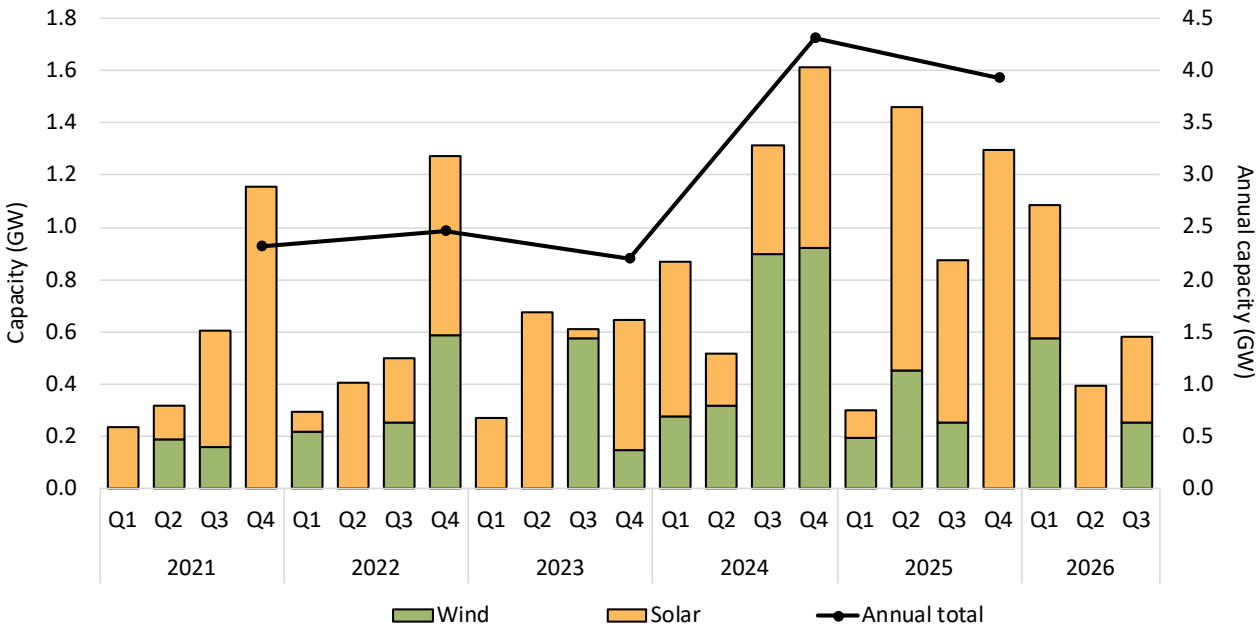
LRET approvals remain subdued; 2026 projection revised

Throughout Q3 2026, 0.6 GW of large-scale generation capacity was approved by the CER for generation under the LRET, bringing total year-to-date approvals to 2.1 GW. Projects reaching approval in Q3 2026 included:

- Wambo Wind Farm Stage 2 (254 MW, Queensland); the first wind project approved since Q1 2026
- Lancaster Solar Farm (106 MW, Victoria).

While approvals increased compared with Q2, year-to-date accreditation activity remains below recent historical levels.

Figure 2.5 Approved large-scale wind and solar capacity



Capacity in the power stations approval pipeline remains relatively low, with 570 MW under assessment with the CER as at 30 September 2026. Although a small number of applications from large power stations can increase the capacity under assessment sharply, current activity suggests that approvals are unlikely to reach the 3.5 to 4.5 GW range projected in the Q1 2026 QCMR. We now anticipate that between 2.6 and 3.4 GW will be approved under the LRET in 2026.

Emerging renewable electricity demand and REGO

In addition to the approvals under the LRET, Q3 2026 saw further growth in renewable electricity facilities registered under REGO. Across the quarter, 10 new renewable electricity facilities were registered, bringing the total number of facilities registered to 13, representing 552 MW of generation capacity as at 30

September 2026. All registered renewable electricity facilities to date are also accredited under the LRET, and so do not represent additional renewable electricity generation capacity being added to the grid relative to that captured by our LRET data. All but one of the renewable electricity facilities registered under REGO to date are solar facilities, making up 392 MW of generation capacity. As of 30 September 2026, applications for registration under REGO had been received for a further 4 renewable electricity facilities.

Q3 2026 also saw ongoing growth in the number of registered persons under the Guarantee of Origin (GO) scheme, with 9 additional persons registering during the quarter. This brings the total number of registered persons to 25 as at 30 September 2026. While participation continued to expand, no additional REGO certificates were created in Q3 2026. We will include REGO data in the data release from the next QCMR.

The Australian Government announced its intention to develop renewable electricity obligations for large data centres in July 2026, with REGO expected to play a key role in demonstrating renewable electricity procurement. On 17 September 2026, the Office of AI in the Department of Prime Minister and Cabinet released the *Getting it right: Building AI infrastructure that works for Australia* consultation paper. The consultation sought feedback on proposed national AI standards aimed at ensuring the rapid growth of AI infrastructure supports Australia's economic, energy, and emissions reduction objectives. The consultation period closed on 9 October 2026, with feedback to inform the development of Australia's AI standards and associated legislative framework. The communique of National Cabinet's 26 August 2026 meeting notes that the Commonwealth intends to legislate the AI standards in early 2027.

The consultation paper outlined proposed renewable electricity requirements for large data centres under the national AI standards, including requiring large data centres to bring forward new renewable generation and firming capacity to offset their electricity demand and retire REGO certificates equivalent to their annual electricity consumption. It also explored transitional arrangements that could allow some REGO certificates and LGCs from existing renewable electricity facilities to be used while new renewable capacity is developed, alongside options for time-matching renewable electricity use and recognising the role of storage in supporting reliable supply.

The Australian Government's AI Standards will set consistent national minimum standards. Over the course of Q3 2026 new or updated data centre policies in NSW, Victoria, and Tasmania similarly emphasised investment in additional renewable generation, storage, and firming capacity. Together, these developments have increased market interest in the potential future demand for renewable electricity certificates and renewable electricity procurement arrangements.

- The NSW Government published its NSW Data Centre Guidelines in August 2026. The guidelines articulate expectations for data centres to enter power purchase and firming agreements for additional renewable energy generation assets in NSW. This includes requiring a minimum 40% of supported generation coming from wind power, and storage capacity through batteries or pumped hydroelectricity of at least 25% of generation capacity for 4 hours. Data centres in NSW will be required to contract renewable electricity equal to their average electricity demand from their fourth year of operation, and agreements must be with projects that have not yet reached FID at the time of contracting.
- Similarly, on 22 September 2026 the Victorian Government released its Sustainable Data Centre Action Plan. The plan outlines expectations that data centres in Victoria offset their operational electricity use by investing in new renewable energy generation and storage. It also emphasises demand flexibility, efficient energy use and management of network impacts associated with large electricity loads.
- On 14 November 2026, the Tasmanian Government also released its Expectations for Data Centres and AI Infrastructure Proponents. The expectations require proponents to support their electricity demand by partnering with new renewable generation in Tasmania that has not reached FID at the time of contracting. Proponents must also secure firming to support their load, maintain energy and network security, manage demand where required, explore zero and low-emissions backup technologies, and ensure existing customers do not bear additional costs by paying their allocated network and connection costs.

New quarterly and annual records for non-RET surrenders

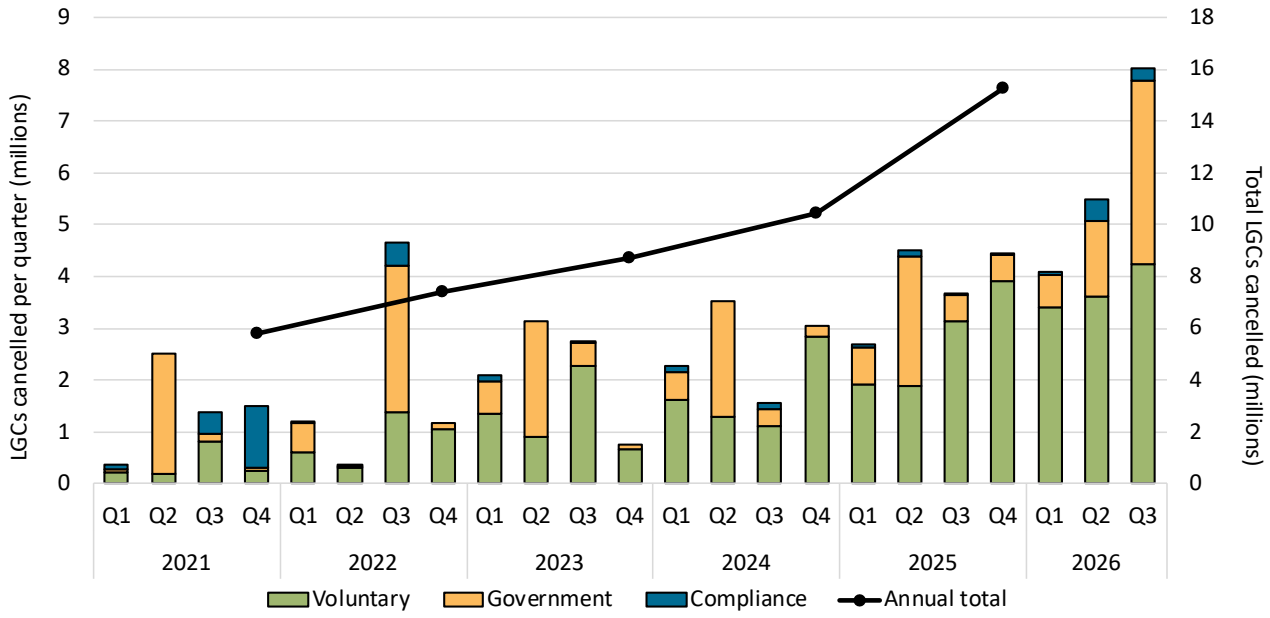
Q3 2026 saw a second consecutive record quarter for non-RET LGC surrenders, with 8.0 million certificates surrendered, surpassing the previous record of 5.5 million set last quarter and more than double the 3.6 million surrendered in Q3 2025. Year-to-date non-RET LGC surrenders reached 17.6 million by the end of Q3, already exceeding the previous annual record of 15.3 million set in 2025 with one quarter remaining in the year.

The Q3 record was driven by voluntary non-RET surrenders, which accounted for 53% of all non-RET surrenders in the quarter. Voluntary surrenders reached a record 4.2 million certificates, despite GreenPower surrender activity for the year not yet having occurred. This record may have been driven by more visible reporting of market-based scope 2 emissions by large organisations under mandatory climate disclosure requirements, or as preparation for the upcoming National Greenhouse and Energy Reporting Scheme reporting period as explained in the Q1 2026 QCMR.

Non-RET government surrenders also reached a record 3.6 million certificates, reflecting the timing of the Australian Capital Territory Government's annual surrender, representing 45% of total non-RET demand during the quarter. Voluntary and government surrenders were further supported by compliance surrenders by the Victorian Desalination Project.

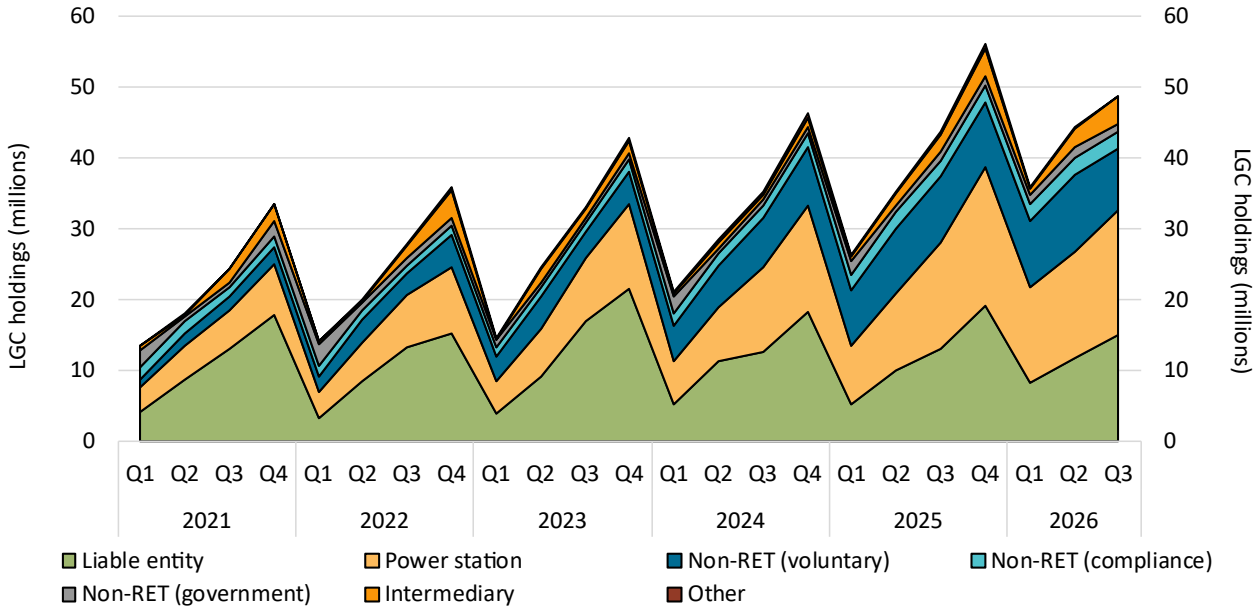
The strength in year-to-date non-RET demand, together with expected GreenPower surrender activity in Q4, has led us to revise our 2026 projection for non-RET surrenders upwards, from 16 to 19 million, to 20 to 25 million certificates.

Figure 2.6 Non-RET LGC surrenders by demand source



A total of 48.8 million LGCs were held in Renewable Energy Certificate Registry accounts by the end of Q3 2026, an increase of 11% compared to Q3 2025 when holdings totalled 43.9 million. Year-on-year growth in holdings was driven by increased holdings by power stations (2.6 million increase from 15.0 million to 17.6 million) and liable entities (2.0 million increase from 13.1 million to 15.1 million), reflecting the strong ongoing growth in LGC supply.

Figure 2.7 LGC holdings (in millions) by market participation


LGC holdings (millions)
60
50
40
30
20
10
0
Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3
2021
2022
2023
2024
2025
2026
Liable entity
Power station
Non-RET (voluntary)
Non-RET (compliance)
Non-RET (government)
Intermediary
Other

3. Consumer energy resources

Insights

- Consumer investment in batteries and rooftop solar remained strong in Q3 2026, despite activity moderating from the exceptional levels recorded ahead of the 1 May changes to the Cheaper Home Batteries Program. By the end of Q3, 10.3 GWh of battery capacity installed in 2026 had been approved under the program. We have increased our projection for 2026 battery capacity from 8–12 GWh to 13–15.5 GWh.
  - » Battery installation patterns have shifted in response to the revised incentive settings. Average battery capacity fell after April and the proportion of installations above 28 kWh declined substantially, with this shift persisting throughout Q3.
- Rooftop solar recorded its strongest September quarter, with 890 MW installed across around 90,000 systems. With 2.8 GW installed to the end of Q3, annual capacity is tracking towards the upper end of the CER's 3.0–3.7 GW projection range and will exceed the previous annual record.
  - » Replacement systems accounted for 27% of installations in Q3. Replacement activity is gradually becoming a larger part of the market as households upgrade earlier generations of rooftop solar, generally with substantially larger systems.
- Consumer energy resources are having an increasingly visible effect on electricity demand. The Australian Energy Market Operator (AEMO) reported that growth in distributed solar output exceeded growth in underlying (grid plus distributed) demand in the National Electricity Market (NEM) in Q3, reducing the average electricity demand that needed to be supplied from the grid. AEMO also found that households with both solar and batteries imported substantially less electricity during the evening peak than households with solar alone and continued exporting later in the day.
  - » The shift in demand profiles contributed to a 27% year-on-year decrease in average spot prices in the NEM.
- Recent policy changes may broaden the next phase of consumer energy investment. As of 1 October 2026, eligible solar systems above 100 kW and up to 1 MW can receive support under the Small-scale Renewable Energy Scheme (SRES), extending the program to a wider range of commercial, industrial, and agricultural projects. The effect is expected to emerge progressively because larger projects generally have longer development and connection timeframes.

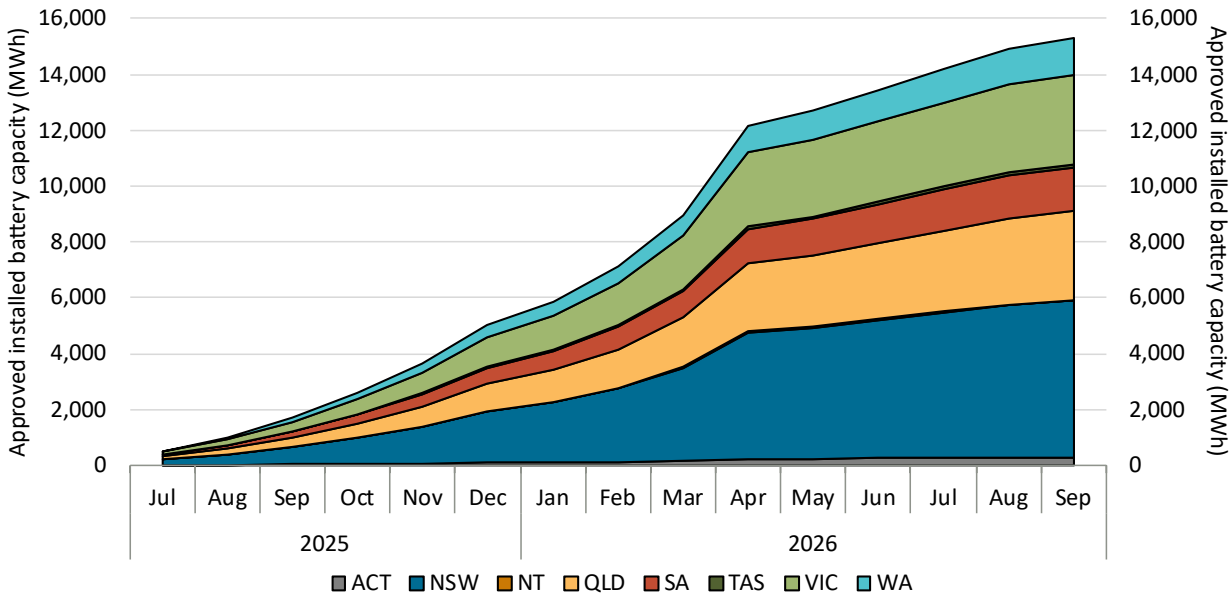
Batteries on track to exceed 2026 capacity projections with sustained activity in Q3

By the end of Q3, 340,000 installations representing 10.3 GWh of capacity installed in 2026 had been approved under the Cheaper Home Batteries Program. Total capacity installed and approved under the program since commencement reached 15.3 GWh. Around 74,000 systems representing 1.9 GWh of capacity installed during Q3 had been approved by the end of the quarter, with these results expected to rise as further applications are received and processed.

Based on year-to-date activity and allowance for certificate-creation lags, we have revised our projection for battery capacity installed in 2026 from 8–12 GWh to 13–15.5 GWh. The projection for the number of installations remains unchanged at 350,000–520,000.

This projection incorporates consideration of scheduled reductions in STC factors, which can also affect the timing of installations, as consumers and installers seek to complete installations before incentives are reduced. Consumers installed more batteries ahead of the January 2026 reduction in the STC factor. The next scheduled reduction takes effect on 1 January 2027.

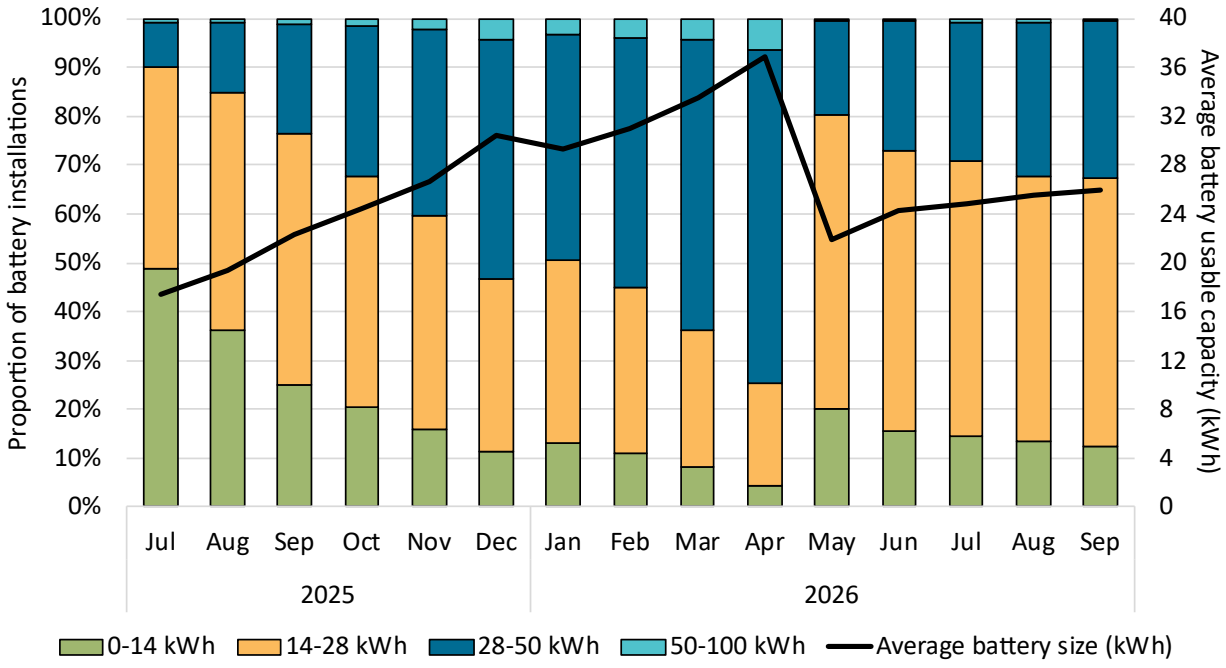
Figure 3.1 Cumulative battery capacity installed and approved under the Cheaper Home Batteries Program by state and territory



This is the first full quarter of activity after the introduction of the 1 May changes to battery incentive settings. In the previous QCMR, we analysed the first 2 months of post-reform data to report on changes in installation characteristics before and after the 1 May reforms. The changes in consumer behaviour and activity that emerged in the first 2 months post-reform have continued throughout Q3.

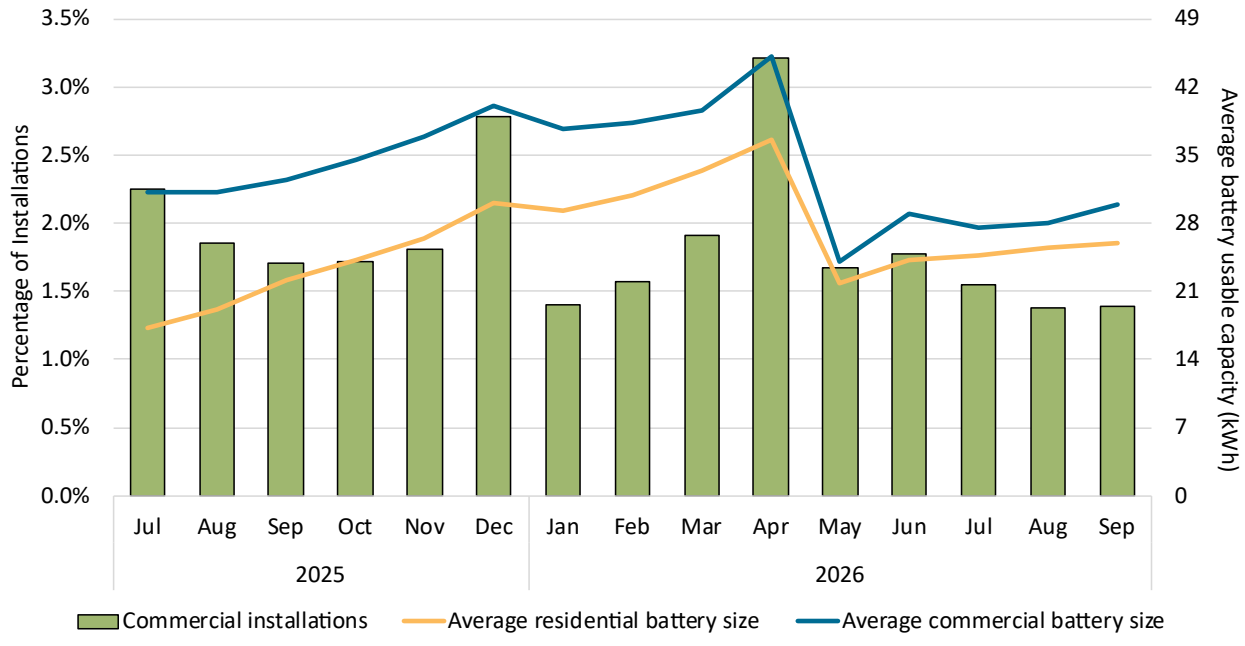
- Applications surged in the lead-up to the 1 May changes and remained elevated through May as applications for pre-May installations were received. From June to September, application volumes stabilised at around 37,000 a month, indicating sustained participation following the policy change.
- Average usable battery capacity reached 36 kWh in April 2026, following a sustained increase during the preceding months. It fell to 22 kWh in May after the revised incentive settings commenced and remained within a narrower range through Q3.
- The shift towards smaller systems is also evident in the distribution of battery sizes. In April 2026, 75% of battery installations were larger than 28 kWh. Between 1 May and the end of September, only 28% of installations exceeded this threshold, showing the persistent impact of the shift in policy settings on consumer behaviour.

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



Ahead of the 1 May changes, the proportion of batteries approved at commercial properties reached a monthly high of 3.2% in April 2026, up from 1.9% in March 2026. After 1 May the proportion of approved batteries installed at commercial properties ranged from 1.4% to 1.8% of installations (averaging 400 installations per month), with proportional installation rates through Q3 remaining lower than the prevailing average. A steeper decline in average battery capacity from April to May 2026 was also evident for commercial compared to residential batteries, with the difference between average system sizes remaining smaller in Q3 2026 compared to previous quarters. Overall, this is highly suggestive of increased responsiveness to changes in incentives for small commercial consumers of consumer energy resources.

Figure 3.3 Proportion of total installations at a commercial property and average battery sizes across approved commercial and residential installations

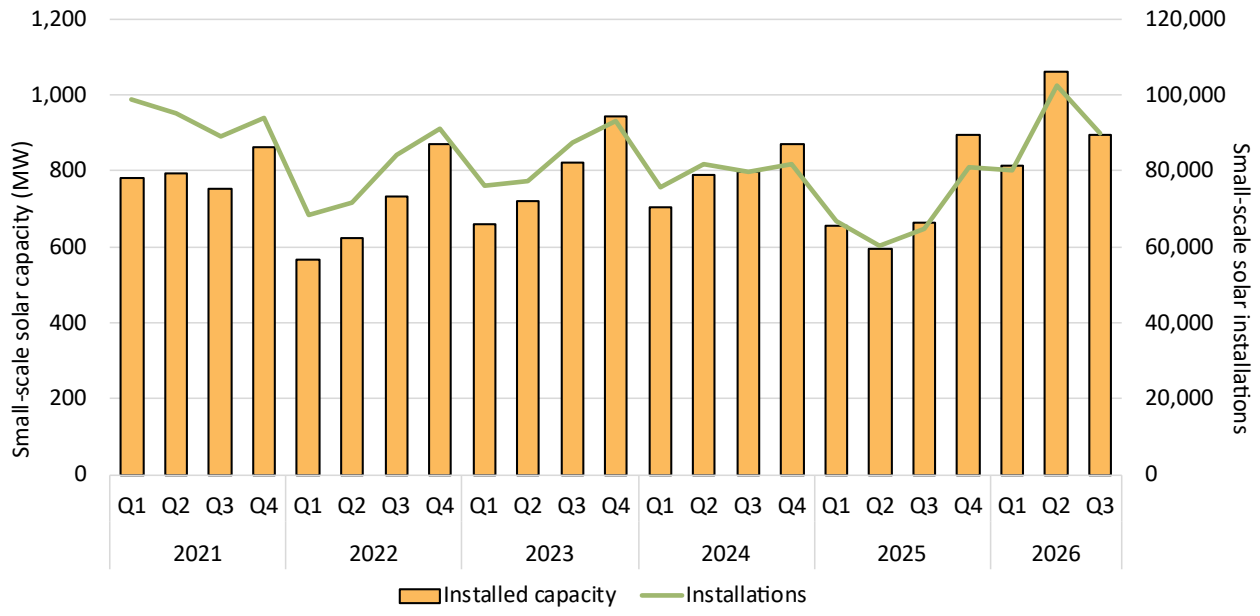


Rooftop solar tracking towards a record year

Rooftop solar recorded its strongest September quarter on record in Q3 2026, with 890 MW installed across 90,000 systems. With 2.8 GW installed to the end of September, activity is tracking towards the upper end of the CER's 2026 projection range of 3.0–3.7 GW. Small-scale solar installation capacity will exceed the previous 3.2 GW record in installation capacity from 2021.

With 2.8 GW installed by the end of Q3 2026, rooftop solar remains the foundation of Australia's consumer energy market. The next section examines how battery uptake is interacting with solar investment, including whether systems installed alongside batteries differ from solar-only installations.

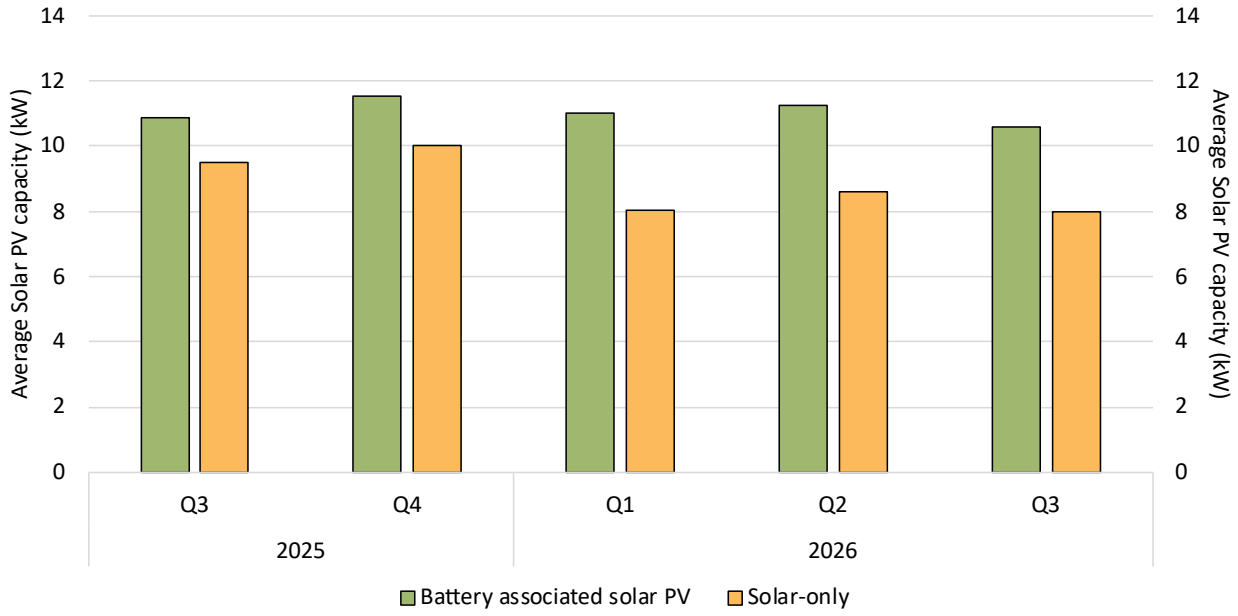
Figure 3.4 Small-scale solar installations and installed capacity (MW)



Battery and rooftop solar investment are becoming increasingly interconnected

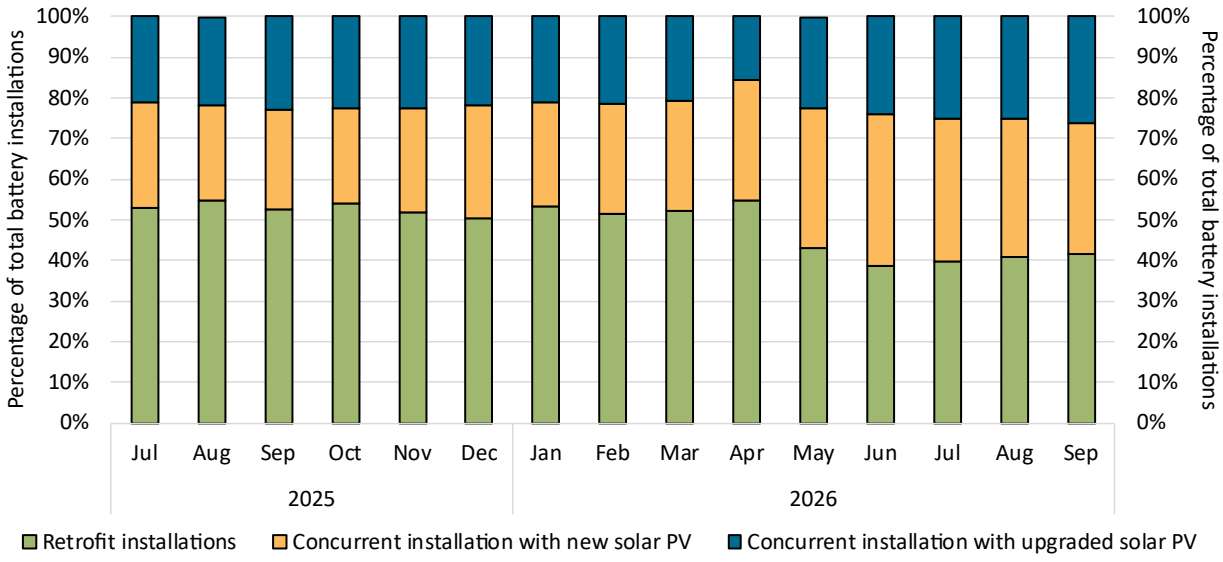
Solar systems installed alongside batteries have been substantially larger than solar-only installations in all 5 quarters of the Cheaper Home Batteries Program to date. During Q3 2026, solar systems installed alongside battery storage averaged 10.6 kW, compared with 8.0 kW for solar-only systems. The larger system sizes suggest battery storage is increasingly being taken into account when households and installers determine the scale of rooftop solar investments.

Figure 3.5 Average installed solar PV system capacity (kW), with and without a home battery



Further analysis of our data provides further evidence that rooftop solar and battery investment are becoming increasingly linked. The shift toward concurrent installation of batteries and solar that was visible following the 1 May changes persisted through Q3. While around 45% of approved batteries installed were part of a new or upgraded rooftop solar system in April 2026, this rose to around 59% between May and September 2026.

Figure 3.6 Distribution of battery installations approved under the Cheaper Home Batteries Program by installation type



Consumer energy resources are increasingly shaping electricity demand and market outcomes

The growing deployment of consumer energy resources is increasingly visible in electricity system outcomes. In its Q3 Quarterly Energy Dynamics report, AEMO reported that growth in distributed PV output exceeded the increase in underlying demand, resulting in lower demand from the grid across the NEM. Average distributed PV output increased by 372 MW year-on-year, while underlying demand, which includes demand

met by electricity generated or stored on-site, increased by 317 MW. As a result, average demand that needed to be supplied by the grid fell by 55 MW despite growing electricity consumption.

The impact of batteries is also becoming increasingly apparent. AEMO found that households with both rooftop solar and battery storage imported 74% less electricity during the evening peak than solar-only households and continued exporting electricity later into the day. This demonstrates how battery storage allows solar generation produced during the day to be shifted to periods when household electricity demand is typically higher. Overall, home battery discharging and incentivised load shifting contributed to reduced year-on-year grid demand during the evening peak in the NEM.

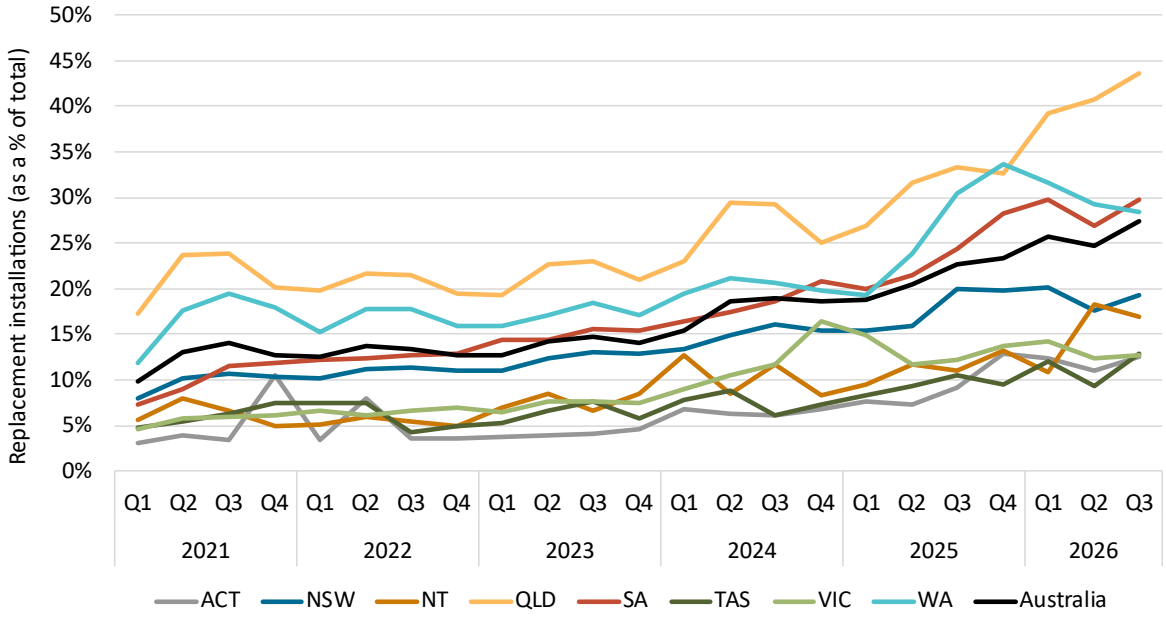
These changes are beginning to influence broader market outcomes. AEMO reported that there were significant reductions in the NEM average spot price during the evening peak, with a substantial decline in evening peak prices across most NEM regions. While consumer energy resources remain only one component of the electricity system, their growing contribution to electricity generation, storage and demand flexibility is becoming increasingly visible at both household and market scales.

Replacement systems a larger part of the rooftop solar market

Replacement systems accounted for 27% of installations during Q3 2026, continuing a long-term increase in the share of solar installations associated with existing systems. This is consistent with Australia's rooftop solar market maturing, as increasing numbers of households move beyond first-time adoption and begin upgrading earlier generations of solar systems.

While replacement activity is becoming more common, analysis of CER data on replacements over the past 5 years shows systems are generally being retained for longer before replacement. For original systems that had not previously been upgraded, the average age at replacement increased from 9 to 11.7 years over the past 5 years.

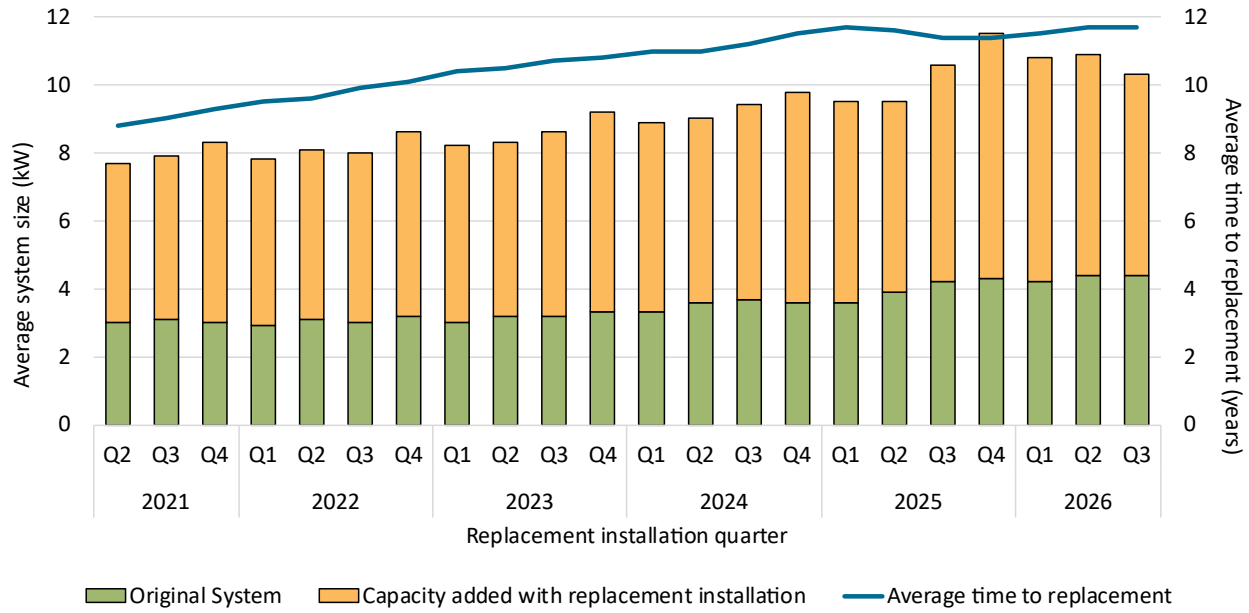
Figure 3.7 Replacement small-scale solar as a proportion of total installations by state and territory



Several factors are likely influencing consumers' decisions to replace an existing solar PV system. These may include required replacements due to damage or malfunction, introduction of new policy incentives, and the sunsetting of state incentives, as well as early adopters seeking to move to newer generation technology. Rather than opting for like-for-like replacements, households replacing an existing system appear to be using the replacement as an opportunity to increase their generation capacity with this being supported by improved panel efficiency, reduced panel cost, and higher household electricity demand.

As Australia's installed solar base continues to age, replacement and upgrade activity is likely to form a growing share of the rooftop solar market alongside first-time adoption.

Figure 3.8 Average replaced original solar PV size, capacity increase due to replacement system, and time to replacement



Policy changes to support future growth

On 1 October 2026, eligible mid-scale solar PV systems above 100 kW and up to 1 MW became eligible for support under the SRES. These systems can create STCs based on a 5-year deeming period through to 2030, extending support to a wider range of commercial, industrial, agricultural and community projects.

The effect of the change is expected to emerge progressively because projects of this scale typically have longer design, approval, and connection timeframes than residential systems. STCs expected to be created by eligible mid-scale systems will be considered in setting the 2027 small-scale technology percentage (STP). Their impact on the STP is expected to be modest and emerge progressively as uptake grows.

The CER will continue to monitor uptake in the mid-scale solar segment and report further in future QCMRs.

State based changes to incentives were also introduced during Q3 2026 which are expected to further encourage investment in solar PV and batteries, potentially including mid-scale solar systems. Victoria and New South Wales have both announced changes in support for consumer energy resources in apartment buildings.

- Victoria expanded the Solar for Apartments program to allow buildings with up to 150 lots to participate in the scheme, with owners corporations also able to allocate 20% of generation to common property.
- New South Wales introduced incentives for apartment buildings and businesses to install batteries sized from 20 kWh to 200 kWh for apartments and to 30 MWh for businesses, with a larger discount being applied if the battery is installed concurrently with solar. New South Wales also introduced up-front incentives for batteries sized up to 50kWh to be part of virtual power plants.

These measures can generally be combined with support available through the SRES and may contribute to additional investment in batteries and other consumer energy resources over time. As most of these programs were introduced recently, any impact on installation activity is unlikely to be visible in the Q3 2026 data.

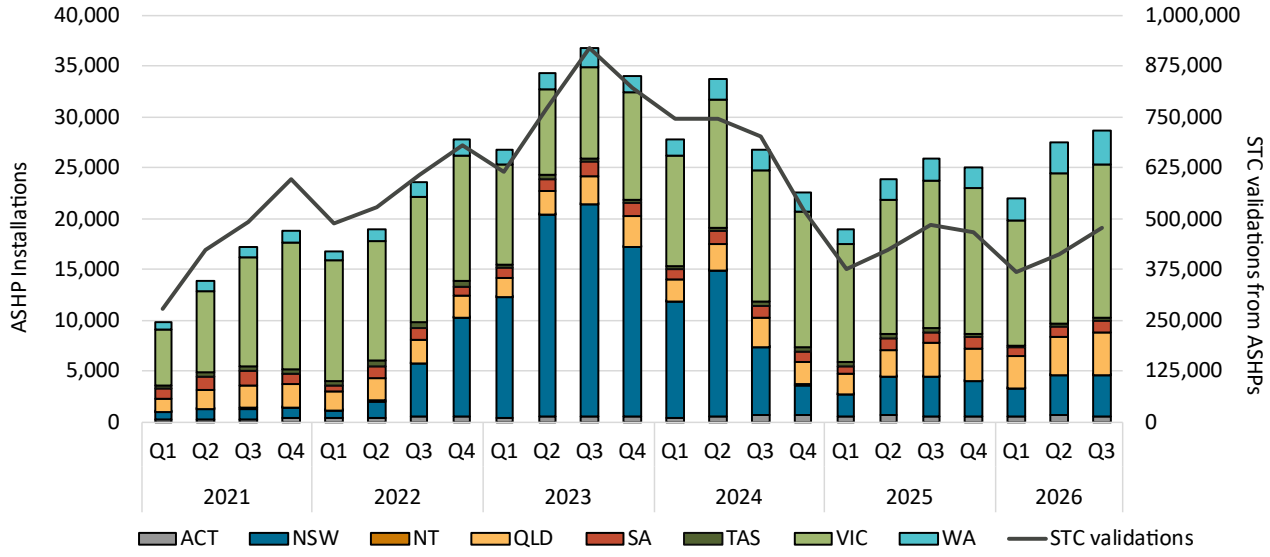
Growth in air source heat pumps continues

Air source heat pump (ASHP) installations continued to grow in Q3 2026, reaching their highest quarterly volume since Q2 2024. Around 29,000 ASHP installations were validated during the quarter, 11% higher than Q3 2025.

Victoria remained the largest market for ASHP installations, supported by the Victorian Energy Upgrades program. Growth was strongest in Western Australia and Queensland, where installations increased by 46% and 24% respectively compared with Q3 2025. While the drivers vary across jurisdictions, the broad-based increase in activity suggests continued demand for technologies that can reduce household energy consumption and operating costs.

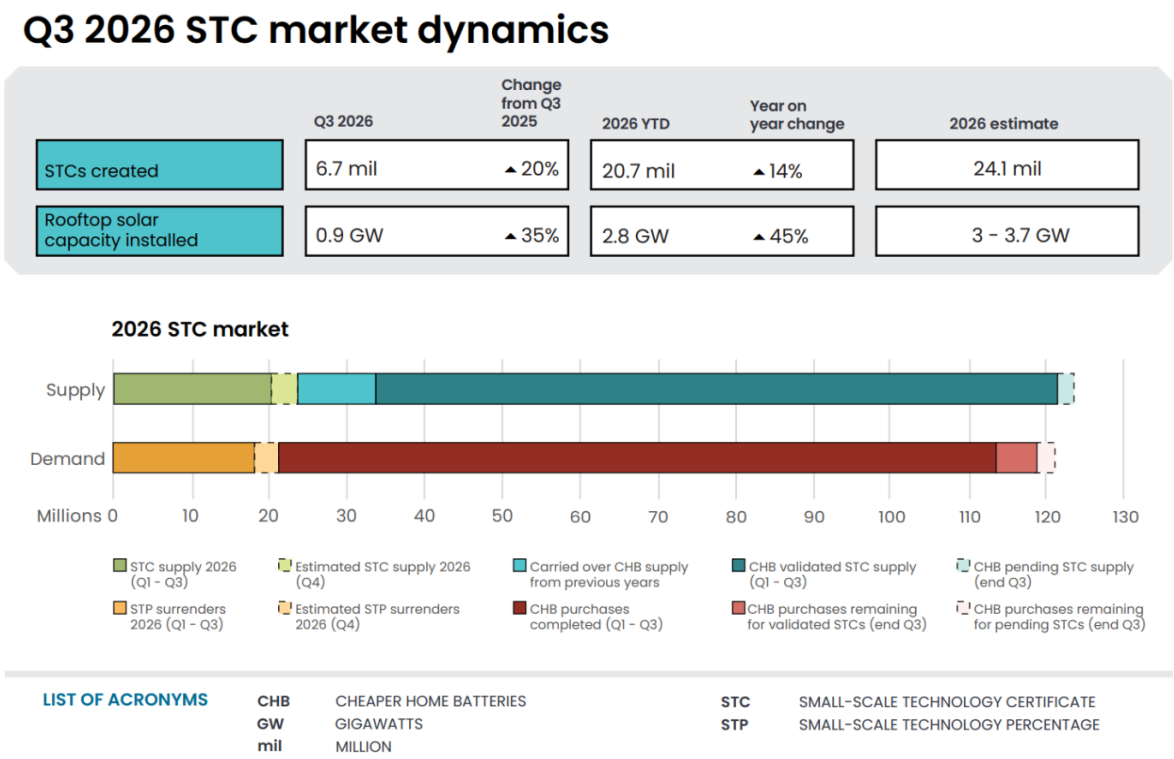
The continued growth in ASHP installations highlights that consumer energy investment is occurring across a broader range of technologies than rooftop solar and battery storage alone. As electrification of household energy use continues, ASHPs are expected to remain an important source of activity within the SRES.

Figure 3.9 ASHP installations by state and territory and associated STC validations



Small-scale technology certificate (STC) market dynamics

Image 3.1 Q3 2026 STC market dynamics

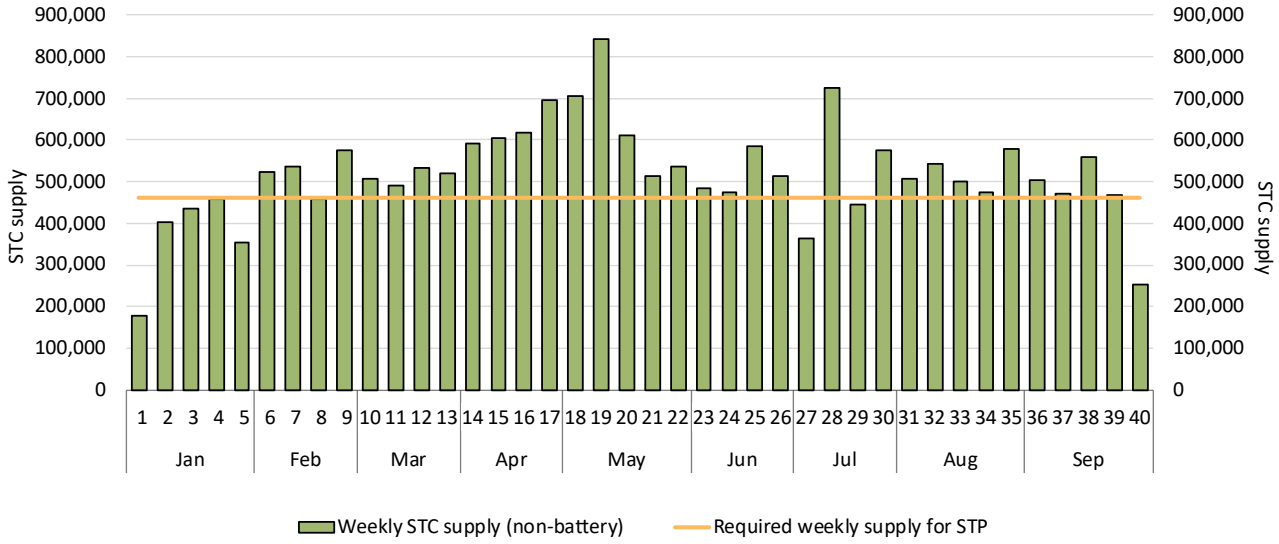


A total of 5.3 million STCs were surrendered to meet the 28 October Q3 deadline. During the period between the 29 July and 28 October surrender deadlines, around 1.8 million STCs were purchased from the clearing house by liable entities, indicating that most surrender obligations were met using certificates sourced outside the Clearing House.

Strong deployment of consumer energy technologies continued to support high levels of STC creation throughout Q3 2026. In the quarter, 6.7 million STCs were created, excluding those created as part of the Cheaper Home Batteries Program. On average, 498,000 STCs were created per week during Q3 2026, which exceeds the average 462,000 requirement to meet the compliance demand of 21.5 million set for the 2026 STP.

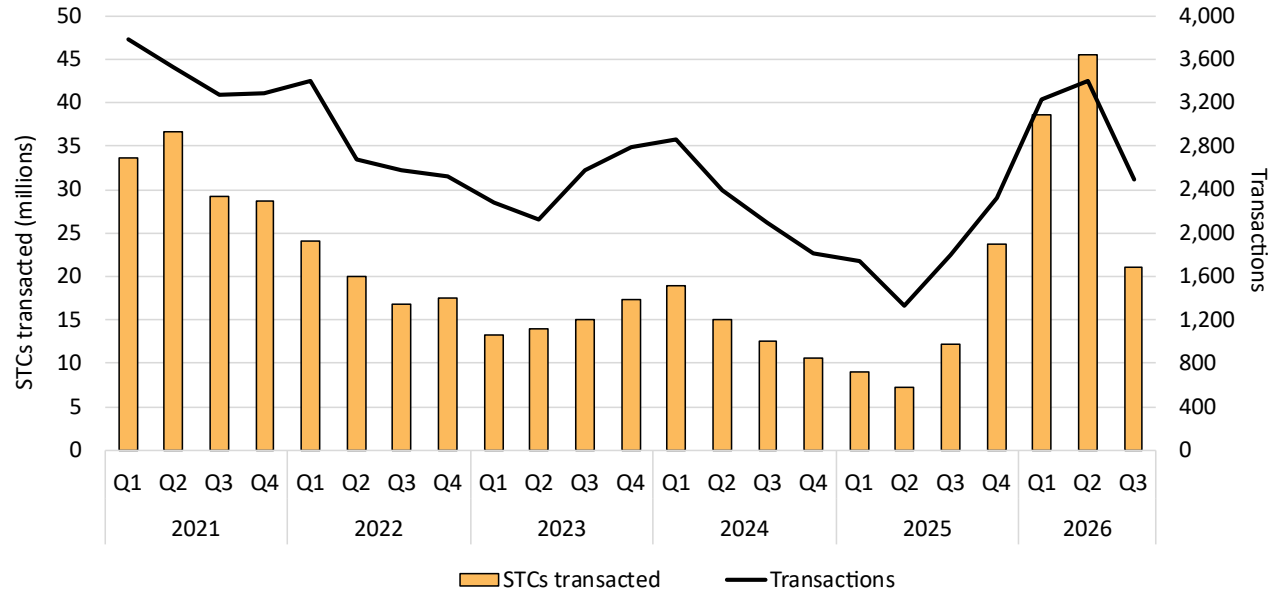
Under the SRES, an under or oversupply of STCs from small-scale generation units, solar water heaters, and ASHPs relative to STP requirements is accounted for through the cumulative adjustment mechanism. An oversupply of such STCs in 2026 compared to the estimated number of creations used to set the 2026 STP would simply be reflected through an upward cumulative adjustment in the 2027 STP. Consistent with previous years, the Clean Energy Regulator has commissioned 2 external consultants to provide independent forecasts of STC creation under high, medium and low demand scenarios to inform the setting of the STP. The forecasts will also account for eligible mid-scale systems sized 100kW to 1MW. Each year, the CER recommends a percentage to the Minister for Climate Change and Energy. The 2027 STP is required to be set in regulations on or before 31 March 2027.

Figure 3.10 Weekly STC supply and the required supply to meet the STP



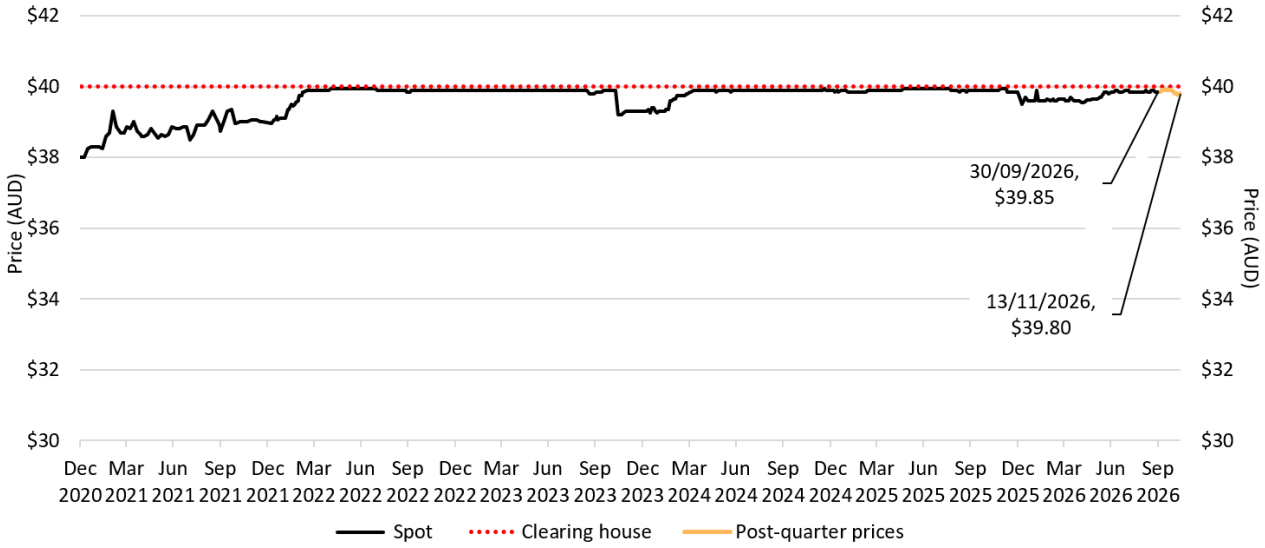
Q3 2026 was a quieter quarter for the STC market than Q2 2026 as the Clearing House surplus was reduced from the record high of 14.4 million in Q2. The surplus was primarily reduced by Government purchases of Cheaper Home Batteries Program STCs which reduced the wait time for market participants wanting to sell their STCs to the Clearing House. Market transactions fell 27% from Q2 2026 with 54% fewer STCs transacted.

Figure 3.11 STC market transactions



STC spot prices were relatively stable during Q3 2026 and in the following weeks, staying close to the Clearing House price of $40. This stability likely reflects market confidence in sustained purchasing from the Clearing House, driven by government purchases of STCs under the Cheaper Home Batteries Program. Across Q3 2026, end of week wait times ranged from 7 to 24 days.

Figure 3.12 STC reported spot and clearing house prices



Attachment A:

2025–26 Safeguard preliminary insights



Overview of the Safeguard Mechanism

The Safeguard Mechanism applies to the responsible emitters of industrial facilities that emit more than 100,000 tonnes of carbon dioxide equivalent (tCO_2-e) in a financial year. These facilities operate across a range of sectors including coal mining, metal ore mining, oil and gas extraction, manufacturing, and transport. The greenhouse gas emissions of these facilities are reported each year under the National Greenhouse and Energy Reporting (NGER) Scheme.[1]

The Safeguard Mechanism sets limits, known as baselines, on the greenhouse gas emissions of covered facilities. A facility's annual baseline is set using a production-adjusted (intensity) framework: a facility's baseline is calculated based on the sum of the quantity of production for each production variable (PV), multiplied by the relevant emissions intensity value. This means baselines can increase and fall with production. Under the reformed mechanism, these baselines generally decline by 4.9% each year to make sure net emissions fall in line with legislated targets.

If a facility's emissions in a financial year are under their baseline for that year, its responsible emitter may be eligible for Safeguard Mechanism credit units.

If a facility's emissions in a financial year are over its baseline for that year, its responsible emitter is required to manage excess emissions.[2] Responsible emitters can surrender Australian carbon credit units[3] (ACCUs) or Safeguard Mechanism credit units[4] (SMCs) to reduce their facility's net emissions number. They may also be eligible to manage excess emissions by obtaining a flexibility measure from the Clean Energy Regulator (CER).

The use of ACCUs and SMCs to manage excess emissions is an important design feature of the Safeguard Mechanism. It allows responsible emitters to meet their legislative obligations while facilities transition to technology that reduce emissions at the source.

See our website for more information on the Safeguard Mechanism.[5]

Purpose of this publication

The publication of preliminary data insights is intended to provide an early overview of Safeguard Mechanism outcomes and key market data each year based on data as available directly following the 31 October NGER reporting deadline. More detailed data and information will be in our publication in April 2027 following the 31 March 2027 compliance deadline.

The CER provides preliminary data to the Climate Change Authority, which is used to prepare their Annual Progress Advice[6] on climate policies. The Minister for Climate Change and Energy must have regard to that advice when advising Parliament about the effectiveness of policies including the Safeguard Mechanism in the Australian Government's Annual Climate Change Statement.[7]

[1] https://cer.gov.au/schemes/national-greenhouse-and-energy-reporting-scheme
[2] https://cer.gov.au/schemes/safeguard-mechanism/managing-excess-emissions
[3] https://cer.gov.au/schemes/australian-carbon-credit-unit-scheme/australian-carbon-credit-units
[4] https://cer.gov.au/schemes/safeguard-mechanism/safeguard-mechanism-credit-units
[5] https://cer.gov.au/schemes/safeguard-mechanism
[6] https://www.climatechangeauthority.gov.au/2026-annual-progress-advice
[7] https://www.dcceew.gov.au/climate-change/action

Disclaimer

The information in this document is preliminary and will be subject to change.

The preliminary data is based on reports submitted to the CER under the National Greenhouse and Energy Reporting (NGER) Scheme.[8] NGER reports for the 2025–26 period were due by 2 November 2026 (the first business day after 31 October 2026).

The annual NGER data is used to identify facilities covered by the Safeguard Mechanism and to calculate each covered facility's baseline and net position number for the relevant reporting period.

Responsible emitters with excess emissions have until 31 March 2027 to meet their 2025–26 safeguard compliance obligations, either through the surrender of ACCUs and/or SMCs or with the use of flexibility measures.

From time to time, NGER reports may be resubmitted where an error in reporting is discovered by the reporting entity. The CER also conducts an assurance program to ensure the accuracy and completeness of NGER data. Where errors are identified, the CER may require resubmission of NGER reports.

NGER report resubmissions and the outcome of applications for flexibility measures can result in changes to key safeguard statistics such as:

- covered emissions
- baseline numbers
- net positions
- the number of SMCs likely to be issued.

The CER will publish comprehensive and finalised data and insights for the 2025–26 safeguard compliance period by 15 April 2027.

[8] https://cer.gov.au/schemes/national-greenhouse-and-energy-reporting-scheme

2025–26 preliminary Safeguard Mechanism data

It is important to note that this data will change, because of:

- emitters surrendering units to manage excess emissions
- NGER reporting resubmissions
- applications for flexibility measures.

The CER will publish finalised Safeguard Mechanism data for 2025–26 by 15 April 2027.

For the 2025–26 safeguard compliance period, preliminary Safeguard Mechanism data indicates:

- Of facilities also covered in the previous financial year, total covered emissions were 130.6 million tonne (Mt) CO_2-e. These facilities' covered emissions reduced by 0.5% from 131.3 Mt CO_2-e in 2024–25.
- A further 2.7 Mt CO_2-e of covered emissions were from facilities not covered in the previous financial year.
- **Overall total covered emissions were 133.3 Mt CO_2-e** – a 0.4% increase from 132.8 Mt CO_2-e in 2024–25.
- **201 facilities were covered by the Safeguard Mechanism,** compared to 208 facilities covered in the 2024–25 reporting period.
- **Total baselines were 119.7 Mt CO_2-e** – a 5.17% reduction from 126.2 Mt CO_2-e in 2024–25.
- Responsible emitters of 48 facilities reported covered emissions below their baseline and may be eligible for approximately **4.5 million SMCs**.[9] This would be a decrease in SMC eligibility of 33.5% from 6.7 million issued for 2024–25.
- Covered emissions for 145 facilities exceeded their baselines, totalling **19.7 Mt CO_2-e in potential excess**.[10] Responsible emitters must manage their excesses before 31 March 2027.
- **2 new emissions intensity determination (EID) applications** were received. Some existing EIDs may be varied by the CER due to regulatory changes or changes in NGER reporting method.
- **Responsible emitters of 6 facilities have applied to access flexibility measures**:
  - 6 new trade-exposed baseline adjustment (TEBA) applications.
  - No new multi-year monitoring period (MYMP) applications were received.
  - No new borrowing adjustment determination applications have been received to date. Applications remain open until 1 March 2027 (the first business day after 28 February 2027).
  - No applications for exemption declarations were received.

[9] This includes 3 eligible facilities, whose emissions are below the Safeguard threshold but are eligible to receive SMCs.
[10] The remaining 11 facilities were not in excess but were not eligible for SMCs, such as facilities with ongoing MYMPs.

Initial insights for 2025–26

Covered emissions result

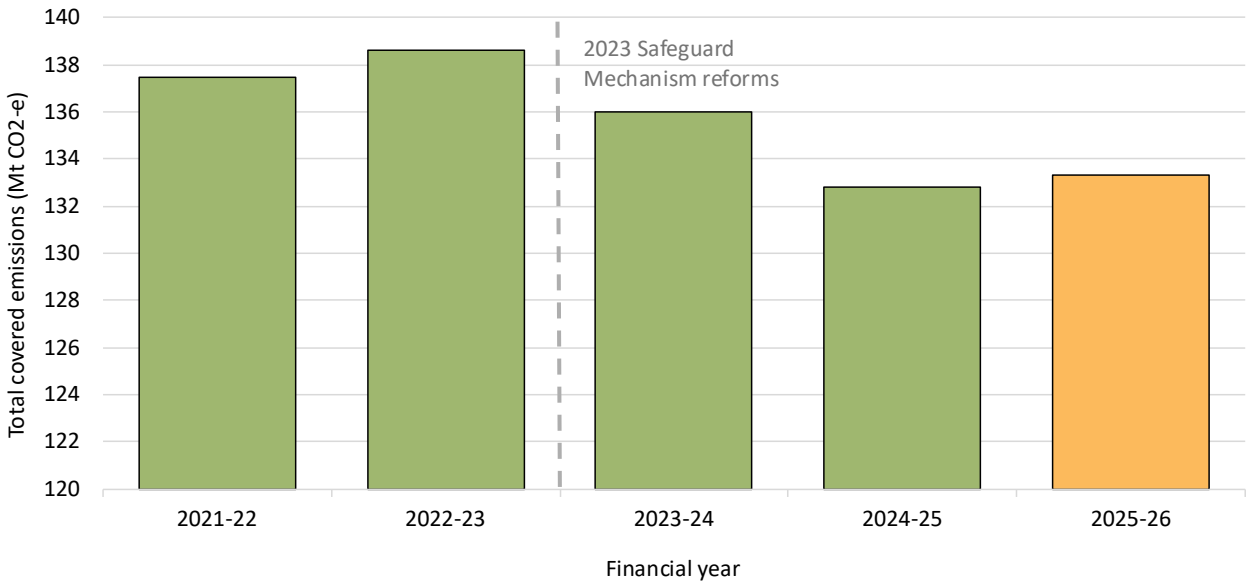
The preliminary total covered emissions from safeguard facilities in 2025–26 were 133.3 $MtCO_2$-e. This represents a 0.5 Mt CO_2-e (0.4%) increase from 132.8 Mt CO_2-e in 2024–25 as emissions from facilities entering into the scheme outweighed reductions in emissions from facilities included in the previous financial year.

The Safeguard Mechanism's scheme design contemplates that while net emissions decline steadily, covered emissions levels will fluctuate. The increase in covered emissions is the result of a combination of factors:

- 5 facilities entered safeguard coverage, adding 2.7 Mt CO_2-e.
  - » The primary source of the increase is large oil and gas facilities that were not covered in 2024– 25, including facilities starting or re-starting operations, or becoming covered for the first time in 2025–26.
  - » The net emissions from new oil and gas facilities are anticipated to be significantly lower than their covered emissions, because they will likely be subject to the minimum baseline of 100,000 tCO_2e. New facilities' baselines are calculated using global best practice emissions intensity values, which are lower than the default values used for existing facilities. Further, the emission intensity value for reservoir CO_2 used to calculate baselines of new gas fields at facilities is zero.
- 12 facilities ceased to be covered, reducing covered emissions by 1.5 Mt CO_2-e.
  - » Yearly changes in the number of facilities covered often reflect facilities rising and falling above and below the 100,000 tCO2-e safeguard threshold.
  - » Facilities fell below the coverage threshold for various reasons, including permanent or temporary closures, lower production and onsite decarbonisation.
- For facilities that were covered in both years, covered emissions reduced by 0.7 Mt CO2-e (0.5%) from 2024–25 levels.

As the Safeguard Mechanism is designed to drive emissions reductions over time, annual results should be considered in the context of the scheme's longer-term trajectory. In the first 3 years of the reformed Safeguard Mechanism, covered emissions have cumulatively reduced by 5.3 $MtCO_2$-e (3.8%).

Figure A.1: Year-on-year comparison of total covered emissions



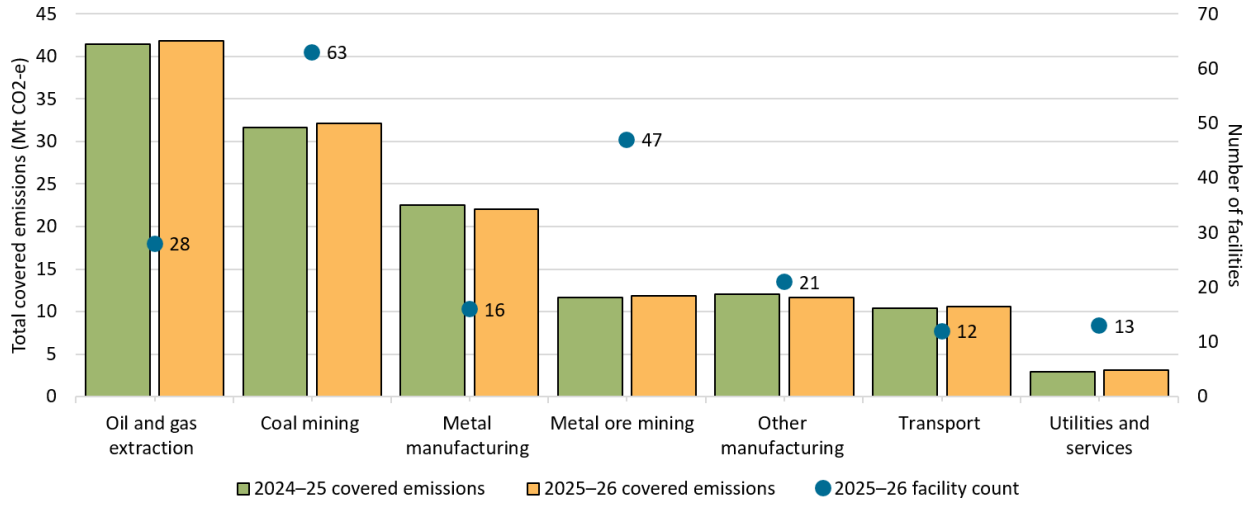
Covered emissions by sector

For 2025–26, the sectors with the largest proportions of covered emissions remained largely consistent with previous years. The main emitters were:

- oil and gas
- coal mining
- metal manufacturing
- metal ore mining
- other manufacturing (including cement manufacturing).

The oil and gas sector remained the largest emitter. The starting and restarting of large oil and gas facilities is a key contributor to the increase in that sector. Coal mining remained the second largest emitter. The increase in emissions in that sector was largely been driven by increased production in 2025–26 when compared to 2024–25.

Figure A.2: Breakdown of covered emissions by sector



Declining baselines maintain downward pressure on net emissions

A gradual and predictable 4.9% decline rate for safeguard baselines is a key design feature of the reformed Safeguard Mechanism. The design of the Safeguard Mechanism ensures that while covered emissions levels may fluctuate from year to year, net emissions will decrease in a steady manner.

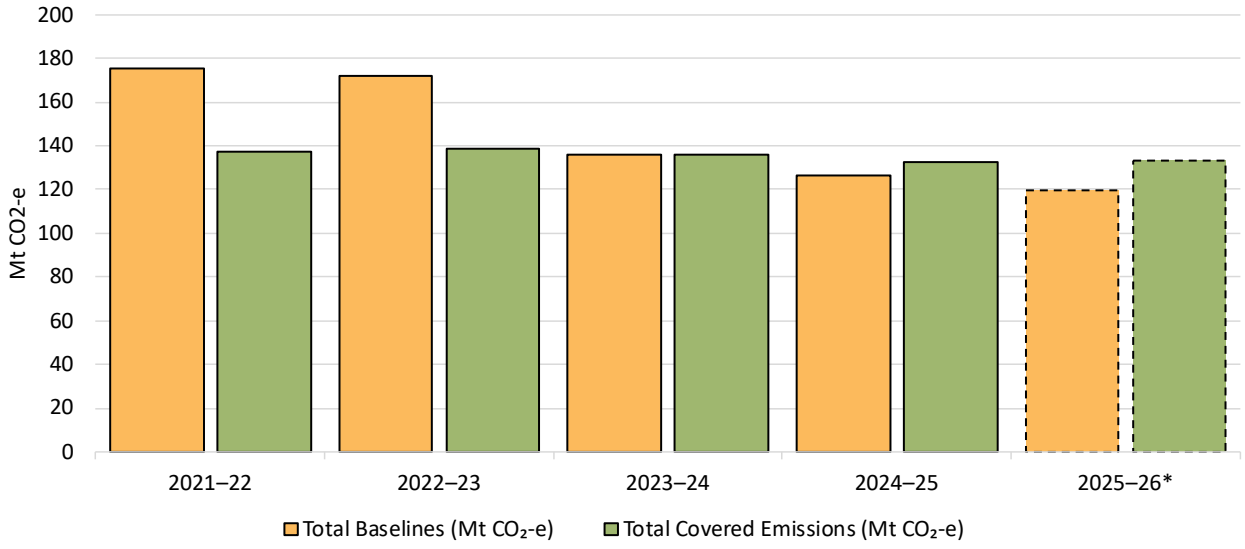
As baselines continue to decline over time, excess emissions will increase, unless there is a significant uptick in onsite abatement. This is consistent with the results for 2025–26.

For 2025–26, the annual baseline decline has led to a preliminary 33.5% reduction in SMC eligibility, and a 42.3% increase in total exceedance across the scheme, compared to 2024–25. These figures highlight that ACCUs and SMCs will remain a vital part of compliance strategies for this compliance year. Increased demand for ACCUs and SMCs, and decreasing SMC issuance, is likely to increase the cost of purchasing carbon units over time, further incentivising onsite decarbonisation projects.

Responsible emitters in an excess position now have until 31 March 2027 to manage that excess through surrenders or through the use of flexibility measures.

The CER proactively monitors and manages responsible emitters' compliance with the safeguard compliance deadline. Any responsible emitters that do not meet their obligations should expect that we will take strong enforcement action.

Figure A.3: Cumulative baselines and covered emissions



Concluding remarks

The Safeguard Mechanism provides industry with a stepped and predictable regulatory incentive to reduce their emissions in line with Australia's emissions reduction targets. It is designed to incentivise reduction of greenhouse gas emissions from large facilities, while allowing for the time and capital investment that may be required to deliver onsite emissions reductions.

On-site emissions reduction projects often take many years to implement and involve significant technical and capital investment. Facilities should therefore be acting now to:

- identify viable abatement opportunities
- develop credible emissions reduction plans
- implement on-site projects.

The Australian Government is currently reviewing the Safeguard Mechanism, including whether the scheme is appropriately incentivising onsite abatement. The review is due to report in early 2027.[11]

This document presents a point-in-time snapshot of the scheme's progress. The large range of factors that impact facilities' covered emissions means a complete understanding of trends and the overall effectiveness of the Safeguard Mechanism will only emerge from longer-term retrospective analysis.

Following the compliance deadline on 31 March 2027, the full results for the Safeguard Mechanism 2025–26 reporting year will be published by 15 April 2027.

[11] https://www.dcceew.gov.au/climate-change/emissions-reporting/national-greenhouse-energy-reporting-scheme/safeguard-mechanism/2026-67-review-of-the-safeguard-mechanism