

Department of Climate Change, Energy, Environment, and Water  
Guarantee of Origin and Trade & Renewable Electricity Guarantee of Origin section

Lodged via email to [GuaranteeOfOrigin@dcceew.gov.au](mailto:GuaranteeOfOrigin@dcceew.gov.au)

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### **Guarantee of Origin – Tranche 2 Exposure Draft**

The Australian Energy Council ('AEC') welcomes the opportunity to make a submission to the Department of Climate Change, Energy, Environment and Water's ('Department') consultation on the *Exposure drafts of the legislative instruments that will support the Guarantee of Origin scheme* ('Tranche 2 Exposure Draft').

The AEC is the peak industry body for electricity and downstream natural gas businesses operating in the competitive wholesale and retail energy markets. AEC members generate and sell energy to over 10 million homes and businesses and are major investors in renewable energy generation. The AEC supports reaching net-zero by 2050 as well as a 55 per cent emissions reduction target by 2035 and is committed to delivering the energy transition for the benefit of consumers.

The AEC has been involved in the policy development of the Guarantee of Origin (GO) scheme and particularly, the Renewable Electricity Guarantee of Origin (REGO) scheme since its initial conception. The REGO scheme is an important part of Australia's energy transition and will create an enduring renewable certification framework to empower the voluntary market to confidently purchase clean energy.

Its commencement should happen as soon as possible, noting the original starting date of 1 January 2025, and revised starting date of 1 July 2025, have already lapsed. It would be helpful for the Department to communicate its timeline for implementation so markets and trading desks can build their systems and processes in time for scheme open.

The AEC has consistently advocated for the future renewable certification scheme to be designed around encouraging transparency and customer choice. In terms of policy design, this means:

- Not introducing additionality components to the REGO scheme because this will increase certificate costs and make it less easy for customers to purchase certified renewable electricity.
- Avoid placing restrictions on participant eligibility because this diverts the scheme away from transparency.
- Limit the amount of prescribed certificate attributes, instead allowing market signals to guide the specific content that customers want.

Consistent with these principles, the AEC has concerns about the vintage requirements proposed in this Exposure Draft, and the intended transitional arrangements from the RET to REGO scheme.

### **Section 52 – REGO certificate retirement**

The AEC considers this to be a relatively major, new component to the REGO scheme and that the policy rationale requires further scrutiny as to whether the benefits exceed the costs and complexity it will place on businesses and the Clean Energy Regulator.

A vintage requirement on certificate retirement effectively amounts to an “additionality” component that will increase the costs of certificates and impact overall market liquidity:

- 24 months is a shorter timeframe than what businesses typically use to forecast renewable generation (for contrast, AEMO’s Integrated System Plan modelling uses an 8-year cycle). This might reduce the effectiveness of certificates as a risk management tool.
- It is likely to increase market volatility as the supply of certificates will vary depending on weather patterns.
- A vintage restriction reduces participant flexibility without evidence of material benefits in return. Certificate buyers will already have access to the year and time the certificate was created, which should create enough incentive to reward renewable generation that more closely aligns to consumption if customers value that.
- It represents an unnecessary deviation from the RET, with the Department stating its intent to align the two schemes as much as possible to ensure a seamless transition once the RET winds down.

The AEC’s strong preference is for this requirement to be removed and allow the scheme and customer purchasing behaviour to mature first. It is likely that as this scheme evolves, voluntary codes and standards will emerge that reward certificate producers for “premium” services (e.g. new renewable generation, produced at certain times).

If the Department is committed to a vintage requirement, then the time period should be lifted to *at least* 48 months. This will provide a more reasonable time period to account for the turnover from generation, registration, and actual certificate transfer, and reduce the impact of volatility shocks from weather droughts (which is especially important for customers trying to certify ambitious claims around 100 per cent renewable generation).

Whichever time period is chosen, the Department should clearly communicate the rationale for whether or not it is consistently applied across below baseline and non-baseline generation. There are already information requirements customers can use to distinguish between below baseline and other generation. Having separate vintage requirements could be seen as arbitrary, reducing comparability across participant claims, and complicating emissions accounting because 18-month periods do not align to financial or calendar year reporting.

### **Section 53 – Below-baseline certificate requirement**

As drafted, it seems section 53 limits self-consumption to the facility at which the certificate was created. In practice, this could unnecessarily limit the usefulness of this provision.

The AEC suggests that the retirement of below-baseline REGOs for self-consumption be allowed at the company level. This would allow, for example, a below-baseline company to retire their certificates against the electricity consumption at their head office, consistent with a market-based approach.

### **Clearer guidance is needed about the intended transitional arrangements**

To encourage the smooth operation of the REGO scheme and existing RET framework, it would be helpful for the Department to publish some guidance about how the schemes will co-exist until the end of 2030. This is especially important for retailers who have mandatory surrender obligations under the REE Act.

Transitional issues that may arise include:

- Lower supply of LGCs, especially as we get closer to 2030, increasing costs of retailer compliance. This may be driven by either a general desire of creators to move and adapt to the enduring certification framework (REGO), and/or the greater granularity of REGOs (due to features like time stamping and potentially vintage restrictions) creating a certificate premium.
- Consequences to liable entities using the shortfall arrangements under the RET if they are carrying a shortfall of LGCs when the scheme ends in 2030.
- Long-term contracts / Power Purchase Agreements that crossover 2030 (e.g. a 10-year contract from 2025 to 2035).

Furthermore, the differentiation between below-baseline and other generation will need to be harmonised before the end of 2030, so participation can occur smoothly from 2031.

The AEC understands that the restriction on below-baseline generation is prescribed in section 93 of the overarching legislation – *Future Made in Australia (Guarantee of Origin) Act 2024*.

### 93 Below-baseline certificates

- (1) If a facility has a legacy baseline, a REGO certificate created in respect of the eligible amount of electricity for the facility and a time period that falls within a calendar year is a **below-baseline certificate** unless:
- (a) the calendar year begins after 31 December 2030; or
  - (b) the amount of renewable electricity generated by the facility in the calendar year before the start of the time period is equal to or greater than the facility's legacy baseline; or
  - (c) the certificate is covered by the rules.

An ordinary reading seems to suggest this restriction is automatically lifted from 2031, and this would void any laws, regulations, and rules governing below-baseline certification. This is consistent with our understanding that the requirement for additionality above this baseline will end when the RET scheme ends in 2030 and all generation will be treated consistently from this point. This, however, may create some legal uncertainty closer to the date – e.g. the effect of a vintage provision after 2030 on a certificate created before 2030.

Furthermore, the Clean Energy Regulator will need to ensure certificate creation systems are adjusted in advance to take effect from 2031 to no longer distinguish between certificate types.

Any questions about this submission should be addressed to Rhys Thomas, by email [Rhys.Thomas@energycouncil.com.au](mailto:Rhys.Thomas@energycouncil.com.au) or mobile on 0450 150 794.

Yours sincerely,

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