VEEC prices have soared – Will they stay high? - Northmore Gordon

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Details:

Certificates Certificates Our Environmental Attribute Certificate services help businesses accelerate technology adoption, improve project ROI, and manage claims of renewable energy, energy efficiency and carbon offset 1 carbon offset = 1 tonne of CO2-e avoided or removed from the atmosphere. Avoided emissions covers activities that alter behaviour that would have otherwise caused emissions such as energy efficiency improvements or avoided deforestation. Removal covers activities that permanently remove CO2 from the atmosphere such as new forestry plantations, soil carbon improvement or carbon capture and storage. certificates Live Certificate Prices The value of certificates change day-to-day, check todays prices Solar VEECs (VEU PBA) VEU PBA for Large-scale Solar Measurement & Verification (VEU & ESS) M&V; for Large C&I; Efficiency Projects (VEU PBA & ESS PIAM&V;) BESS Calculator Estimate the Peak Reduction Certificate revenue available to your NSW battery project in minutes ERF & Carbon Credit Registration ACCUs for Emission Reduction Projects Boiler Upgrades (VEU & ESS) NSW & VIC Boiler Rebates REC Registration (I-RECs & LGCs) Register renewable assets for I-RECs and LGCs Trade RECs & Carbon with us Trade Local & International Environmental Attribute Certificates moREnewable100 (RECs & Offsets) Reach Global Sustainability Goals with Certificates and Offsets Deemed Certificates (VEU & ESS) NSW & VIC Rebates Global Certificates Environmental Attribute Certificates Australian Programs Australian EAC Programs Case Studies Sectors Articles Team More Close More Open More Northmore Gordon Learn more about Northmore Gordon with the latest news and insights, were to find us, and the extensive terminology used in emissions reductions About Us Who we are & what we do in energy efficiency & decarbonization. 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The current VEEC price trends directly impact businesses planning energy efficiency upgrades under the VEU Victorian Energy Upgrades is a Victorian government energy efficiency program that gives every Victorian household and business the opportunity to receive rebates or discounts on energy saving products. program. Industries that can benefit the most include: Manufacturing – Optimising industrial processes and equipment. Retail & commercial buildings – Solar installations and HVAC Heating, ventilation, and air conditioning is the technology of indoor and vehicular environmental comfort. Its goal is to provide thermal comfort and acceptable indoor air quality. systems. Aged care & healthcare – Upgrading heating and cooling for patient comfort. Cold storage & food processing – Improving refrigeration efficiency. Hospitality & accommodation – Reducing energy use in commercial kitchens and laundries. Animal processing & agriculture – Lowering energy costs in operations such as refrigeration, heating, and irrigation. Whether you’re a Small to Medium Enterprise upgrading equipment or a large enterprise managing multiple sites, understanding the VEEC market can help you maximise financial returns on your projects. What determines the VEEC price? The VEU program requires energy retailers to meet annual targets by purchasing VEECs, which are created when businesses complete eligible energy-saving activities. Supply and demand dynamics dictate certificate pricing. Currently, VEEC supply is lagging behind the run rate required for the 2025 target of 7.3 million certificates, pushing prices toward the tax-effective penalty price of $128 per VEEC. Why is the VEEC price near $110? Several key factors have driven VEEC prices to their current levels: Increasing annual targets – Rising from 6.3M in 2020 to 7.3M in 2025, increasing demand. Declining emission factors – More energy savings Electricity or gas savings or both. are now required to generate the same number of VEECs compared to 2019. Diminishing opportunities – Key activities like replacing electric resistance hot water systems with heat pumps have fewer VEECs per upgrade due to emissions factor adjustments. Market uncertainty – Regulatory announcements and program updates create volatility, influencing buyer behaviour. Will the VEEC price go higher? It’s possible that the price could touch $120, but further increases are unlikely unless there is an extreme supply shortage. The market is already close to the penalty price, and buying activity is slowing down. What could cause the VEEC price to drop? VEEC prices remain volatile, fluctuating by around $10 regularly. The key trigger for a significant price drop would be a new (our existing) method, that unlocks high-volume certificate creation. Examples to changes in the VEEC price include: From 2020-2021 the new targets, along with shortages in supply led the price up to $80 Past government interventions (e.g., introducing refrigerated display cabinets in 2022) temporarily increased supply and softened prices to $49 The phase out of lighting activity and shortage in supply has led the price back up Lower 2026/2027 VEEC targets initially led to a price drop but were later offset by ongoing supply shortages. Space heating and cooling upgrades are growing but remain high-cost activities, requiring sustained high VEEC prices to be viable. Until a scalable, cost-effective method is introduced—perhaps residential battery storage or expanded industrial energy efficiency projects—substantial price reductions are unlikely. Though keep in mind past Government announcements, changes in activities, and policies have had big price impacts and the government has now released the strategic review of the VEU . Eligible activities under the VEU Program Businesses can earn VEECs by implementing energy-saving projects, including: Appliance upgrades: Installing high-efficiency refrigerators, freezers, televisions, clothes dryers, induction cooktops, and in-home display units. Water heating: Replacing old water heaters with energy-efficient models and installing water-efficient showerheads. Space heating and cooling: Upgrading existing heating and cooling systems with more energy-efficient options. Lighting upgrades: Replacing old lighting fixtures with energy-efficient options in buildings and public spaces. Gas efficiency improvements: Installing gas efficiency controls and upgrades on gas appliances. Commercial and industrial upgrades: Businesses can also access upgrades for lighting, cold rooms, and other energy-consuming equipment. How Northmore Gordon helps businesses navigate VEEC price risks At Northmore Gordon, we work closely with businesses across multiple sectors to optimise their energy efficiency projects and navigate the complexities of the VEEC market. Read our case study A large manufacturing client sought to replace its gas-fired boiler system with a high-efficiency heat pump. Northmore Gordon: • Conducted an energy audit to quantify VEECs generated. • Locked in forward contracts to hedge against price fluctuations. • Secured government incentives, reducing project payback time to just 2.5 years. As a result, the company reduced gas consumption by 60%, cut emissions, and saved over $200,000 annually. Recommendations for managing VEEC price risks For businesses planning energy efficiency projects, it's essential to proactively manage price risks. Here's how: Secure forward contracts – Lock in VEEC prices with Northmore Gordon for future projects to mitigate potential price increases. Diversify eligible activities – Explore underutilised methods such as M&V; projects to create VEECs efficiently. Stay informed – Monitor government announcements and VEU policy updates via Northmore Gordon's market insights. Leverage expert guidance – Work with Northmore Gordon's energy consultants to identify cost-effective solutions, manage compliance, and maximise VEEC creation. Looking ahead: What's next for the VEEC market? The VEEC price is likely to stay high unless the government introduces new, large-scale efficiency measures. Over the longer term, high prices are not sustainable and could lead to policy adjustments or additional supply-side interventions. For businesses, the key to success is staying ahead of market shifts. By leveraging expert guidance, securing contracts early, and exploring diverse energy efficiency options, companies can protect themselves from volatility and maximise returns on their sustainability investments. Take action with Northmore Gordon Need expert guidance on your VEEC strategy? Whether you're looking to secure forward contracts, explore energy-saving opportunities, or navigate compliance requirements, Northmore Gordon can help. Contact us today to discuss your energy efficiency goals and VEEC strategy. Let's turn sustainability into a competitive advantage for your business. Want to find out more? Contact Madonna Ghajar at m.ghajar@northmoregordon.com Disclaimer: The information in this article is general only and has been prepared without taking into account your businesses particular circumstances and needs. You should assess or seek advice from Northmore Gordon Environmental (AFSL 533927) on whether it is appropriate for your businesses objectives. 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