



RET

THE BASICS

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The Renewable Energy Target (RET) scheme has been established to encourage additional generation of electricity from renewable energy sources to meet the Government's commitment to achieving a 20% share of renewables in Australia's electricity supply in 2020. The RET legislation:

- places a legal liability on wholesale purchasers of electricity to proportionally contribute to an additional 45,000 gigawatt hours (GWh) of renewable energy per year by 2020.
- sets the framework for both the supply and demand of renewable energy certificates (RECs) via a REC market.

How does the RET encourage investment and growth in Australia's renewable energy industry?

The RET provides renewable energy power stations and owners of solar water heater and small generation unit installations (small-scale solar PV panels, wind and hydro electricity systems) with a financial incentive through the creation and trade of renewable energy certificates (RECs) via the REC Registry.

Each REC created from an eligible energy source can be sold for a negotiated price and transferred to liable parties (usually wholesale purchasers of electricity) in a market based online system called the REC Registry. For more details see RECs defined, REC Market, REC supply and REC demand.

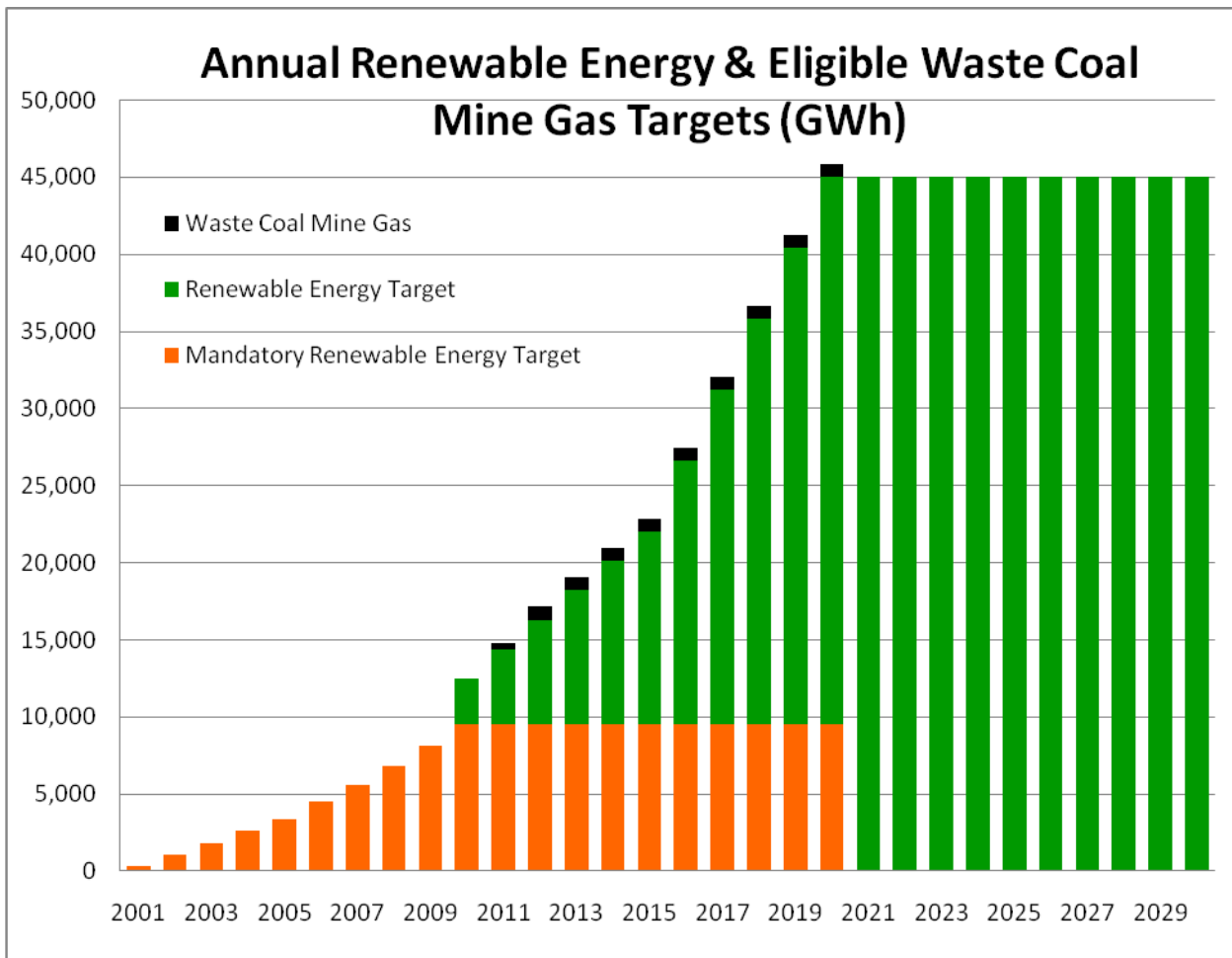




Yearly targets

The yearly targets for the RET are as follows:

Year	Target (GWh)	Year	Target (GWh)
2010	12 500	2016	27 450
2011	14 825	2017	32 050
2012	17 150	2018	36 650
2013	19 050	2019	41 250
2014	20 950	2020	45 850
2015	22 850	2021-2030	45 000





Enhanced Renewable Energy Target

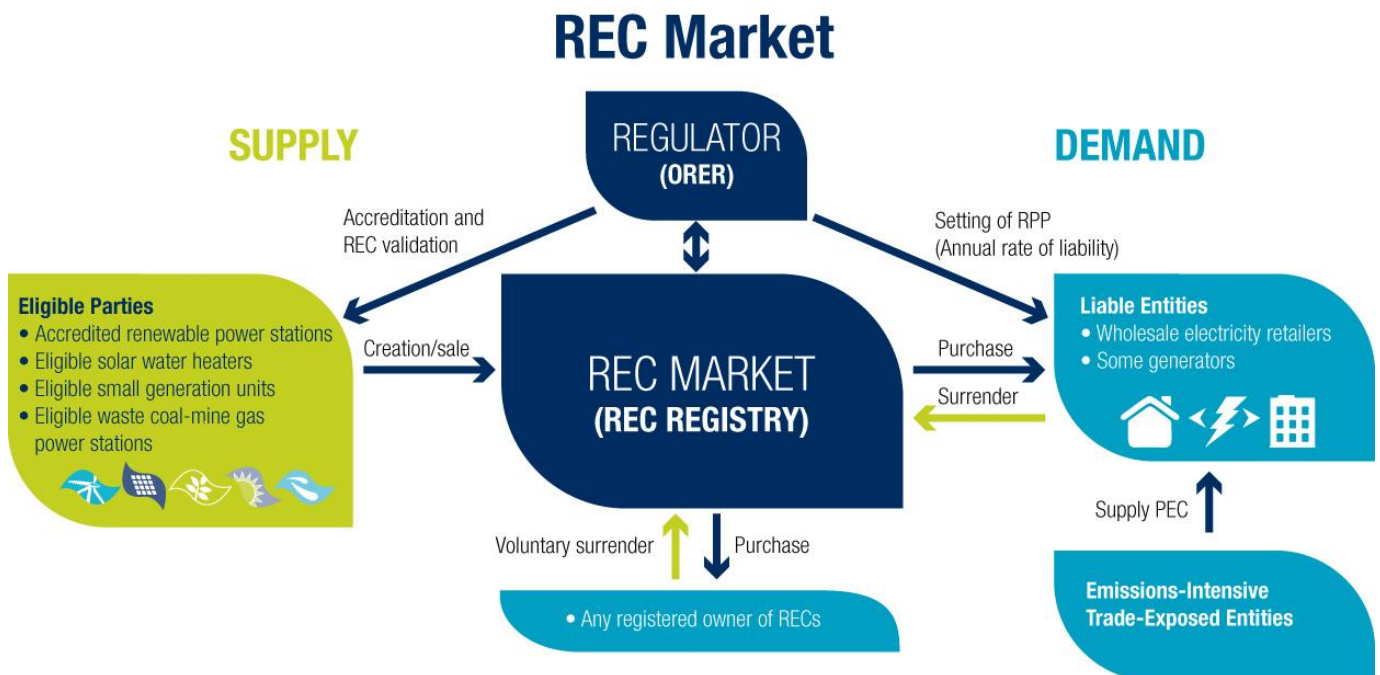
The *Renewable Energy (Electricity) Amendment Bill 2010* was passed by the Parliament on the 24 June 2010 and received Royal Assent on **28 June 2010**.

As of 1 January 2011, the enhanced Renewable Energy Target (RET) will be split into two parts, the Large-scale Renewable Energy Target (LRET) and the Small-scale Renewable Energy Scheme (SRES).

More information will be available on the ORER website when the regulations are in place and administrative arrangements are finalised.

The REC market

The Act allows for RECs to be electronically transferred between REC Registry account holders (typically between eligible and liable parties) listed in the REC Registry. REC transfer transactions are reported automatically to the Regulator in the REC Registry under section 28 of the Act. This process is market driven with the price of RECs determined by supply and demand. The sale of RECs by eligible parties to liable parties is not a rebate but a financial transaction. The REC price is not regulated by ORER.



RECs defined

Renewable Energy Certificates (RECs) are an electronic form of currency created on the REC Registry by eligible parties. A REC is generally equivalent to:

- 1 MWh of renewable electricity generated above the power station baseline; or
- 1 MWh of renewable electricity deemed to be generated by small generation units; or
- 1 MWh of electricity deemed to be displaced by the installation of solar water heaters.





Properly created RECs are validated by ORER and transferred between eligible parties and liable parties for a negotiated price. Payment is arranged outside the REC Registry.

RECs are surrendered annually to demonstrate liability compliance against the requirements of the RET or voluntarily surrendered.

REC Supply - eligible parties (sellers)

Eligible parties **create, sell and transfer RECs in the REC Registry to liable parties for a negotiated price.**

Eligible parties include:

- renewable energy sourced power stations such as wind, hydro, landfill gas, solar and bagasse
- owners of solar water heaters and small generation units
- agents of solar water heaters and small generation units
- existing waste coal-mine gas power stations

Eligible parties can create RECs for eligible renewable electricity generated above the accredited renewable energy power station's baseline or for eligible solar water heaters and small generation units. RECs that become registered are a tradable commodity in the REC market.



Owners of solar water heaters and small generation units can either:

- assign their RECs to an agent in exchange for financial benefit which could be in the form of a delayed cash payment or upfront discount, or
- become registered in the online REC Registry and create RECs. Once registered these RECs can then be sold and transferred to a registered agent at any time during the life of the scheme.

The registered agents bundle RECs from owners of solar water heaters and small generation units to sell and transfer in the REC Registry, and eventually on-sell to liable parties.

REC Demand - liable parties (buyers)

The RET places a legal liability on **wholesale purchasers of electricity**, defined as liable entities (liable parties) under the *Renewable Energy Electricity Act 2000 (the Act)*, to proportionately contribute towards the generation of **additional** renewable electricity.

Liable parties support additional generation of electricity from renewable energy power stations, solar water heaters and small generation units through the purchase of RECs in the REC Registry. This process is market driven with the price of RECs determined by supply and demand.

Liable parties are required to annually surrender the number of registered RECs equal to their liability for the previous calendar year. RECs are marked as 'invalid due to surrender' and are no longer available to reuse during the life of the RET.



The Renewable Power Percentage (RPP) establishes the annual rate of liability and is the mechanism that liable parties use to determine how many renewable energy certificates (RECs) need to be surrendered to discharge their liability that year.





Baselines

The main objective of the RET is to encourage **additional** generation of electricity from renewable energy sources and achieve reductions in greenhouse gas emissions in the electricity sector. During the accreditation process of a power station the Regulator determines the baseline which is generally the average amount of electricity generated over the 1994, 1995 and 1996 years. Eligible parties can only create RECs for electricity generated above the baseline.

Power stations which generated electricity for the first time after 1 January 1997 have a baseline of zero.

Partial exemption for emissions-intensive trade-exposed activities

The expanded Renewable Energy Target (RET) legislation and regulations include provisions to provide partial exemption from RET liability for electricity used in prescribed emissions-intensive trade-exposed (EITE) activities.

Waste coal-mine gas power stations

Existing waste coal-mine gas power projects that meet RET eligibility criteria will be able to create RECs up to an annual cap, for a limited period, as a transitional measure to underpin the continued viability of these projects. Annual targets have been increased to ensure no renewable energy is displaced in the measure.

Voluntary surrender

Registered RECs can be voluntarily surrendered. This results in removing RECs from the REC market by making voluntary REC surrender offers in the REC Registry. All registered owners of RECs can choose to voluntarily surrender RECs for any reason, for example to encourage additional generation of electricity from renewable source.

Role of the Office of the Renewable Energy Regulator

The ORER assists the Regulator in:

- registration of individuals or companies seeking to become registered persons
- accreditation of eligible renewable energy power stations
- overseeing the validation of RECs created by power stations, solar water heaters and small generation units
- overseeing the voluntary surrender of RECs
- imposing any penalties for non-compliance with the provisions of the legislation
- allowing liable parties to redeem any RECs, if shortfalls are made up within three years of the shortfall year
- ensuring the integrity of the measure by undertaking audits of participants including eligible and liable parties
- maintaining and updating the REC Registry, including publicly available registries, accessible at www.rec-registry.gov.au
- providing industry and other stakeholders with appropriate advice about the measure
- providing information related to RET on the ORER website www.orer.gov.au

ORER values your feedback. If you have any feedback on how to improve this fact sheet please email ORER orer@orer.gov.au

