

# Renewable Energy Certificates and Solar Credits



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## What are RECs?

Renewable Energy Certificates (RECs) are effectively a currency for renewable energy. They are created under the Federal Government's Renewable Energy Target (RET).

The RET specifies that 20% of Australia's electricity must come from renewable energy sources by 2020. This is tracked by the creation, sale and surrender of RECs.

Each REC equates to 1 megawatt hour (MWh) of renewable electricity. Each time a renewable energy generator delivers 1 MWh of electricity to the grid, they are allocated a REC. They can then sell this REC on an open market.

Electricity retailers are required to create or buy a certain number of RECs and surrender them to the Government, as a percentage of their electricity sales. For example, in 2020, a retailer will be required to surrender RECs equal to 20% of their total electricity sales, to prove that they have this proportion of electricity coming from renewable energy and thus the Government's 20% target is met.

For **solar photovoltaic (PV) electricity**, the number of RECs you receive is based on the assumed quantity of electricity which will be generated by your solar system over the next 15 years. (See over for details.)

For **solar hot water**, each REC is representative of 1MWh (megawatt-hour) of displaced electricity which would otherwise have been used to heat that water.

Most solar installers will simply offer you an up-front rebate on the cost of your solar system, based on the eligibility of that system for RECs. You simply need to sign over the rights to create the RECs to your installer. However, if you would prefer to retain the rights to the RECs, you may create the RECs yourself through the Office of the Renewable Energy Regulator ([www.orer.gov.au](http://www.orer.gov.au)) and then either trade them through a registered agent or voluntarily surrender them for no financial benefit.

## Selling RECs

For many people, installing solar electricity is an important way for them to reduce not only their own personal emissions, but also to contribute to an overall reduction in the nation's greenhouse pollution. However, what most people don't realise is that, by selling your RECs, you are actually selling the greenhouse benefit of your solar system, and hence you have no net impact on the nation's overall emissions.

This is because once you sell your RECs, or sign over that right to your installer (typically for an up-front discount or 'rebate' on the cost of installation) those RECs are available to electricity retailers to fulfil their obligation under the RET. As a result, your RECs become *part of* the Renewable Energy Target, not in *addition* to the RET. The target would have been met had you sold your RECs or not. By selling your RECs you are making additional RECs available and hence avoiding the need for electricity retailers to go out and install additional renewable energy.

It is only by retaining your RECs, voluntarily surrendering them or not creating them in the first place that you ensure that the renewable energy created by your system (or the dirty electricity displaced by your solar hot water system) is additional to government targets, and hence is actually reducing Australia's greenhouse gas emissions.

### Solar Credits Scheme

In June 2009 the Federal Government scrapped the popular \$8000 solar PV rebate, known as the Solar Homes and Community Plan (SHCP). In its place it introduced a scheme to increase the number of certificates a small-scale renewable energy generator, such as a solar photovoltaic (PV) system, would be eligible for.

Instead of 1 REC for every MWh of electricity your system generates, you would now be eligible for 5 RECs for every MWh. By multiplying the number of RECs a system is eligible for the financial incentive for solar is increased significantly, and hence would go some way to replacing the SHCP \$8000 rebate.

The problem with this scheme is that by assigning 5 RECs to every 1 MWh, the amount of electricity each REC represents is diluted – only 1-in-5 RECs actually represents electricity generated and fed into the grid, with the remaining 4-in-5 being 'phantom' RECs. However this isn't recognised by the RET scheme; each REC still looks like 1MWh to the market, so each solar PV REC can be traded and surrendered by an electricity retailer just as if it represented 1MWh.

The upshot of this is that, if you install a solar PV system and sell your RECs in order to claim the Solar Credits rebate, you are effectively leading to a reduction in the volume of renewable electricity generated in Australia!

A typical 1kW system installed in Australia would formally have been eligible for around 18 RECs, representing 18MWh of renewable electricity generated over the next 15 years. However under Solar Credits, the same system would be eligible for 90 RECs, even though only 18MWh of renewable electricity are generated, meaning there will be a 72MWh of clean renewable electricity that will no longer be fed into the grid as a result of that that 1kW of solar being installed.

The solution? If your motivation for installing renewable energy is to increase the amount of renewable energy installed in Australia or reduce greenhouse gas emissions, you have three choices:

- > install your renewable energy and don't claim the RECs you are eligible for (but this means no rebate)
- > install your renewable energy and claim and sell your RECs but then buy them back through a REC agent or other third-party provider (this can lead to some tax advantage as you may be able to claim for the RECs you purchase back), or
- > don't install your own renewable energy; instead sign up to 100% GreenPower.

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### Further information about RECs

> For information about the Solar Credit Scheme visit:  
[www.orer.gov.au](http://www.orer.gov.au)

> For Government information on energy saving mechanisms and rebates see:  
[www.livinggreener.gov.au](http://www.livinggreener.gov.au)

> For MEFL's position on the Renewable Energy Target, the Solar Credits Scheme and other energy policy issues visit:  
<http://mefladvocacy.blogspot.com> or  
[www.mefl.com.au/news/173/](http://www.mefl.com.au/news/173/)

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