

Renewable Energy Certificates (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 Renewable Energy Certificates (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 the number of 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.

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 (ORER: www.orer.gov.au) and then either trade them through a registered Agent (listed on the ORER website) or voluntarily surrender them for no financial benefit.

The implications of selling or surrendering your RECs are explained in this excellent article from ReNew magazine:

www.mefl.com.au/documents/105_recs__2_.pdf

For more information visit:

www.climatechange.gov.au/renewabletarget/publications/pubs/fs-ret-update.pdf

www.orer.gov.au/publications/pubs/mret-thebasics-0309.pdf

www.orer.gov.au/recs/index.html

www.climatechange.gov.au/renewabletarget