

EXPLANATORY STATEMENT

Issued by authority of the Minister for Climate Change and Energy

Renewable Energy (Electricity) Act 2000

Renewable Energy (Electricity) Amendment (Percentages) Regulations 2025

The *Renewable Energy (Electricity) Act 2000* (the Act) provides the framework for the large-scale renewable energy target (LRET) and small scale renewable energy scheme (SRES). An object of the Act is to encourage the additional generation of electricity from renewable sources.

Subsections 39(1) and 40A(1) of the Act require that regulations specifying the renewable power percentage (RPP) and small-scale technology percentage (STP), respectively, for a given year must be made on or before 31 March in the year.

Section 161 of the Act provides that the Governor-General may make regulations prescribing all matters required or permitted by the Act to be prescribed, or necessary or convenient to be prescribed for carrying out or giving effect to the Act.

Under the Act, large-scale generation certificates (LGCs) and small-scale technology certificates (STCs) may be created for energy generated or displaced by eligible renewable energy systems, including but not limited to, solar farms, wind farms, rooftop solar systems and air-sources heat pumps. The Act requires wholesale purchasers of electricity (liable entities who are typically electricity retailers) to surrender a set amount of LGCs and STCs to the Clean Energy Regulator (CER) each year. This surrender requirement bolsters demand for these certificates, enabling those who build and install eligible energy systems to sell the LGCs and STCs to the liable entities. Being able to sell these certificates to liable entities incentivises the building and installation of eligible renewable energy systems.

The share of the total cumulative liability for LGCs and STCs is determined by multiplying the RPP and the STP, respectively, by the amount of wholesale electricity a liable entity has purchased in that year.

Subsection 39(1) of the Act provides that the RPP for a given year must be specified in the *Renewable Energy (Electricity) Regulations 2001* (the Principal Regulations) on or before 31 March in the year. Similarly, subsection 40A(1) of the Act provides that the STP for a given year is the percentage prescribed in the Principal Regulations on or before 31 March in the year.

The proposed *Renewable Energy (Electricity) Amendment (Percentages) Regulations 2025* (the proposed Regulations) have amended the Principal Regulations to specify the RPP and STP for 2025. These percentages are used to calculate the amount of LGCs and STCs that liable entities are required to surrender to the CER, or to calculate any shortfall charges payable by liable entities. In turn, costs are passed through to electricity consumers.

Subsections 39(3) and 40A(3) of the Act prescribe considerations that the Minister must take into consideration before the Governor-General may make regulations to specify the RPP and STP.

Each year, the RPP and STP are calculated using standard formulas that account for the considerations set out in subsections 39(3) and 40A(3) of the Act. These formulas are published on the CER's website.

The calculation of the percentages and amendments are market sensitive, routine and machinery in nature. Consequently, public and industry consultation was not conducted.

Details of the proposed Regulations and how the RPP and STP for 2025 were calculated are set out in the Attachment.

The Regulations are a legislative instrument for the purposes of the *Legislation Act 2003*.

The Regulations commenced on the day after they were registered on the Federal Register of Legislation.

The Minute recommended that the Regulations be made in the form proposed.

Details of the Renewable Energy (Electricity) Amendment (Percentages) Regulations 2025

Section 1 - Name of Regulations

This section states that the title of the Regulations is the *Renewable Energy (Electricity) Amendment (Percentages) Regulations 2025*.

Section 2 - Commencement

This section states that the *Renewable Energy (Electricity) Amendment (Percentages) Regulations 2025* will commence the day after the instrument is registered.

Section 3 - Authority

This section states that the Regulations are made under the *Renewable Energy (Electricity) Act 2000*.

Section 4 - Schedule(s)

This section states that each instrument that is specified in a Schedule to this instrument is amended or repealed as set out in the applicable items in the Schedule concerned, and any other item in a Schedule to this instrument has effect according to its terms.

Schedule 1 - Amendments

Item [1] – At the end of Regulation 23

This item specifies that the renewable power percentage (RPP) for 2025 is 17.91 per cent, decreasing from 18.48 per cent in 2024.

The RPP is calculated from the large-scale renewable energy target (LRET) data held by the Clean Energy Regulator (CER) using a standard formula that accounts for the Minister's considerations set out in subsection 39(3) of the Act. It is calculated to create large-scale generation certificates demand equal to the required amount of renewable source electricity (as set by section 40 of the Act) for the given year.

The 2024 and 2025 RPP are relatively similar as they have the same target, and other inputs such as the total electricity acquired by liable entities and the total exemptions for defined emissions intensive trade exposure activities, vary slightly from year to year. The target is 33,000 GWh from 2021 to 2030, when the LRET ends.

Item [2] – At the end of Regulation 23A

This item specifies that the small-scale renewable technology percentage (STP) for 2025 is 13.89 per cent, decreasing from 21.26 per cent in 2024.

The STP is calculated from small-scale renewable energy scheme data held by the CER and from consultants' projections, using a standard formula that accounts for the Minister's

considerations set out in subsection 40A(3) of the Act. The intention of the Act is for the STP to be calculated to ensure that over time all small-scale technology certificates (STC) will be required to be surrendered.

The calculated decrease for 2025 is primarily due to lower estimated STC creations in 2025. This is in line with each STC eligible solar installation system receiving a reduced number of STCs due to the declining deeming period. Installed solar capacity is still expected to be around 2.9 GW in 2025.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Renewable Energy (Electricity) Amendment (Percentages) Regulations 2025

This Disallowable Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

The amendment to the *Renewable Energy (Electricity) Regulations 2001* (the Regulations) is required to set the Renewable Power Percentage (RPP) and the Small-scale Technology Percentage (STP) for 2025. The 2025 RPP is 17.91 per cent, which has decreased from 18.48 per cent for 2024. The 2025 STP is 13.89 per cent, which has increased from 21.26 per cent for 2024.

The RPP sets the rate of liability for the given compliance year under the Large-scale Renewable Energy Target (LRET). The STP sets the rate of liability for the given compliance year under the Small-scale Renewable Energy Scheme (SRES). The Regulations prescribing the RPP and STP must be made on or before 31 March each year or the percentages will be calculated in accordance with a statutory formula.

The setting of the RPP and STP is considered minor and machinery as the percentages are an administrative requirement under section 39 and section 40A of the *Renewable Energy (Electricity) Act 2000* (the Act) respectively, to achieve the objectives of the Act which is to encourage the additional generation of electricity from renewable sources. The Act requires entities that make relevant acquisitions of electricity to surrender certificates created from accredited renewable energy power stations. The Act also requires entities that make relevant acquisitions of electricity to surrender certificates created by entities, individuals or companies from small unit installations, namely solar water heaters and small photovoltaic (solar), wind and hydro generation systems.

Human rights implications

This Legislative Instrument does not engage any of the applicable rights or freedoms.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.