



# MRET

## THE BASICS

### In this fact sheet:

- Success of the MRET scheme
- RET – increasing the target fivefold
- RECs defined
- REC supply – eligible parties
- REC demand – liable parties
- Baselines
- The REC market
- Voluntary surrender
- The role of the Office of the Renewable Energy Regulator

The Australian Government's Mandatory Renewable Energy Target (MRET) was established on 1 April 2001 to encourage additional generation of electricity from renewable energy sources and achieve reductions in greenhouse gas emissions. The MRET scheme:

- places a legal liability on wholesale purchasers of electricity to proportionally contribute to an additional 9,500 gigawatt hours (GWh) of renewable energy per year by 2010
- sets the framework for both the supply and demand of renewable energy certificates (RECs) via a REC market.

## Success of the MRET scheme

The MRET scheme was the first of its kind globally and has been a key factor in the growth of renewable electricity generation within Australia. Success of the scheme is evidenced by:

- increased investment in the renewable energy industry since 2001. The Office of the Renewable Energy Regulator (ORER) estimates that at the beginning of 2009 total investment stands at approximately \$5 billion and the generating capability of the system is in the order of 9,000,000 megawatt hours (MWh) of eligible renewable energy per typical year. This is equivalent of the residential electricity needs of over 1.4 million households
- Australian households opting to purchase for electricity from renewable sources created additional demand for 2,400,000 MWh of renewable electricity in 2008. Voluntary participation in the scheme by creating additional REC demand has been in place since 2006
- almost 100% compliance by liable parties for the last 7 years demonstrating industry cooperation with the scheme
- an exponential increase in the number of participants in the scheme, with more than 90,000 additional participants registering with the scheme in 2008, a growth of 20% from 2007. The total number of participants in the scheme was 300,000 in 2008.

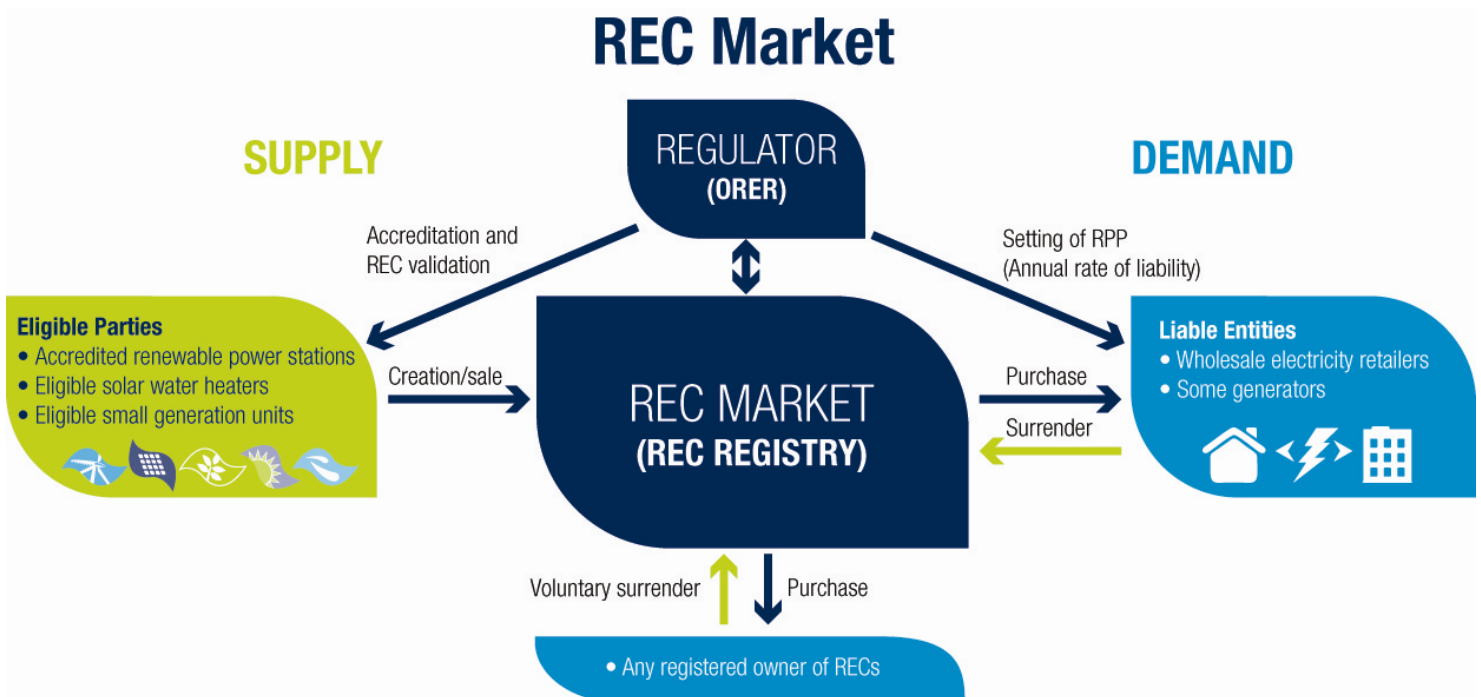




## RET – increasing the target fivefold

To deliver on the Government's goal of 20 percent renewable energy in Australia's electricity supply by 2020, a national Renewable Energy Target (RET) scheme is being established which will expand MRET over four times to achieve a target of 45,000 GWh in 2020.

The national RET scheme, which will absorb existing and proposed state and territory targets, is being designed in cooperation with the states and territories through the Council of Australian Governments (COAG).



## RECs defined

The commodity in the REC market is the Renewable Energy Certificate (REC) - each REC represents the equivalent of 1 MWh of electricity generation from an eligible renewable energy source.

The number of RECs a solar water heater and small generation unit is entitled to is calculated by determining the amount of electricity the solar water heater displaces and the amount of electricity a small generation unit produces over a determined period (called a deeming period) given that the installation and ongoing use of the system will create less drain on the electricity grid.





## 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.

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 MRET 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 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 MRET.



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 MRET is to encourage additional generation of electricity from renewable energy sources and achieve reductions in greenhouse gas emissions. During the accreditation process of a power station the Regulator determines the baseline which is defined as 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.

## 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 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 the ORER.

## 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
- to reduce greenhouse gas emissions

## The 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
- 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](http://www.rec-registry.gov.au)
- providing industry and other stakeholders with appropriate advice about the measure
- providing information related to MRET on the ORER website [www.orer.gov.au](http://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](mailto:orer@orer.gov.au)

