

# NEW VICTORIAN RENEWABLE ENERGY TARGET

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Legal Briefings - By **Gerard Pike**

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Victorian Premier Daniel Andrews and Minister for Energy, Environment and Climate Change Lily D'Ambrosio announced a new Victorian renewable energy target on 15 June 2016. This target will commit the state to generating 25% of its electricity from renewable energy by 2020, and 40% by 2025 (in addition to the Federal Renewable Energy Target). If fully implemented this will create up to 5400MW of new renewable energy generation capacity. Victoria currently has 1,200MW of large-scale wind and 930MW of small-scale solar generation capacity.

Two potential mechanisms available to the Victorian Government to achieve its renewable energy target are:

- reverse auctions for LRECs or energy supply contracts, or
- a Victorian RET (**VRET**) scheme.

The most likely mechanism in the short term is a reverse auctions scheme.

## REVERSE AUCTIONS SCHEME

The reverse auctions scheme will consist of a series of technology-neutral auctions (most likely favouring wind energy), as well as separate large-scale solar auctions, which will see project developers compete to be the lowest cost provider. Successful bidders will be given long-term contracts to support their projects.

The scheme follows the ACT Government's reverse auctions model, although the use of offtake 'contracts for difference' is only one option being considered. The exact share of 'technology-neutral' versus 'solar only' auctions is also yet to be decided.

Further details will be released later this year after consultation with the renewable energy industry, electricity networks and retailers, and consumer groups in July and August. The Government intends to have the relevant legislation enacted in early 2017. The first round of auctions are expected to be held in 2017 with the goal of generating 1,800MW of new capacity and building the winning projects by 2020.

It is unclear at this stage whether the auctions will be for the bundled purchase of renewable energy and Large-Scale Generation Certificates (**LGC's**), or LGCs only. The recent 2016 Victorian Department of Economic Development, Jobs, Transport & Resources 'Renewable Certificate Purchasing Initiative' (**RCPI**) (which was effectively a reverse auction) is for a 5 year LGC supply contract with the State as purchaser and with a 5 year extension option (with the 5 year extension seller put option at a 25% discount to the initial 5 year LGC price). This tender was for 320,000 LRECs per annum from greenfields Victorian renewable generators. The winners from the RCPI are expected to be announced shortly.

## **VICTORIAN RET SCHEME**

The Victorian Government indicated in May 2015 that it wished to re-establish its own RET scheme in response to the Abbot Government scaling back the Federal RET to 33,000GWh by 2020. A VRET existed in Victoria between 2006 and 2009.

A VRET scheme would be similar to the current Federal RET scheme. However, such a scheme would require amendment to existing federal legislation, which is currently unlikely. At present, section 7C of the *Renewable Energy (Electricity) Act 2000* (Cth) (**Commonwealth Act**) prevents State Governments from having their own schemes similar to the Federal RET.

The Andrews Labor Government called on the Federal Government to remove section 7C from the Commonwealth Act in May 2015. However, the response from Federal Environment Minister Greg Hunt ignored this request and suggested the Victorian Government follow the ACT reverse auction feed-in-tariff scheme.

## **MORE INFORMATION**

For more information or possible implications to your business contact [Gerard Pike](#).





## KEY CONTACTS

If you have any questions, or would like to know how this might affect your business, phone, or email these key contacts.



**GERARD PIKE**  
PARTNER,  
MELBOURNE  
+61 3 9288 1974  
Gerard.Pike@hsf.com

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