



New South Wales

# Electricity Supply Amendment (Renewable Fuel Scheme) Bill 2026

## Explanatory note

This explanatory note relates to this Bill as introduced into Parliament.

## Overview of Bill

The object of this Bill is to amend the *Electricity Supply Act 1995* (*the Act*) and the *Electricity Supply (General) Regulation 2014* to—

- (a) provide for scheme targets for different renewable fuel groups and compliance requirements under the renewable fuel scheme (the *RFS*), and
- (b) make other minor and consequential amendments relating to the administration of, and compliance with, the RFS.

## Outline of provisions

**Clause 1** sets out the name, also called the short title, of the proposed Act.

**Clause 2** provides for the commencement of the proposed Act.

## Schedule 1 Amendment of Electricity Supply Act 1995 No 94

**Schedule 1[1]** inserts a definition of *renewable fuel group* consequent on the amendment made by Schedule 1[2].

**Schedule 1[2]** substitutes the Act, Schedule 4A, clause 151 to provide for different scheme targets to be set for different renewable fuel groups under the RFS. The proposed clause requires each scheme target for a compliance period to be used as the basis for calculating a scheme participant's individual certificate target for each compliance period. The proposed clause also includes regulation-making powers to prescribe the renewable fuel groups to which a scheme target applies

and to amend the renewable fuel types that comprise the renewable fuel groups. A regulation that prescribes or amends a renewable fuel group or a scheme target for a compliance period must be made at least 12 months before the beginning of the compliance period. **Schedule 1[5] and [7]** make consequential amendments.

**Schedule 1[3]** provides that a regulation cannot be made to amend a scheme target in the RFS by reducing the target amount for a renewable fuel group for a compliance period. **Schedule 1[4]** provides for an exemption to Schedule 1[3] if the Minister is satisfied the amendment is appropriate.

**Schedule 1[6]** provides for the individual certificate target for each scheme target in the RFS to be calculated as one certificate for each gigajoule of the renewable fuel in the renewable fuel group to which the scheme target relates.

**Schedule 1[8]** provides that certificates purchased and retired in accordance with a certification framework set out in the regulations are excluded from a scheme participant's liable use of gas.

**Schedule 1[9]** requires a scheme participant to surrender the number of certificates calculated as the scheme participant's individual certificate target for each scheme target in the RFS.

**Schedule 1[10]** requires a scheme participant to pay a penalty if the scheme participant has a shortfall for a scheme target for the RFS for a compliance period.

**Schedule 1[12]** provides for different scheme penalty rates to apply to each scheme target in the RFS. **Schedule 1[11]** makes a consequential amendment.

**Schedule 1[13]** amends Schedule 4A, clause 163(3) to improve clarity.

**Schedule 1[14]** amends Schedule 4A, clause 164(1) to improve clarity in relation to when a shortfall penalty is payable by a scheme participant under the RFS. **Schedule 1[15]** makes a consequential amendment.

**Schedule 1[16]** substitutes Schedule 4A, clause 165 to provide for the circumstances in which a shortfall, or part of a shortfall, for a scheme target for a compliance period may be carried forward to the next compliance period. The current circumstances in clause 165 will apply to each scheme target.

**Schedule 1[17]** requires a scheme participant's annual statement to include the scheme participant's individual certificate target for each scheme target for the RFS. **Schedule 1[18] and [19]** make consequential amendments.

**Schedule 1[20]** allows the regulations to provide for classes of certificate and the classes of certificate that may be surrendered in relation to different scheme targets.

**Schedule 1[21]** requires the register of certificates for the RFS to include the class of each certificate.

**Schedule 1[22]** requires the Scheme Regulator, in reporting the total number of certificates created or surrendered during the reporting year, or created in previous years and not surrendered before the beginning of the reporting year, to include the total number for each class of certificate.

**Schedule 1[23]** inserts a transitional provision enabling the scheme targets for the first 2 compliance periods to which the scheme targets apply to be reduced, but only if the Minister is satisfied that—

- (a) it is not possible for a sufficient number of certificates to be created to enable all scheme participants to meet their individual scheme targets, and
- (b) the reduction will be completely offset within the next 5 compliance periods by increases to the scheme targets for those compliance periods.

## **Schedule 2     Amendment of Electricity Supply (General) Regulation 2014**

**Schedule 2[1]** inserts definitions consequent on the amendments made by Schedule 2[2].

**Schedule 2[2]** substitutes the *Electricity Supply (General) Regulation 2014*, Part 7A. The proposed part—

- (a) prescribes renewable methane as a renewable fuel, and
- (b) prescribes the following renewable fuel groups—
  - (i) Group 1, comprising early producer green hydrogen,
  - (ii) Group 2, comprising green hydrogen and renewable methane, and
- (c) prescribes the scheme targets for the renewable fuel groups as the amounts set out in proposed Schedule 2A, and
- (d) prescribes the scheme penalty rates for the scheme targets, and
- (e) prescribes classes of certificate and sets out the scheme targets in relation to which each class of certificate may be surrendered.

**Schedule 2[3]** inserts proposed Schedule 2A, which sets out the prescribed scheme targets for each of the renewable fuel groups for each compliance period until 2044.



New South Wales

# Electricity Supply Amendment (Renewable Fuel Scheme) Bill 2026

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*This PUBLIC BILL, originated in the LEGISLATIVE ASSEMBLY and, having this day passed, is now ready for presentation to the LEGISLATIVE COUNCIL for its concurrence.*

*Legislative Assembly*

*Clerk of the Legislative Assembly*



New South Wales

## **Electricity Supply Amendment (Renewable Fuel Scheme) Bill 2026**

No. \_\_\_\_\_, 2026

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### **A Bill for**

An Act to amend the *Electricity Supply Act 1995* and the *Electricity Supply (General) Regulation 2014* to provide for scheme targets for different renewable fuel groups and compliance requirements under the renewable fuel scheme; and to make minor and consequential amendments relating to the administration of, and compliance with, the renewable fuel scheme.

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*The LEGISLATIVE COUNCIL has this day agreed to this Bill with/without amendment.*

*Legislative Council*

*Clerk of the Parliaments*

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**Tabling copy**

**The Legislature of New South Wales enacts—**

1

**1 Name of Act**

2

This Act is the *Electricity Supply Amendment (Renewable Fuel Scheme) Act 2026*.

3

**2 Commencement**

4

This Act commences on the date of assent to this Act.

5

<b>Schedule 1</b>	<b>Amendment of Electricity Supply Act 1995 No 94</b>	1
<b>[1] Schedule 4A Energy security safeguard schemes</b>		2
Insert in alphabetical order in clause 148(1)—		3
<i>renewable fuel group</i> means a renewable fuel group prescribed under clause 151(3).		4 5
<b>[2] Schedule 4A, clause 151</b>		6
Omit the clause.		7
Insert instead—		8
<b>151 Scheme targets</b>		9
(1) A <i>scheme target</i> , for a renewable fuel group for a compliance period, is the total amount, in gigajoules, prescribed by the regulations of the renewable fuel types that comprise the renewable fuel group to be produced in the compliance period.		10 11 12 13
(2) The scheme target for a renewable fuel group for a compliance period must be used as the basis for calculating a scheme participant’s individual certificate target in relation to the renewable fuel group for the compliance period.		14 15 16
(3) The regulations may prescribe renewable fuel groups for the purposes of the scheme.		17 18
(4) For subclause (3), the regulations may prescribe the following—		19
(a) a renewable fuel group as comprising—		20
(i) a single renewable fuel type, or		21
(ii) 2 or more renewable fuel types,		22
(b) the circumstances in which a renewable fuel type is taken to be, or to not be, in the renewable fuel group for the scheme target, including by reference to matters in or requirements set by the scheme rules.		23 24 25
(5) The regulations may amend the following—		26
(a) the renewable fuel types comprising a renewable fuel group, including by adding or removing a renewable fuel type to or from the group,		27 28
(b) the scheme target for a renewable fuel group for a compliance period.		29
(6) A regulation under this clause that prescribes or amends a renewable fuel group or a scheme target for a renewable fuel group for a compliance period must be made at least 12 months before the beginning of the compliance period.		30 31 32 33
<b>[3] Schedule 4A, clause 152(1)</b>		34
Omit the subclause.		35
Insert instead—		36
(1) A regulation made under clause 151(5)(b) to amend the scheme target for a renewable fuel group for a compliance period must not reduce the total amount of gigajoules prescribed as the scheme target for the renewable fuel group for the compliance period.		37 38 39 40

<b>[4] Schedule 4A, clause 152(2)</b>	1
Omit “a scheme target for a renewable fuel may be made only if the Minister is satisfied that the change to the scheme target for the renewable fuel”.	2
	3
Insert instead “a renewable fuel group or the scheme target for a renewable fuel group for a compliance period may be made only if the Minister is satisfied the amendment”.	4
	5
<b>[5] Schedule 4A, clause 153(1)</b>	6
Insert “each scheme target for” after “in relation to”.	7
<b>[6] Schedule 4A, clause 153(2)</b>	8
Omit the subclause.	9
Insert instead—	10
(2) The individual certificate target for each scheme target is calculated on the basis of one certificate for each gigajoule of renewable fuel in the renewable fuel group to which the scheme target relates.	11
	12
	13
<b>[7] Schedule 4A, clause 153(3)</b>	14
Insert “for each scheme target” after “certificates”.	15
<b>[8] Schedule 4A, clause 154(5)</b>	16
Omit the subclause.	17
Insert instead—	18
(5) A scheme participant’s liable use of gas does not include the use of gas in relation to which the scheme participant has purchased and retired certificates in accordance with a certification framework prescribed by the regulations.	19
	20
	21
<b>[9] Schedule 4A, clause 161(1) and (2)</b>	22
Omit clause 161(1)–(3).	23
Insert instead—	24
(1) A scheme participant must surrender the number of certificates calculated as the scheme participant’s individual certificate target in relation to each scheme target for a compliance period.	25
	26
	27
(2) An election by a scheme participant to surrender a certificate to meet an individual certificate target—	28
	29
(a) must be made to the Scheme Regulator in accordance with this part, and	30
(b) has no effect unless the election is accepted by the Scheme Regulator.	31
<b>[10] Schedule 4A, clause 162(1)</b>	32
Omit “a compliance period must pay a penalty for the compliance period”.	33
Insert instead “a scheme target for a compliance period must pay a penalty for the shortfall”.	34
<b>[11] Schedule 4A, clause 162(2)</b>	35
Insert “relevant” before “scheme penalty rate”.	36
<b>[12] Schedule 4A, clause 163(1) and (2)</b>	37
Insert “for a scheme target” after “scheme penalty rate” wherever occurring.	38

<b>[13] Schedule 4A, clause 163(3)</b>	1
Omit “to amend a prescribed scheme penalty rate for a compliance period may be made only if the Minister is satisfied that the change to the prescribed scheme penalty rate”.	2 3
Insert instead “under subclause (2) to amend a prescribed scheme penalty rate may be made only if the Minister is satisfied the amendment”.	4 5
<b>[14] Schedule 4A, clause 164(1)</b>	6
Omit “, for a compliance period.”.	7
<b>[15] Schedule 4A, clause 164(1)(a)</b>	8
Omit “of the end of the compliance period”.	9
Insert instead “after the end of the compliance period to which the penalty relates”.	10
<b>[16] Schedule 4A, clause 165</b>	11
Omit the clause.	12
Insert instead—	13
<b>165 Shortfalls may be carried forward</b>	14
(1) A scheme participant may elect to carry forward a shortfall for a scheme target for a compliance period in accordance with this clause.	15 16
(2) An election by a scheme participant to carry forward a shortfall—	17
(a) must be made to the Scheme Regulator in accordance with this part, and	18
(b) has no effect unless the election is accepted by the Scheme Regulator.	19
(3) If a scheme participant elects to carry forward a shortfall—	20
(a) the shortfall may be carried forward to the next compliance period only, and	21 22
(b) the shortfall carried forward is not subject to the shortfall penalty for the compliance period.	23 24
(4) The maximum amount of a shortfall for a scheme target for a compliance period that may be carried forward to the next compliance period by a scheme participant is—	25 26 27
(a) for a shortfall for a scheme target for the 2027 compliance period—	28
(i) 20% of the scheme participant’s individual certificate target for the scheme target, or	29 30
(ii) if the regulations prescribe another amount—the prescribed amount, or	31 32
(b) for a shortfall for a scheme target for another compliance period—	33
(i) 10% of the scheme participant’s individual certificate target for the scheme target, or	34 35
(ii) if the regulations prescribe another amount—the prescribed amount.	36 37
(5) A shortfall for a scheme target for the 2044 compliance period cannot be carried forward.	38 39
(6) A scheme participant who elects to carry forward a shortfall to the next compliance period is not prevented from electing to carry forward a shortfall for that next compliance period to the following compliance period.	40 41 42

(7)	In this clause—	1
	<i>shortfall</i> includes part of a shortfall.	2
<b>[17]</b>	<b>Schedule 4A, clause 167(2)(a)</b>	3
	Insert “for each scheme target” after “individual certificate target”.	4
<b>[18]</b>	<b>Schedule 4A, clause 167(2)(b)</b>	5
	Omit the paragraph.	6
	Insert instead—	7
	(b) the amount of any shortfall penalty payable by the scheme participant in relation to each scheme target for the previous compliance period, including any shortfall penalty for a carried forward shortfall in relation to each scheme target,	8 9 10 11
<b>[19]</b>	<b>Schedule 4A, clauses 167(3) and 168(1) and (2)(b)</b>	12
	Insert “in relation to a scheme target” after “individual certificate target” wherever occurring.	13 14
<b>[20]</b>	<b>Schedule 4A, clause 170(8)</b>	15
	Insert after clause 170(7)—	16
	(8) The regulations may provide for the following—	17
	(a) classes of certificate,	18
	(b) the scheme targets in relation to which particular classes of certificate may be surrendered.	19 20
<b>[21]</b>	<b>Schedule 4A, clause 210(b1)</b>	21
	Insert after clause 210(b)—	22
	(b1) the class of the certificate,	23
<b>[22]</b>	<b>Schedule 4A, clause 224(3)(c)–(e) and (g)</b>	24
	Insert “, generally and by class,” after “certificates” wherever occurring.	25
<b>[23]</b>	<b>Schedule 6 Savings, transitional and other provisions</b>	26
	Insert at the end of the schedule, with appropriate part numbering—	27
<b>Part</b>	<b>Provisions consequent on enactment of Electricity Supply Amendment (Renewable Fuel Scheme) Act 2026</b>	28 29 30
<b>1</b>	<b>Reduction of scheme targets for particular compliance periods</b>	31
(1)	Despite Schedule 4A, clause 152(1), a regulation made under Schedule 4A, clause 151(5)(b) may—	32 33
(a)	amend a scheme target for Group 1 for the 2027 or 2028 compliance period by reducing the amount of gigajoules prescribed as the scheme target for the group for the compliance period, or	34 35 36
(b)	amend a scheme target for Group 2 for the 2028 or 2029 compliance period by reducing the amount of gigajoules prescribed as the scheme target for the group for the compliance period.	37 38 39

(2)	Schedule 4A, clause 152(2) does not apply in relation to a regulation referred to in subclause (1).	1 2
(3)	However, a regulation referred to in subclause (1) may be made only if the Minister is satisfied that—	3 4
	(a) the reduction is appropriate because it is not possible for a sufficient number of certificates to be created to enable all scheme participants to meet the individual certificate targets, and	5 6 7
	(b) the reduction to the scheme target is wholly offset by increases to one or more of the scheme targets for the renewable fuel group in the following 5 compliance periods.	8 9 10
(4)	In this clause—	11
	<b>Group 1</b> means the renewable fuel group prescribed by the <i>Electricity Supply (General) Regulation 2014</i> , clause 63B(a).	12 13
	<b>Group 2</b> means the renewable fuel group prescribed by the <i>Electricity Supply (General) Regulation 2014</i> , clause 63B(b).	14 15

<b>Schedule 2</b>	<b>Amendment of Electricity Supply (General) Regulation 2014</b>	1
		2
<b>[1] Clause 3 Definitions</b>		3
	Insert in alphabetical order in clause 3(1)—	4
	<i>Group 1</i> , for Part 7A—see clause 63.	5
	<i>Group 2</i> , for Part 7A—see clause 63.	6
	<i>renewable methane</i> , for Part 7A—see clause 63.	7
<b>[2] Part 7A</b>		8
	Omit the part.	9
	Insert instead—	10
	<b>Part 7A Renewable fuel scheme</b>	11
<b>63 Definitions</b>		12
	In this part—	13
	<i>Group 1</i> means the renewable fuel group prescribed under clause 63B(a).	14
	<i>Group 2</i> means the renewable fuel group prescribed under clause 63B(b).	15
	<i>renewable methane</i> means methane produced from biogenic sources or non-fossil sources of carbon and renewable hydrogen, but does not include methane produced using biomass from timber native to Australia.	16
		17
		18
<b>63A Renewable fuels—the Act, Sch 4A, cl 148</b>		19
	For the Act, Schedule 4A, clause 148(2)(b), renewable methane is prescribed as a renewable fuel.	20
		21
<b>63B Renewable fuel groups—the Act, Sch 4A, cl 151</b>		22
	For the Act, Schedule 4A, clause 151(3) and (4), the following renewable fuel groups are prescribed—	23
		24
	(a) Group 1, comprising early producer green hydrogen,	25
	(b) Group 2, comprising green hydrogen and renewable methane.	26
<b>63C Scheme targets for renewable fuel groups—the Act, Sch 4A, cl 151</b>		27
	For the Act, Schedule 4A, clause 151(1)—	28
	(a) an amount set out in Schedule 2A, Table 1 is prescribed as the scheme target for Group 1 for the corresponding compliance period in the table,	29
	and	30
		31
	(b) an amount set out in Schedule 2A, Table 2 is prescribed as the scheme target for Group 2 for the corresponding compliance period in the table.	32
		33
<b>63D Scheme penalty rates—the Act, Sch 4A, cl 163</b>		34
	(1) For the Act, Schedule 4A, clause 163(1), the following scheme penalty rates are prescribed—	35
		36
	(a) for Group 1—	37
	(i) for the 2027 compliance period—\$17.50, and	38
	(ii) for each later compliance period—the amount calculated as follows—	39
		40

$$\$17.50 \times \frac{A}{B}$$

where—

*A* is the CPI number for the September quarter immediately before the compliance period for which the amount is calculated.

*B* is the CPI number for the September 2026 quarter.

- (b) for Group 2—
- (i) for the 2028 compliance period—\$10.50, and
- (ii) for each later compliance period—the amount calculated as follows—

$$\$10.50 \times \frac{A}{B}$$

where—

*A* is the CPI number for the September quarter immediately before the compliance period for which the amount is calculated.

*B* is the CPI number for the September 2027 quarter.

- (2) The amounts of the scheme penalty rates must be rounded up to the nearest cent.
- (3) The scheme penalty rate for each renewable fuel group for each compliance period, other than the 2027 compliance period, must be published on the Scheme Regulator’s website before the beginning of the compliance period.

**63E Classes of certificate—the Act, Sch 4A, cl 170**

- (1) For the Act, Schedule 4A, clause 170(8)(a), the following classes of certificate may be created—
- (a) Class 1,
- (b) Class 2.
- (2) For the Act, Schedule 4A, clause 170(8)(b)—
- (a) a Class 1 certificate may be surrendered in relation to a scheme target for Group 1 or Group 2, and
- (b) a Class 2 certificate may be surrendered only in relation to a scheme target for Group 2.

**[3] Schedule 2A**

Insert after Schedule 2—

**Schedule 2A Renewable fuel scheme targets**

clause 63C

**Table 1 Scheme targets for Group 1**

Compliance period	Total amount (in gigajoules) of Group 1 renewable fuel types to be produced
2027	180,000
2028	420,000
2029	850,000
2030–2037	1,000,000

**Table 2 Scheme targets for Group 2**

1

<b>Compliance period</b>	<b>Total amount (in gigajoules) of Group 2 renewable fuel types to be produced</b>
2028	1,500,000
2029	2,500,000
2030	4,000,000
2031	6,000,000
2032–2037	7,000,000
2038–2044	8,000,000

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