

EXPLANATORY STATEMENT

Issued by the authority of the Minister for Climate Change and Energy

Industry Research and Development Act 1986

Industry Research and Development (Cheaper Home Batteries Program) Instrument 2025

Purpose and Operation

Section 33 of the *Industry Research and Development Act 1986* (the IRD Act) provides a mechanism for the Minister to prescribe programs, by disallowable legislative instrument, in relation to industry, innovation, science or research, including in relation to the expenditure of Commonwealth money under such programs.

The Minister for Industry and Innovation has delegated their power under subsection 33(1) to the Minister responsible for administering the *Renewable Energy (Electricity) Act 2000* (REE Act), under subsection 33(6) of the IRD Act to prescribe the Cheaper Home Batteries Program (the Program). This is currently the Minister for Climate Change and Energy.

The statutory framework provided by section 33 of the IRD Act enables a level of flexibility to provide authority for Commonwealth spending activities in relation to industry, innovation, science and research programs. This allows the government to respond quickly and appropriately to the need to implement innovative ideas and pilot programs on an ongoing basis and as opportunities arise. Prescribing programs in legislative instruments provides transparency and parliamentary oversight of Government programs and spending activities, whilst reducing administrative burden on the Commonwealth.

Once a program is prescribed under section 33 of the IRD Act, subsection 34(1) allows the Commonwealth to make, vary or administer arrangements in relation to activities under the prescribed program. Arrangements may include contracts, funding agreements or other arrangements, and may provide for money to be payable by the Commonwealth to one or more third parties. The power conferred on the Commonwealth by subsection 34(1) may be exercised on behalf of the Commonwealth by a Minister or an accountable authority of a non-corporate entity, or by their delegate (under section 36).

The purpose of the *Industry Research and Development (Cheaper Home Batteries Program) Instrument 2025* (Legislative Instrument) is to prescribe the Program. The funding for the Program has been secured through the Department of Climate Change, Energy, the Environment and Water 2025-26 Budget. The Program will provide \$2.3 billion over the forward estimates as part of the government's commitment to incentivise rapid deployment of energy storage by providing a discount on the upfront cost of installing small-scale batteries.

The government has committed to accelerating the deployment of small-scale energy storage by providing an upfront discount of around 30 per cent on the cost of batteries installed on or after 1 July 2025. The discount will decline each year until the Small-scale Renewable Energy Scheme (SRES) ends on 31 December 2030. Eligible batteries will include small battery storage systems (up to 100 kilowatt-hours in capacity) installed with new or existing solar photovoltaic (PV) systems (up to 100 kilowatts). As currently applies under the SRES,

support would be provided in the form of small-scale technology certificates (STCs) that are created when eligible systems are installed.

The discount will be fully funded by the government through the purchase of STCs by the Department of Climate Change, Energy, the Environment and Water (the Department) in volumes that are equivalent to the STCs that are created for batteries. This purchase of STCs is intended to give effect to the guarantee that electricity prices will not increase as a result of the support being provided through the SRES. Generally, the cost of compliance under the SRES (the cost of purchasing STCs) is passed on to electricity consumers by electricity retailers who are liable entities under the SRES and are required to surrender STCs to the Clean Energy Regulator quarterly to acquit their liability.

However, as part of expanding the SRES to include batteries, the government is committed to ensure that the compliance cost of STCs from battery connected (solar PV) small generation units will not be passed through to consumers. To give effect to that, the Commonwealth will purchase STCs equivalent to those created as part of the Program. The Department will voluntarily surrender the purchased STCs to the Clean Energy Regulator which will remove them from the market and avoid an increase in SRES compliance costs.

The Program will support households to make the most of abundant solar power generation, reducing electricity bills for battery owners. Supporting household storage at scale will provide billions of dollars in savings for electricity consumers by reducing wholesale price variability, easing network constraints, and avoiding more costly and complex large-scale investment in generation and transmission.

Subsidising household batteries will drive industry and innovation in energy storage, support the clean technology industry, grid resilience and renewable integration. An increased demand for battery systems will send a strong signal to industries in the supply chain, including domestic manufacturers, retailers and installers to invest, innovate and undertake research. This will also support the government's Future Made in Australia agenda.

Funding will be available to the government to purchase STCs equivalent to the number of certificates created for battery connected (solar PV) small generation units. To prevent the cost of installing a battery connected (solar PV) small generation unit being passed on to consumers, the government will purchase equivalent numbers of STCs and cancel them to take them off the market. The government will purchase the certificates through the STC Clearing House administered by the Clean Energy Regulator.

Funding authorised by this Legislative Instrument comes from the 2025-26 Budget, announced in the Pre-Election Economic and Fiscal Outlook (Appendix B: Policy decisions since the 2025–26 Budget). The Program will be delivered by the Department.

The Program is a demand-driven program administered through the SRES. The Program will be administered by the Department in respect of purchasing STCs in accordance with the requirements of the Commonwealth resource management framework, including the *Public Governance, Performance and Accountability Act 2013* and the *Commonwealth Grants Rules and Principles 2024*. Expert advice on the design of the Program will be sought by the Department through a procurement, in accordance with the *Commonwealth Procurement Rules 2022*.

The eligibility criteria for a battery connected (solar PV) small generation unit that will be supported under the SRES are set out in the *Renewable Energy (Electricity) Regulations 2001* (REE Regulations).

Spending decisions will be made by the Minister for Climate Change and Energy or Program Delegate, taking into account the recommendations of an assessment by Departmental officers against the Program guidelines.

The Program Delegate would be a Senior Executive Service employee with relevant expertise and understanding of the Renewable Energy Target and the SRES. This would ensure they will be able to perform relevant functions in accordance with the Commonwealth resource framework.

Merits review of decisions made in connection with the Program would not be considered appropriate because these decisions relate to the provision of ad hoc grants. In addition, any funding that has already been allocated would be affected if the original decision was overturned. The Administrative Review Council has recognised that it is justifiable to exclude merits review in relation to decisions of this nature (see paragraphs 4.16 to 4.19 of the guide *‘What decisions should be subject to merit review?’*). Moreover, purchase of certificates through the STC Clearing House is governed by the REE Act such that the purchaser is not choosing whose certificates to buy, just the number of certificates that are to be purchased.

The review and audit process undertaken by the Australian National Audit Office also provides a mechanism to review Australian Government spending decisions and report any concerns to the Parliament. These requirements and mechanisms help to ensure the proper use of Commonwealth resources and appropriate transparency around decisions relating to making, varying or administering arrangements to spend relevant money.

Further, the right to review under section 75(v) of the Constitution and review under section 39B of the *Judiciary Act 1903* may be available. Persons affected by spending decisions would also have recourse to the Commonwealth Ombudsman where appropriate.

Persons who are otherwise affected by decisions or who have complaints about the Program will be able to provide feedback to the Department. The Department investigates any complaints about the Program in accordance with its complaints policy and procedures. If a person is not satisfied with the way the Department handles the complaint, they may lodge a complaint with the Commonwealth Ombudsman.

Statement of the Relevance and Operation of Constitutional Heads of Power

For the purposes of subsection 33(3) of the IRD Act, the legislative power in respect of which the Legislative Instrument is made is the external affairs power in paragraph 51(xxix) of the Constitution.

External affairs power

Section 51(xxix) of the Constitution empowers the Commonwealth Parliament to make laws with respect to ‘external affairs’. The external affairs power supports legislation implementing Australia’s international obligations under treaties to which it is a party.

Australia has obligations relevant to the Legislative Instrument under the following treaties:

- (i) the United Nations Framework Convention on Climate Change done at New York on 9 May 1992 ([1994] ATS 2) (United Nations Framework Convention on Climate Change), particularly Article 4;
- (ii) the Kyoto Protocol to the United Nations Framework Convention on Climate Change done at Kyoto on 11 December 1997 ([2008] ATS 2) (Kyoto Protocol), particularly Article 10; and
- (iii) the Paris Agreement done at Paris on 12 December 2015 ([2016] ATS 24) (Paris Agreement), particularly Article 4.

The United Nations Framework Convention on Climate Change includes a range of obligations on Australia to take domestic actions that reduce Australia's emissions of greenhouse gases. Relevantly, it provides that parties shall:

- formulate, implement, publish and regularly update national and, where appropriate, regional programs containing measures to mitigate climate change by addressing anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Montreal Protocol on Substances that Deplete the Ozone Layer done at Montreal on 16 September 1987 ([1989] ATS 18)), and measures to facilitate adequate adaptation to climate change;¹
- promote and cooperate in the development, application and diffusion of technologies, practices and processes that control, reduce or prevent anthropogenic emissions of greenhouse gases in all relevant sectors including energy, transport, industry, agriculture, forestry and waste management sectors;² and
- adopt national policies and take corresponding measures on the mitigation of climate change, by limiting its anthropogenic emissions of greenhouse gases and protecting and enhancing its greenhouse gas sinks and reservoirs.³

The Kyoto Protocol includes obligations on Australia to take action to reduce emissions. For example, Article 10(b) requires parties to formulate, implement and report upon climate change mitigation and adaptation programs.

The Paris Agreement was entered into by the parties to the United Nations Framework Convention on Climate Change to enhance its implementation. Under the Paris Agreement, Australia has a “nationally determined contribution”, comprising a 2030 emissions reduction target of 43 per cent below 2005 levels and net zero emissions by 2050. Australia's greenhouse gas emission reduction targets, which reflect its nationally determined contribution, have been legislated in the *Climate Change Act 2022*. Relevantly, Article 4.2 of the Paris Agreement provides that “[e]ach Party shall prepare, communicate and maintain successive nationally determined contributions that it intends to achieve” and that “[p]arties

¹ See Article 4.1(b).

² See Article 4.1(c).

³ See Article 4.2(a).

shall pursue domestic mitigation measures, with the aim of achieving the objectives of such contributions”.

The Program prescribed by the Legislative Instrument will facilitate the achievement of Australia’s international emissions reduction obligations under international climate change treaties. Expanding eligibility of the SRES to enable STCs to be created to subsidise the installation of solar-connected batteries would support the additional generation of electricity from renewable sources. This would generally reduce reliance on electricity generated using fossil fuels and thereby reduce greenhouse gas emissions.

Further details on the Legislative Instrument are set out in [Attachment A](#).

Background

Australia has become a world leader in rooftop solar installations, reaching a milestone of four million rooftop solar PV systems in 2024. However, solar battery adoption remains low, with one in 40 households having installed batteries, in part because the upfront cost of batteries is out of reach for many households. Batteries are critical to achieving net zero as they help secure renewable energy resources (including solar and wind) and improve reliability in the energy system. Batteries also support energy self-reliance and protection against global fossil fuel price and supply shocks, including from traditional dispatchable energy sources such as gas.

To encourage rapid battery deployment and help ease cost-of-living pressures, the Australian Government will provide an upfront discount on the cost of installing small battery storage systems on or after 1 July 2025, which are installed with new or existing solar PV systems (less than 100 kilowatts). The discount will be reviewed over time to ensure it remains appropriate having regard to technology costs. The discount will represent around 30 per cent of the cost of an installed battery in 2025 (for example, around \$3,000 discount on the cost of installing an 8 kWh battery at \$10,000). The discount rate will gradually decline each year and be reviewed at least annually. If battery technology costs continue to decline to an extent that the discount is greater than 30 per cent for most batteries or particular sized batteries, it may be necessary to amend the STC calculations. Particular attention will be paid to batteries considered to be ‘large scale’ under the Program, as an emerging area of the market.

The government has decided to provide the discount through expanding the SRES, which is a tried and tested mechanism that has safely supported and incentivised households and businesses to install small-scale solar, wind, hydro, solar water heater and air source heat pumps to lower their electricity costs.

The existing incentive under the SRES is provided through a certificate mechanism where installations of eligible technologies are entitled to create STCs. These amendment regulations extend the existing SRES requirements to batteries in relation to product and installer accreditation, electrical safety requirements and the statements that are required to accompany a claim for STCs. Additional obligations have also been included in the battery retailer statement to strengthen consumer protections. Existing State and Territory regulatory frameworks which have supported the SRES to date, continue to operate to ensure electrical safety and fair trading under the Program.

The number and value of STCs represent the upfront discount to the price of an installed battery; the consumer or system owner opts to relinquish their rights to create STCs in return for an upfront discount to the price of an installed battery, which are ordinarily sold to liable entities who have an obligation to surrender STCs annually. The cost to liable entities of buying STCs are usually passed onto consumers. For batteries, to prevent a cost-pass-through to consumers, the government has committed to purchasing STCs created from battery installations under the Program, from the STC Clearing House.

Authority

Section 33 of the IRD Act provides authority for the Legislative Instrument.

Consultation

In accordance with section 17 of the *Legislation Act 2003*, the Attorney-General's Department and the Department of Industry, Science, and Resources have been consulted on this Legislative Instrument.

Throughout May and June 2025, the Department consulted with the Clean Energy Regulator on the amendments to the REE Regulations. In addition, consultation was undertaken jointly with the Clean Energy Regulator to discuss Program details with state and territory governments, the Clean Energy Council, and Solar Accreditation Australia, as well as peak bodies such as the Smart Energy Council, and Energy Networks Australia, and with key industry participants. Consultation was also undertaken with the Australian Competition and Consumer Commission and Safe Work Australia as key Commonwealth regulatory and oversight bodies. The Department and the Clean Energy Regulator consulted on key elements of the expanded SRES to:

- explain the eligibility criteria of the Program and test how that would be implemented in practice;
- confirm that the expanded SRES would operate independently but would complement state/territory battery schemes;
- gain insights from state/territory battery schemes to inform the design of the Program, support the Clean Energy Regulator in addressing compliance issues and common risks; and
- ensure understanding of the continued role of state/territory electrical safety and fair trading regulators to support the Program, as an expansion of the SRES.

The policy details of the Program set out in the REE Regulations were also published online. On 27 May 2025, the Clean Energy Regulator and the Department conducted a joint industry briefing and Q&A session during which more than 1,500 industry representatives participated. Overall feedback from the targeted consultation and the industry briefing was positive and demonstrated that industry supported key elements of the Program. Further consultation was conducted prior to 1 July 2025 with safety, consumer protections regulatory agencies, distributed network service providers and state and territory energy policy areas to ensure awareness and understanding of continued regulatory roles to support smooth implementation of the scheme.

The consultation revealed key areas of focus for both the Regulator and industry, specifically in implementing and complying with new regulations, and identified potential safety risks

requiring continued oversight. This feedback directly informed the amendments to the REE Regulations and pinpoint areas for ongoing communication and outreach.

As the Program has undergone extensive consultation, it was considered unnecessary to undertake additional consultation in relation to the Legislative Instrument.

Other

The Legislative Instrument is compatible with the human rights and freedoms recognised or declared under section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*. A full statement of compatibility is set out in Attachment B.

Details of the *Industry Research and Development (Cheaper Home Batteries Program) Instrument 2025*

Section 1 – Name of Instrument

1. This section specifies the name of the Legislative Instrument as the *Industry Research and Development (Cheaper Home Batteries Program) Instrument 2025* (the Legislative Instrument).

Section 2 – Commencement

2. This section provides that the Legislative Instrument commences on the day after registration on the Federal Register of Legislation.

Section 3 – Authority

3. This section specifies that the Legislative Instrument is made under section 33 of the *Industry Research and Development Act 1986* (the Act).

Section 4 – Definitions

4. This section provides for definitions of terms used in the Legislative Instrument.

Section 5 – Prescribed Program

5. This section prescribes the Cheaper Home Batteries Program (the Program) for the purposes of subsection 33(1) of the Act.
6. The purpose of the Program is to provide for a discount on the cost of installing small-scale batteries which will be implemented through the creation of small-scale technology certificates for eligible battery-connected (solar PV) small generation units. The Program will be funded by the Commonwealth purchasing small-scale technology certificates equivalent in volume to the number of certificates created for battery connected (solar PV) small generation units installed on or after 1 July 2025.
7. The objectives of the program are to reduce the upfront cost of installing a battery connected (solar PV) small generation unit and incentivise increased deployment of small-scale batteries to harness power generated by small-scale solar PV.

Section 6 – Specified Legislative Power

8. This section specifies that the legislative power in respect of which the Legislative Instrument is made is the power of the Parliament to make laws with respect to external affairs (paragraph 51(xxix)) of the Constitution.

Statement of Compatibility with Human Rights

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

Industry Research and Development (Cheaper Home Batteries Program) Instrument 2025

This 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 purpose of the *Industry Research and Development (Cheaper Home Batteries Program) Instrument 2025* (Legislative Instrument) is to prescribe the Cheaper Home Batteries Program (the Program). The Program provides for a discount on the cost of installing small-scale batteries which will be implemented through the creation of small-scale technology certificates for eligible battery-connected (solar PV) small generation units. The Program will be funded by the Commonwealth purchasing small-scale technology certificates equivalent in volume to the number of certificates created for battery connected (solar PV) small generation units installed on or after 1 July 2025.

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.

**The Hon Chris Bowen MP
Minister for Climate Change and Energy**