

What is the data centre REGO liability, and how does it work?



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One of the big questions facing data centres at the moment is how to enforce the government's expectation that data centres bring their own renewables with them, or as the Prime Minister puts it, how to make data centres "net-generators, not net-users" of renewable energy.

The approach favoured by the Australian Energy Market Commission (AEMC), and reiterated in the Department of Prime Minister & Cabinet's consultation paper, is to use Renewable Electricity Guarantee of Origin certificates – REGOs – as the central enforcement mechanism.

What is a REGO?

A REGO is a certificate for 1 MWh of renewable electricity generation, tagged with the generating facility, its location, and – crucially – the hour it was generated.

REGOs were introduced in November 2025 and are intended as the long-term successor to Large Generation Certificates under the old Renewable Energy Target scheme, which is set to retire in 2030.

Organisations can purchase REGOs to claim, for accounting purposes, that the energy they consume is matched hour-for-hour with renewable generation. This provides an additional revenue stream for renewable generators – particularly wind, which often operates in periods of low solar output – reducing project risk and allowing more competitive PPA prices to be offered.

Unlike Large Generation Certificates, REGOs are not compulsory for retailers to purchase. They're a voluntary certification scheme, letting organisations genuinely claim their energy use is matched by real renewable generation – an important credential for, among other things, low-carbon exports.

How will data centres use REGOs?

The AEMC has proposed a mechanism to ensure new [data centre demand comes with new renewable supply attached](#). Data centres would be issued a REGO "liability" based on their electricity consumption, which they would need to cover by purchasing and surrendering REGOs.

Additionality is enforced by only allowing REGOs from generators not yet at financial close by some prescribed date. This locks in a dedicated market for these certificates, providing a supplementary revenue source available only to new projects, helping more of them reach financial close and get built.

These REGOs would be split into time-of-day buckets – peak, off-peak and potentially shoulder – rather than tracked hour-by-hour, simplifying the scheme's governance while still preserving a price signal for renewable production at peak times.

This REGO mechanism would sit alongside a parallel firm-contracting obligation, requiring data centres to hold enough firm contracted capacity to cover their load. Data centres could satisfy this in other ways too, including behind-the-meter generation and storage, or bundled in direct power purchase agreements (PPAs) with new generators rather than buying certificates on the open market. In practice, many are already embedding large batteries into their plans to help manage their impact on grid stability.

The core tension

At a basic level, this mechanism looks sound. The emergence of data centres creates a firm market that only new renewable generation can serve, and the revenue this generates – if priced correctly – enables cheaper PPAs to be offered.

But underlying this is a constraint no amount of clever pricing can remove: wind and solar farms take longer to build than data centres.

Suppose a data centre hit financial close today and immediately signed contracts for a wind and a solar farm to supply its power. If all went to plan, the data centre would be operational within 18 months. The solar and wind projects, even if shovel-ready, would be lucky to be operational two and three years later, respectively. That embeds a lag of at least six to eighteen months between demand and supply from day one, which the REGO liability alone cannot close.

The problem is more acute than it first appears, because large data centre campuses aren't built in one shot – they're built hall-by-hall, roughly 18 months at a time. So this isn't necessarily a once-off mismatch. It's potentially a repeating, scaling pattern in which generation perpetually lags demand.

What does the consultation paper recommend?

The PM&C consultation paper acknowledges this tension and proposes managing it by temporarily allowing REGOs (or Large Generation Certificates from the old Renewable Energy Target scheme) from existing facilities to be surrendered against the data centre liability. This would gradually give way to REGOs from new facilities only, over a period whose length is not yet defined.

If combined with an appropriate price floor, this approach would help the compulsory REGO market get off the ground. But it doesn't touch the underlying problem: generation will still persistently lag demand, and if the pool of existing facilities eligible to produce REGOs for data centres is too large, oversupply will depress their price, evaporating the very revenue stream the scheme depends on.

How could we manage the gap?

There isn't a single answer to the timing problem. One option is to delay data centre operation until the new renewable generation needed to support it is ready. That would avoid adding demand before new supply is available, but it would also run directly against the speed-to-power that data centre developers are looking for.

Where data centres are built can also make a difference. Strategically locating large facilities in parts of the grid with abundant renewable generation and the right infrastructure can reduce pressure on constrained parts of the network and make better use of renewable electricity that the grid might otherwise be unable to use or transport.

If data centres are allowed to come online before the new renewable generation supporting them is ready, there needs to be a mechanism that ensures this gap does not simply become a permanent feature of data centre growth. Any shortfall should create a stronger obligation to build additional renewable generation, rather than weakening the requirement in the meantime.

Bringing it back to REGOs

One option is a program of liability overshoot. Data centres would compensate for their initial period of unmatched demand by having their REGO liability gradually build up and surpass their actual energy use – to, say, 120% of demand (the precise figure should be informed by REGO market conditions).

Signalling this inflated future demand now, tied to data centres already under construction, gives the market a more secure basis to invest proactively in renewable generation beyond what data centres themselves need, genuinely turning them from net-users into net-generators.

There is already a substantial pipeline of projects that could respond to stronger demand. RenewMap data shows around 27 GW of wind and solar in the NEM already holding both EPBC and development approval, but not yet at final investment decision.

This could still begin with a period in which REGOs from existing facilities are temporarily eligible. But the number of facilities allowed to participate should be tightly controlled, so that REGOs in the liability pool continue to provide a genuine investment signal, rather than being diluted into irrelevance by an oversized pool of non-additional supply.