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By email to lowcarbonfuel.consultation@dft.gov.uk

Response to consultation on “SAF Revenue Certainty Mechanism”

Dear Sir or Madam

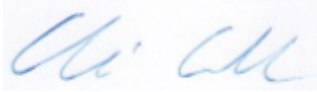
Fuels Industry UK represents the eight main oil refining and marketing companies operating in the UK. The Fuels Industry UK member companies – bp, Essar, Esso Petroleum, Petrolneos, Phillips 66, Prax Refining, Shell, and Valero – are together responsible for the sourcing and supply of product meeting over 85% of UK inland demand, accounting for a third of total primary UK energy (based on the Department of Energy Security and Net Zero Digest of UK Energy Statistics 2022).

The refining and downstream oil sector is vital in supporting UK economic activity. It provides a secure supply of affordable energy for road and rail transport, aviation, and marine applications, as well as for commercial and domestic heating. It also supplies base fluids for use in lubricants, bitumen for use in road surfacing, and graphite for use in electric vehicle batteries and as electrodes in steel and aluminium manufacture.

Fuels Industry UK welcomes the opportunity to respond to the consultation on the Sustainable Aviation Fuels Revenue Certainty Mechanism.

Our responses to the consultation questions are given in Attachment 1.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Chris Gould', is displayed within a light blue rectangular background.

Chris Gould

Energy Transition Lead, Fuels Industry UK

Appendix 1 Fuels Industry UK Response

Section 1: Strategic case

1. Do you agree with the rationale for implementing a revenue certainty mechanism? If not, why not?

Fuels Industry UK does not have a firm view in response to this question.

We recognise and support the strategic elements on the vision for UK SAF resilience outlined in the consultation, including those of economic growth and security of supply. A revenue certainty mechanism (RCM) is one potential option for consideration by government. However, there are a number of legal and other considerations involved, and the introduction of an RCM may not be a necessity to support investment for UK SAF production.

Rather than purely revenue certainty, industry needs policy certainty on which to make investment decisions.

We welcome the April 2024 announcement on the UK SAF mandate ¹ as this provides certainty for both SAF suppliers and for obligated aviation fuel suppliers. This includes information on the trajectory, sub-targets and relevant buy-out penalties. The mandate provides a significant element of the certainty required to create a basis for investment in SAF facilities. However, the delay in the approval of the SAF mandate legislation as a result of the announcement of the July General Election, and subsequent uncertainty over future policy direction, does not assist with investment certainty.

Relating to this consultation, there also remains the uncertainty regarding the details of revenue certainty design and implementation; the timing of announcements on this are likely to also be delayed by the general election announcement.

The UK faces significant international competition for investment in the technologies required for the energy transition. Other jurisdictions have provided significant financial incentives, such as the US under the inflation reduction act (IRA)². The EU also have established clear targets and trajectories for their SAF mandate ³ providing investment certainty.

As the Renewable Transport Fuels Obligation (RTFO) has demonstrated ⁴ (see Figure 1, below), an obligation scheme in its own right may not necessarily lead to investment in UK low carbon fuels plants as producers look to build capacity in the lowest cost

¹ <https://www.gov.uk/government/consultations/pathway-to-net-zero-aviation-developing-the-uk-sustainable-aviation-fuel-mandate>

² <https://www.mckinsey.com/industries/public-sector/our-insights/the-inflation-reduction-act-heres-whats-in-it>

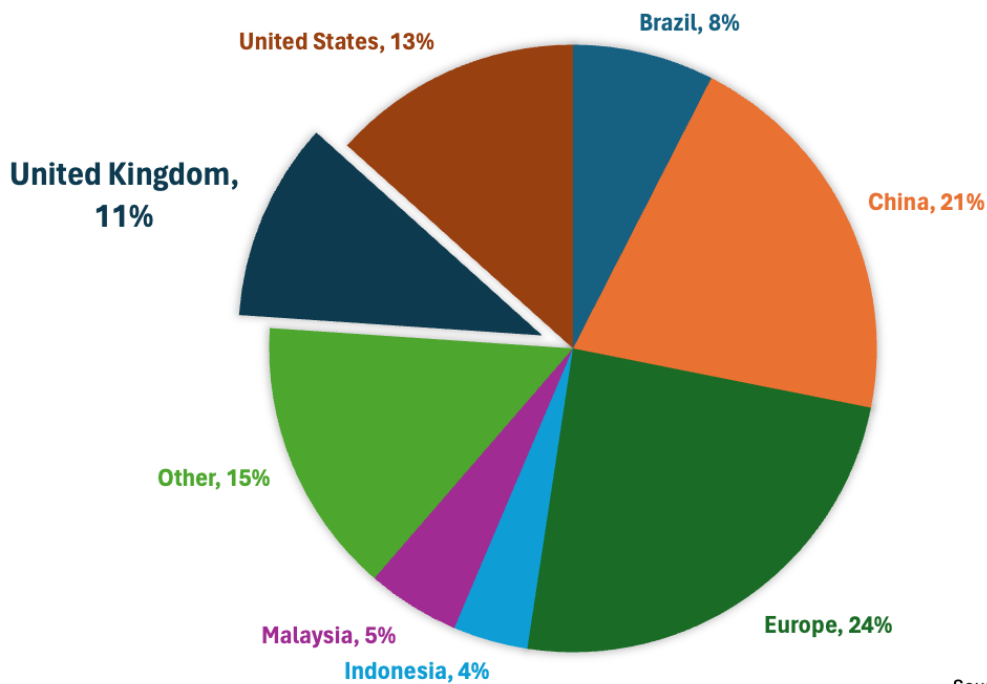
³ https://transport.ec.europa.eu/news-events/news/final-adoption-refueu-aviation-completes-fit-55-legislation-putting-eu-track-exceed-2030-targets-2023-10-09_en

⁴ <https://www.gov.uk/government/statistics/renewable-fuel-statistics-2022-final-report>

location. We recognise that, as mentioned in the Phil New report ⁵, the UK is a high-cost environment in which to invest.

Figure 1:

SOURCE LOCATIONS OF UK RENEWABLE FEEDSTOCK, 2022



Source: DfT, RTFO Stats

The design of an RCM must be carefully considered to avoid any market distortions and should not place any administrative or funding burden on non-participants. UK SAF Producers should be under no obligation to enter into a revenue certainty mechanism.

One member has a strong view that a SAF mandate needs to be in place and operational across a number of years before government should consider the introduction of an RCM if required to close a potential cost gap.

A SAF revenue certainty scheme may create a tension between emissions reductions under the SAF mandate, and other objectives such as economic growth, security of supply and global leadership. A poorly designed SAF revenue certainty scheme may give support to technologies that would otherwise not be viable in the marketplace without the revenue support. An ill-deigned scheme potentially retards price discovery, risk taking and innovation by subsidising otherwise non-commercial technologies. Schemes such as CfDs set an artificial floor on the price of the product, below which the product cannot fall, thus locking the supply chains into unnecessarily high prices, which are not allowed to fall under market forces. Appropriate guardrails need to be in place in the design of an RCM to prevent such unintended outcomes.

⁵ <https://www.gov.uk/government/publications/developing-a-uk-sustainable-aviation-fuel-industry>

The RCM fails to recognise the role that UK refineries can play in SAF production, with the scale, capital and skills to produce SAF, as well as being part of integrated global supply chains.

We would also encourage the Government to determine any potential legal challenges as part of UK's obligations to both WTO, EU-UK TCA and the Windsor Framework (Art. III:4 GATT⁶ and Art.2.2. of ATBT under WTO⁷). Both the GSP and BOLR models could be in breach of subsidy control rules and State aid ramifications for Northern Ireland (depending on geographic scope). The RCM would also need to comply with UK's own subsidy control principles⁸ if significant subsidies (in excess £10MM) are awarded, or the mechanism could potentially be deemed to be unlawful⁹.

We note the significant delays in the UK planning process and suggest that these will lead to delays in the construction and commissioning of UK SAF plants. We note that some of these could be due to resource challenges including the recruitment and retention of suitably trained and experienced personnel¹⁰. We also note that these extend to many areas such as wind power development¹¹ which will be vital in the deployment of SAF facilities including those producing power to liquids expected to be required under the SAF mandate. We are aware that one SAF plant has received approval¹², suggesting that delays are not universal across the UK. A centralised approach to planning for critical infrastructure, designed to require permits, would help overcome challenges with local opinion and institutional capacity¹³. Similarly, we note the significant skills challenges involved in the construction and operation of UK SAF plants¹⁴ and would encourage the government to ensure that this is considered to enable the wider energy transition.

⁶ https://www.wto.org/english/res_e/booksp_e/gatt_ai_e/art3_e.pdf

⁷ https://www.wto.org/english/res_e/publications_e/ai17_e/tbt_art2_jur.pdf

⁸ <https://www.gov.uk/government/collections/subsidy-control-regime>

⁹ <https://www.pinsentmasons.com/out-law/news/competition-appeal-tribunal-gives-first-judgment-under-subsidy-control-act-2022>

¹⁰ <https://www.theplanner.co.uk/2023/05/22/planning-delays-and-recruitment-crisis-force-abandonment-schemes>

¹¹ <https://www.energylivenews.com/2024/06/19/next-government-urged-to-cut-offshore-wind-planning-delays/>

¹² <https://teesbusiness.co.uk/2024/03/08/progress-on-sustainable-aviation-fuel-plant-after-plans-approved/>

¹³ <https://online.flippingbook.com/view/558740525/4/>

¹⁴ <https://online.flippingbook.com/view/861718875/>

Section 2: Scope

2. Do you agree or disagree that HEFA-based SAF should not be covered by the proposed revenue certainty mechanism? Please provide supporting evidence.

Fuels Industry UK does not have a firm view in response to this question.

A number of members consider that HEFA may not need the same support under a revenue certainty scheme. However, others consider that HEFA should be included in the RCM in a technology neutral manner.

The April 2025 announcements confirm that HEFA will be a significant contributor to meeting the SAF mandate for some time to come, subject to the relevant legislation being passed as proposed ¹⁵ following the July 2024 election.

HEFA based SAF is an established technology ¹⁶, and accounts for a significant percentage of SAF supplied at a global scale. The 2023 ICF report for Sustainable Aviation "Roadmap for the development of the UK SAF industry" ¹⁷ confirmed that HEFA represents 70% of global announced SAF capacity.

There are lower production costs associated with HEFA based SAF ¹⁸ than other production pathways.

Feedstock	Conversion Pathway	Median Levelised Production Cost \$/gal
Waste Oil	HEFA	4.06
Vegetable Oil	HEFA	5.16
MSW	FT-Gasification	4.07
Agricultural and Forestry Residue	FT-Gasification	7.95
Energy Crops	FT-Gasification	8.64
Corn Grain	ATJ	6.68
Sugar Cane	ATJ	7.06
Cellulosic	ATJ	9.12
Corn Kernal Fiber	ATJ	7.12
Industrial Flue Gas	ATJ	5.34

Source: ICCT, 2023

HEFA will continue to be a low carbon feedstock for decades to come, with its availability for SAF manufacture increasing as demand for road transport declines through electrification ¹⁹. We would encourage the government to provide greater clarity on the

¹⁵ https://www.legislation.gov.uk/ukdsi/2024/9780348261714/pdfs/ukdsi_9780348261714_en.pdf

¹⁶ https://www.bp.com/en/global/air-bp/news-and-views/views/how_all_sustainable_aviation_fuel_SAF_feedstocks_and_production_technologies_can_play_a_role_in_d_earbonising_aviation.html

¹⁷ www.sustainableaviation.co.uk/wp-content/uploads/2023/04/Sustainable-Aviation-SAF-Roadmap-Final.pdf

¹⁸ <https://theicct.org/wp-content/uploads/2023/11/ID-37—SAF-Grand-Challenge-white-paper-letter-40036-v3.pdf>

¹⁹ <https://assets.publishing.service.gov.uk/media/64dc8d3960d123000d32c602/biomass-strategy-2023.pdf>

future use of available biomass in transport by publishing the low carbon fuel strategy²⁰ as soon as possible.

However, there is a possibility that with the significant global competition for investment, discounting HEFA-based SAF from the revenue support mechanism therefore effectively excludes the development of any UK based facilities. This potentially means that the UK will need to import SAF using these feedstocks. The implications of this need to be carefully considered by government in the development of the RCM.

Section 3: Revenue certainty mechanisms

3. Do you agree with our explanation of the Guaranteed Strike Price mechanism? Is there anything else we need to consider?

Fuels Industry UK **agrees** with the explanation of the Guaranteed Strike Price (GSP) mechanism.

This is a widely used principle for supporting decarbonisation projects and has been successfully used in other sectors such as the electricity contracts for difference scheme or the hydrogen production business models.

We note the discussion on possible pricing mechanisms, as well as the recognition of the lack of benchmark pricing data available (particularly for non-HEFA based SAF) in Annex A of the consultation. We agree that the achieved sales price would be an appropriate reference price and is consistent with the approach taken in the hydrogen production business models²¹. We agree that the fossil aviation benchmark price would be a reasonable floor for consideration.

One downside to consider is the length of contracts that would normally be entered into in the aviation fuel supply industry; typically, these contracts are of a duration of 1-3 years²², with longer contracts being unusual and often requiring very significant high-level approval. There may be a risk that the length of these contracts does not provide SAF producers with enough assurance to make their appropriate Final Investment Decisions (FIDs).

A contract for difference payment asymmetry (or a level of asymmetry) has been used for other technologies to maintain upside price exposure and further de-risk projects. A range of market risk allocation options and commensurate pricing exposure could be considered.

²⁰ <https://www.gov.uk/government/consultations/low-carbon-fuel-strategy-call-for-ideas>

²¹ <https://www.gov.uk/government/publications/hydrogen-production-business-model>

²² <https://www.iata.org/en/publications/economics/reports/saf-handbook-section-5>

In addition to legislative delivery timings, there needs to be consideration to the timing for developing the administration, counterparty training and implementation of any mechanism before it could become operational.

Recognising that there is a general expectation that all mechanism costs will be passed through in full to air passengers via air fares and air freight charges, or absorbed by the airlines, the consultation would have benefitted from further explanation of options for how the counterparty could forecast, collect and distribute funding. This process is critical to understanding how participants in the value chain will be involved and potentially impacted. Figure 2 in the consultation document shows the Producer having the relationship with the Delivery Partners but is not explicit on how the certainty mechanism costs would be collected and potential options under consideration.

The Industrial Carbon Capture business model (ICC BM) update in April 2024²³ made specific reference to interaction between the ICC BM and SAF Mandate. This interaction should be considered in detail and developed collaboratively between DfT and DESNZ.

Regarding the reference and floor price, consideration should be given and protections introduction for scenarios where these could result in undesirable outcomes and consequent market distortions (for example, where a Producer may be able or incentivised to sell at the floor price).

The use of a GSP fails to support innovation and risk taking, that would otherwise prevent excessive costs to airline customers as it locks in a price floor, which could guarantee that UK SAF is unnecessarily expensive. It is also reliant on the relevant private law contract accurately negotiating a reference price for 10 years when it is unclear what SAF market dynamics will be. For example, it is unknown whether the Achieved Sales Price plus the kero price floor can negate lack of existing price data in SAF market. Also, it is unclear at present whether there will be a single SAF price or if prices will vary according to production pathway or feedstocks.

²³ <https://assets.publishing.service.gov.uk/media/661530cdc4c84d6602346a13/ccus-iccc-business-models-update-april-2024.pdf>

4. Do you agree with our explanation of the Buyer of Last Resort mechanism? Is there anything else we need to consider?

Fuels Industry UK **agrees** with the explanation of the Buyer of Last Resort (BOLR) mechanism.

However, we do not agree with the stated preferred principle that all SAF certificates should be traded through a single exchange.

This approach is significantly anti-competitive and prevents obligated companies trading and exchanging SAF certificates directly.

There is no similar requirement for the exchange or trading of Renewable Transport Fuel Certificates (RTFCs) under the RTFO. Companies typically trade RTFCs, either directly or through a number of broker services^{24,25}. It is also common industry practice to exchange RTFCs from one company to another at a nominal low, or zero, value in order to offset an obligated suppliers obligation down the fuel supply chain (often called “netting”). Given the similarities between the RTFO and the SAF mandate, it would be reasonably expected that this practice is likely to be extended into the jet fuel supply sector. The proposals for a BOLR approach must recognise the netting process and allow it to continue in order for the effective operation of the aviation fuel market. We are happy to discuss this in more detail with the DfT Low Carbon Fuels Team.

The consultation discusses a single SAF price; however, given the different routes for SAF production the costs and prices are likely to be significantly different, dependant on the feedstock and production routes involved (for example Power to Liquids based SAF is likely to be more expensive than HEFA based SAF as reflected in the higher proposed sub-target buy-out price). There may therefore need to be different prices for SAF dependent on the feedstock and production route.

We note from the consultation that the SAF certificates may be kept until the following SAF mandate year, where market conditions may mean that a higher price can be realised. If that is the case, then we would question whether the proposed 25% cap for certificates from the previous year would still apply. Our preference would be that for BOLR certificates, the 25% cap **does not** apply, allowing greater flexibility and certainty for SAF producers.

The use of a BOLR fails to support innovation and risk taking, that would otherwise prevent excessive costs to airline customers. It is also reliant on the relevant private law contract accurately negotiating a reference price for 10 years when it is unclear what SAF market dynamics will be. For example, it is unknown whether the Achieved Sales

²⁴ <https://www.aither.com/renewable-energy/renewable-transport-fuel/>

²⁵ <https://www.connectoil.com/about-us>

Price plus kero price floor can negate lack of existing price data in SAF market. Also, it is unclear at present whether there will be a single SAF price or if prices will vary according to production pathway or feedstocks.

5. Do you agree with our explanation of the Mandate Auto Ratchet mechanism? Is there anything else we need to consider?

Fuels Industry UK **agrees** with the explanation of the Mandate Auto Ratchet mechanism. However, we do not agree with that this is an option that should be taken forward for further consideration.

As we discuss in our response to the 2nd SAF mandate consultation ²⁶, a need to “buy out” of the SAF mandate represents a significant policy failure. These penalties will increase costs for UK companies, including fuel suppliers and airlines, for no environmental benefit. Additionally, it would apply potentially higher regulation levels to the UK only, leading to tankering of fuel into the country, or re-routing of the aviation industry to other airport locations. For example, if fuel become particularly expensive in the UK, the hub-airports, such as Heathrow will be held at a competitive disadvantage, leading to the UK only being accessed using short-haul flights from other local hubs, such as Amsterdam, Paris or Frankfurt.

We recognise, and agree with, the need for periodic reviews of the SAF mandate scheme over time to ensure that it remains fit for purpose and allows aviation decarbonisation in a cost-effective manner. However, as outlined in the consultation there are a significant number of factors to be considered, including factors both within, and out with, the UK’s control. A simple ratchet mechanism is not sufficiently robust to adequately consider these impacts and may not meet the policy intent for cost effective decarbonisation.

²⁶ <https://www.fuelsindustryuk.org/media/nbed53bz/developing-the-uk-saf-mandate.pdf>

6. Do you agree with our explanation of the Mandate Floor Price mechanism? Is there anything else we need to consider?

Fuels Industry UK **agrees** with the explanation of the Mandate Floor Price mechanism.

However, we do not agree with that this is an option that should be taken forward for further consideration.

As the consultation recognises, this is a deviation from the way in which the RTFO operates. The approach is significantly anti-competitive and prevents obligated companies trading and exchanging SAF certificates directly and at a mutually agreed price.

There is no similar requirement for the exchange or trading of Renewable Transport Fuel Certificates (RTFCs) under the RTFO. Companies typically trade RTFCs, either directly or through a number of broker services. It is also common industry practice to exchange RTFCs from one company to another at a nominal low, or zero, value in order to offset an obligated suppliers obligation down the fuel supply chain (often called “netting”). Given the similarities between the RTFO and the SAF mandate, it would be reasonably expected that this practice is likely to be extended into the jet fuel supply sector. The proposals for a BOLR approach must recognise the netting process and allow it to continue in order for the effective operation of the aviation fuel market. We are happy to discuss this in more detail with the DfT Low Carbon Fuels Team.

Section 4: Options assessment and conclusions

7. Do you agree or disagree that the Mandate Auto Ratchet option should not be taken forward? Please provide supporting evidence where possible.

Fuels Industry UK **agrees** that the Mandate Auto Ratchet option should not be taken forward.

As we discuss in our response to the 2nd SAF mandate consultation, a need to “buy out” of the SAF mandate represents a significant policy failure. These penalties will increase costs for UK companies, including fuel suppliers and airlines, for no environmental benefit.

We recognise, and agree with, the need for periodic reviews of the SAF mandate scheme over time to ensure that it remains fit for purpose and allows aviation decarbonisation in a cost-effective manner. The SAF mandate review approach for 5 yearly reviews has been successfully used in the RTFO over many years, and we would agree with this approach.

However, as outlined in the consultation there are a significant number of factors to be considered, including factors both within, and out with, the UK's control. A simple ratchet mechanism is not sufficiently robust to consider these impacts and may not meet the policy intent for cost effective decarbonisation.

8. Do you agree or disagree that the Mandate Floor Price option should not be taken forward, even if it can be delivered sooner than the private law contract mechanisms? Please provide supporting evidence where possible.

Fuels Industry UK agrees that the Mandate Floor Price option should not be taken forward, even if it can be delivered sooner than the private law contract mechanisms.

As the consultation recognises, this is a deviation from the way in which the RTFO operates. The approach is significantly anti-competitive and prevents obligated companies trading and exchanging SAF certificates directly and at a mutually agreed price.

There is no similar requirement for the exchange or trading of Renewable Transport Fuel Certificates (RTFCs) under the RTFO. Companies typically trade RTFCs, either directly or through a number of broker services. It is also common industry practice to exchange RTFCs from one company to another at a nominal low, or zero, value in order to offset an obligated suppliers obligation down the fuel supply chain (often called "netting"). Given the similarities between the RTFO and the SAF mandate, it would be reasonably expected that this practice is likely to be extended into the jet fuel supply sector. The proposals for an MFP approach must recognise the netting process and allow it to continue in order for the effective operation of the aviation fuel market. We are happy to discuss this in more detail with the DfT Low Carbon Fuels Team.

9. Do you agree or disagree that the certainty required by the investment community is best achieved through a private law contract between a producer and Government (or Government backed counterparty)? Please provide supporting evidence where possible.

As articulated in our response to Q1, there are a number of concerns regarding the RCM approach. However, if it proceeds then a private law contract is preferred to a regulatory mechanism, provided it can overcome the legal concerns raised in our response to Q1.

The private law contract should be between a producer and Government (or Government backed counterparty).

This approach provides the necessary certainty for investors over the timelines required in order to make the appropriate FIDs. Obligated companies typically operate fuel supply contracts of much shorter durations, typically 1-3 years and are unlikely to enter into contracts of the lengths required for robust investment decisions.

It does not have the significant issues associated with either the Mandate Auto Ratchet or Mandate Price Floor options, as we articulate in our responses to Q7 and Q8.

10. Do you agree or disagree that the GSP should be the preferred option to consider developing of the two private law contract options? Please provide supporting evidence where possible.

As articulated in our response to Q1, there are a number of concerns regarding the RCM approach including the use of GSP. However, if it proceeds then we agree that the GSP would be the preferred option to consider developing, provided that it can meet the potential legal concerns raised in our response to Q1.

The principles of a GSP are well established in the energy transition, including the CfD scheme for electricity and the low carbon hydrogen business model. For the SAF RCM, the design, pricing and potentially timing triggers (e.g. sustained low pricing over a certain duration) will heavily impact the effectiveness and attractiveness to government and industry. Set at the right price, the BOLR could only be triggered in the event of a failure of the mandate to maintain market pricing. This option could act as a back stop insurance against the mandate policy not effectively supporting SAF market pricing.

One member has a view that the floor price of the reference price should be HEFA SAF. This is an area that doesn't translate well from the Hydrogen Business Model, which uses natural gas as a floor. For jet fuel, there is no cost of switching in the same way as from natural gas to hydrogen. SAF is a drop in fuel, regardless of its production pathway. The alternative option for a fuel supplier when there is a SAF mandate in place, is HEFA SAF.

There is a large price differential known for advanced SAF and fossil kerosene and as such it is not appropriate floor.

We also note that the consultation did not include specific information on strike price methodology and determination. We are concerned that forecasting of revenue may not be relevant in such a programme. We suggest that the govt provide guidance on how they intend to calculate a strike price especially the appropriate range. In our view, the strike price should simply cover Fixed and variable production costs, Financing and ROI.

The GSP approach does not have the significant issues associated with either the Mandate Auto Ratchet or Mandate Price Floor options, as we articulate in our responses to Q7 and Q8.

The consultation recognises that the RTFO is “funded by motorists” (p.15); the government should also explicitly recognise that RCM is ultimately funded by airline or air freight customers. UK SAF Producers should be under no obligation to enter into a revenue certainty mechanism

As with the low carbon hydrogen scheme, specific negotiations are likely to be required with individual SAF producers taking account of their unique project considerations. The DfT team will need to plan their resources for these negotiations, to ensure that they proceed in a timely and effective manner. However given the relatively small number of companies likely to be involved, we would normally anticipate this to be manageable.

Annex A: Detailed contract considerations

11. Are there any other key elements of any revenue certainty mechanism contract that need to be considered?

Fuels Industry UK **agrees** that this is a reasonable, initial, list of the key considerations to be considered.

We would suggest it would be reasonable to add in the following points:

- The minimum standards of the SAF to be supplied (including possible compliance with DEFSTAN 91-091 ²⁷ or ASTM D1655 ²⁸).
- The location(s) where SAF can be supplied, and the mechanisms by which it can be collected or delivered (such as by road tanker).
- The volumes to be delivered, including any potential production ramp-up profiles. This should include clarification on whether a private law contract is able to incentivise or assess any subsequent investments in a SAF production facility to expand production volumes, run different feedstocks or produce lower GHG values (i.e. investing in CCUS)? Or will the support under the contract be limited to a fixed volume?
- The expected and minimum GHG savings associated with the produced SAF.
- The minimum sustainability requirements, including verification and auditing rights, of the SAF to be produced.
- Interaction with other policy including clarity on multiple incentives stacking e.g. using HBM funded hydrogen and CfD supported electricity should be permitted. The UK RTFO / SAF mandate rules on multiple incentives should clarify the acceptance of a UK SAF RCM by excluding it from the definition of a “support scheme”
- SAF volumes for export – Will SAF plants be able to export product to global markets? Or will the contract restrict volumes supported by the revenue certainty mechanism to be sold only in the UK market?
- Part-processed inputs – How will the contract account for part-processed feedstock inputs that are manufactured or received in a UK SAF plant in receipt of UK Government support under the revenue certainty mechanism?
- Imported and domestic feedstocks – Will contracts agreed between SAF producers and the counterparty allow switching between imported and domestic feedstocks, depending on economic conditions, or will this be restricted at the outset of the contract?
- Conditionality – Will SAF plants supported under the revenue certainty mechanism have any additional requirements placed upon them in order to agree contract

²⁷ <https://www.jig.org/documents/defstan-91-091-issue-15/>

²⁸ <https://www.astm.org/d1655-22a.html>

terms (i.e. conditions related to further investments in GHG emissions reductions, such as CCUS or low-carbon hydrogen)?

- Re-entering the mechanism – If a contract is terminated (i.e. a SAF plant is mothballed for economic reasons), will the producer be able to re-enter the mechanism scheme at a later date on the same terms? Or will a new application and negotiation of a contract be required?
- Compatibility with the National Security and Investment Act (2021)²⁹ – Will SAF plants producing SAF under the revenue certainty mechanism be subject to the powers under the National Security and Investment Act (2021), such as call-in powers and scrutiny of acquisitions for critical national infrastructure?
- Compatibility with Core Fuel Resilience measures under the Energy Act (2023)
- Will SAF plants producing SAF under the revenue certainty mechanism, as a renewable transport fuel, be subject to the Core Fuel Resilience measures defined in Part 12 of the Energy Act (2023)³⁰?

12. Are there any other considerations that project developers will need to take into account?

Rather than purely revenue certainty, industry needs policy certainty on which to make investments decisions.

We note the discussion on feedstock supply; this also includes relevant sources of CO₂ in the event of PtL production. There should also be consideration of contingency plans in the event of a significant CO₂ source (such as a large industrial emitter linked to a CCUS cluster³¹) ceasing operation. This could be due to circumstances out with the developers control, such as changing market economics for the separate industry concerned, or a wider economic downturn.

The role of refineries is completely absent, with the RCM looking to focus on small-scale, start-up producers with unproven/nascent technologies. This area needs further consideration to ensure that all options are equally considered.

As discussed in the recent multiple incentives consultation^{32,33} project developers will need to consider links with other support mechanisms such as the low carbon hydrogen standard in order to make sure any support streams are robust, and available for the term of the project.

²⁹ <https://www.gov.uk/government/collections/national-security-and-investment-act>

³⁰ <https://www.legislation.gov.uk/ukpga/2023/52>

³¹ <https://assets.publishing.service.gov.uk/media/64a29b7d06179b00131ae94e/ccus-investment-roadmap.pdf>

³² <https://www.gov.uk/government/consultations/renewable-transport-fuel-obligation-addressing-multiple-incentives>

³³ <https://www.fuelsindustryuk.org/media/gchdsakh/rtfo-addressing-multiple-incentives.pdf>

13. Are there any other considerations that should be taken into account by the contract funder?

We cannot comment on this question in detail, other than to suggest that usual project funding considerations should apply in negotiations between the producer and the contract funder.

14. Which contract allocation method is most appropriate? Why?

Given the nascent nature of the UK SAF industry we would not expect that there will be a significant number of projects to be taken forward for consideration, at least in the early years of the SAF mandate scheme.

We agree that some form of overall strategic control to the awarding of contracts would be beneficial, to manage the supply and demand links. SAF production should not be located in one area, potentially away from feedstock sources such as municipal waste. Equally, there needs to be a recognition that demand is strongest in the South-East of the UK, feeding international aviation hubs such as Heathrow. There also needs to be consideration of the existing Aviation Fuel Supply infrastructure such as the UK fuel pipeline network which very effectively feeds the aviation infrastructure.

The allocation approach should seek to minimise market distortions and deliver solutions at the lowest cost and level of subsidy. In addition to control over awarding of contracts, there should be submission eligibility criteria that projects have to meet, including, but not limited to minimum plant size, demonstrated access to capital, track record of the developer, and employment generation.

With this in mind, a formal tendering process may be the most appropriate, at least in the early years of the revenue certainty scheme. This can then be revised in later phases as appropriate as the UK market develops. However, contracts should not simply be awarded to meet arbitrary political targets; the criteria for awarding contracts must be rigorous and independent.

15. Do you agree that this is the most appropriate way to administer a revenue certainty mechanism?

Fuels Industry UK **agrees** that the LCCC ³⁴ is the most appropriate way to administer a revenue certainty mechanism.

This company is competent and experienced, having been an effective counterparty for a number of similar initiatives over recent years, including the development of the low carbon hydrogen and CCUS business models. We therefore support its continued work in this area and development into the SAF production industry.

However, we note that the Civil Aviation Authority (CAA) ³⁵ has appropriate income raising powers and could act in conjunction with the LCCC on the RCM.

16. Do you have any views on the most appropriate counterparty?

Fuels Industry UK **agrees** that the LCCC is the most appropriate way to administer a revenue certainty mechanism.

This company is competent and experienced, having been an effective counterparty for a number of similar initiatives over recent years, including the development of the low carbon hydrogen and CCUS business models. We therefore support its continued work in this area and development into the SAF production industry.

However, we note that the CAA has appropriate income raising powers and could act in conjunction with the LCCC on the RCM.

Finally, we note that the consultation does not contain specific details of how the funding will work in practice; transparency is key for the success (or otherwise) of the RCM. We would therefore encourage government to issue further information on this as soon as possible.

³⁴ <https://www.lowcarboncontracts.uk/>

³⁵ <https://www.caa.co.uk/>