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SAF Revenue Certainty Mechanism Levy Design – 2nd Consultation

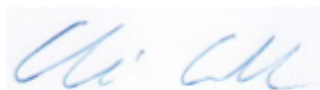
Dear Sir or Madam

Fuels Industry UK represents the six main oil refining and marketing companies operating in the UK. The Fuels Industry UK member companies – bp, Essar, Esso Petroleum, Phillips 66, Shell, and Valero – are together responsible for the sourcing and supply of product meeting over 85% of UK inland demand, accounting for over a third of total primary UK energy¹.

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 SAF Revenue Certainty Mechanism Levy Design – 2nd Consultation. Our response is in Appendix A.

Yours sincerely



Chris Gould
Energy Transition Lead, Fuels Industry UK

¹ Based on the Department of Energy Security and Net Zero Digest of UK Energy Statistics 2024

Appendix A: Fuels Industry UK Response

Q1. What is your preferred approach for determining individual volumes and why?

Option B (although Option C may also be a potential option)

Option B is the most practical and proportionate approach as it aligns with existing SAF Mandate reporting arrangements, may avoid creating new reporting and verification requirements and maintains consistency with the existing duty point under the SAF Mandate. However, one member considers that Option C is the only option that is likely to provide prompt volume data.

The complexity of the RCM processes is of significant concern and needs to be addressed, even if this requires changes to other legislation. The Government has time between now and the commencement of the RCM to establish simple processes, that will work promptly.

We outline the fuel supply chain in Appendix B, which underpins the rationale for our response.

Concerns with Option A:

Option A is unlikely to work and may have unintended consequences.

Although the SAF Mandate obligation is expressed as a percentage of aviation fuel supplied on an energy basis, the scheme is designed to incentivise the supply of SAF that delivers the greatest greenhouse gas emissions reductions. In practice, this means the incentives created by the Mandate are driven by the carbon intensity of SAF, rather than fuel volumes alone. By contrast, the RCM is a volume-based mechanism. Applying the levy only to fossil aviation turbine fuel volumes could therefore create an unintended misalignment between the two schemes, as the levy burden would not reflect the emissions performance of the SAF supplied. As a result, suppliers that maximise greenhouse gas reductions through the use of lower-carbon-intensity SAF could face a disproportionately higher levy burden under the RCM. Furthermore, where SAF availability is constrained and suppliers are unable to source sufficient SAF to meet their obligation, they may have no alternative but to make buy-out payments under the SAF Mandate.

Under Option A, these suppliers could then face an additional burden through higher RCM levy payments associated with the increased volumes of fossil aviation fuel supplied. This could result in suppliers effectively bearing two separate costs arising from the same market shortfall, which would further weaken alignment between the two schemes. We therefore do not consider that Option A necessarily delivers policy coherence when compared to Options B or C.

Concerns with Option B

Option B should enable shorter verification and reconciliation timelines than approaches based solely on fossil aviation fuel volumes such as Option A; however, Option B still looks to be a much slower process than Option C and may be more complex.

The verification of volume data, required by the DfT and performed by RTFO/SAF Mandate verifiers only occurs once fossil and SAF data have been entered into ROS. Although the verifier is often provided with duty point volumes, they need to wait until ROS submissions are made before they validate them (this could be done monthly rather than quarterly incurring additional operating cost). This exercise will take additional time to complete, and this delay could be as long as several months.

There may still be a need for an additional verification process, and a new data capture tool that would enable prompt validation of just total aviation volumes to occur, which can then be shared with DfT.

We would therefore encourage the DfT to address the concerns regarding Option B before it is selected as the final option for the scheme.

Q2. Which option is your preferred approach to sequencing and why?

Option A

This would seem to be the most pragmatic option in this case.

Using actual reported data rather than supplier forecasts reduces forecasting risk and provides a firmer basis for levy collection. Where forecasting / cash flow projections are needed these should be solely within the DfT/LCCC and not involve obligated suppliers. These forecasts should be on a simple 'all industry' and not on a 'by supplier' basis.

The government should consider whether reliance on short historical periods could create distortions arising from seasonal demand fluctuations or changing market shares. Consideration should also be given to annual averaging, rolling annual data or other smoothing mechanisms where appropriate.

We note the ongoing government concerns relating to market volatility expressed in the consultation. However, the UK aviation market is less volatile than other markets, with demand being set by flight patterns months or even years in advance (in the absence

of macro-economic related events such as COVID-19 or significant oil price shocks). This fact should be taken into account in the design of the SAF RCM levy scheme. Monthly data on aviation fuel including import, production and export volumes is supplied to DESNZ through the Downstream Oil Reporting Scheme (DORS) by individual fuel suppliers. Aggregated data on UK supplies is also published under the Digest of UK Energy Statistics (DUKES) ². We would strongly encourage the DfT to engage with DESNZ on this to determine the real volatility in the market in more detail. For reasons of competition law, Fuels Industry UK cannot provide this data.

If the DfT were to build sufficient reserve into the levy to maintain a positive net cash balance in the RCM scheme, this will mitigate any risks to collection and billing, including delays. For the avoidance of doubt, the establishment of this reserve must be through published levy rates, rather than through a lump sum payment from fuel suppliers.

In any event, the DfT should publish the applicable SAF RCM rates, which can be referenced by fuel suppliers in contracts and invoices. This creates a fair, and transparent mechanism allowing fuel suppliers to simply pass through the costs from aviation companies to the administrator. There should be a minimum of two (2) weeks' notice between a change in the applicable SAF RCM rate being published, and it coming into effect (e.g. published on the 15th of month M-1 to come into effect at the start of month M).

We note that the consultation still refers to a "forecast levy rate". While we appreciate that the levy rate will necessarily be based on forecasts, to avoid any confusion, we would suggest to simply publish one levy rate for one period of time, and no actual or reconciled levy rate should be applied.

² <https://www.gov.uk/government/collections/digest-of-uk-energy-statistics-dukes>

Q3. Do you agree or disagree with the build-up of the reserve prior to the production of RCM-supported SAF and why?

Strongly Agree

The use of a suitable reserve approach together with rolling over and netting off funds is the best option to manage a number of scheme risks, including over or under collection and mutualisation. This means that the RCM levy is fair, transparent and payable at the time the fuel is supplied.

The complexity of the RCM processes is of significant concern and needs to be addressed, even if this requires changes to other legislation. The Government has time between now and the commencement of the RCM to establish simple processes, that will work promptly. There appears to now be both a reserve and a buffer, one or both of which are held and managed at an obligated supplier level, not at total industry level.

As we discuss in our response to the previous consultation in January 2026, our strong request is that the levy should be based solely on a fixed unit price for a specified period of time and based on the total volume of aviation fuel sold into airports. A fixed unit rate approach allows the DfT to reduce future rates to take into account of over-collected amounts or surpluses and ensure that they are passed through to end users. The specified time period should be as long in duration as possible in order to minimise the administrative burden for fuel suppliers. Ideally this would be on an annual basis, however a quarterly basis would also be acceptable. The absolute minimum duration would be on a monthly basis.

The approach should be used to create a suitable reserve initially, which is then adjusted going forward to avoid under or over collection risks, both of which are potentially difficult for fuel suppliers and the wider aviation industry. The creation of a common pool, with the counterparty able to run on a surplus across multiple years is the only way in which to operate and meets the key principles for the scheme as outlined in the consultation document, as well as providing contingency against default or mutualisation.

The transparency principle in particular, with the ability for the end consumer to see what they are being charged and any changes that occur in the levy rate, is critical to managing public acceptance of the RCM levy and avoid the generation of any over-collection surpluses.

The risks of over or under-collection would also be managed by having a robust and disciplined approach to SAF project funding. A failure to adequately control spends by effectively managing those projects which are supported, is likely to significantly increase collection risks.

We note that the SAF RCM scheme is intended to “kickstart” investment in UK production,³ rather than providing long-term support. As such, government need to consider how a reserve will be wound down and any remaining funds used at the end of the scheme, noting the difficulties discussed above.

Finally, it is vital that any reserve must only be used to fund the RCM; funds must not be diverted for any other use.

Q4. If you agree, what is your preferred “pre-collection” timeframe for collecting the reserve?

3 Months would seem to be an appropriate timeframe, given the available information (but may ultimately depend on the targeted amount).

We recognise that there are a lot of uncertainties on the scheme at this time, which are difficult to take into account given current available information in making a decision on the “pre-collection” timeframe.

We note that the RCM is intended to fund advanced SAF production in the UK; due to the nature of the technology these plants will inherently present a higher degree of commissioning risk than more established pathways such as HEFA. Therefore, a theoretical 3-month lead time based on expected commissioning dates may be (possibly significantly) higher than that in practice.

There needs to be sufficient flexibility in the RCM levy design to take these delays into account. There needs to be a mechanism in place to reduce, and potentially temporarily reduce to zero, the levy collection for a period if the size of the reserve becomes too large (we cannot comment on at what level of surplus would be deemed to be too large for the counterparty).

The Government should ensure that robust enforcement arrangements are in place to address non-payment, with the counterparty able to intervene early where payment obligations are not being met. This will help protect compliant suppliers and maintain confidence in the operation of the levy framework.

³ <https://assets.publishing.service.gov.uk/media/6964e5b15534c732221e0d69/saf-rcm-heads-of-terms-approach-contract-allocation.pdf>

Q5. Out of the five options presented, which would be your preferred mechanism through which the reserve is collected and why?

Option 4 or 5

As we discuss in our response to the previous consultation, our strong request is that the levy should be based solely on a fixed unit price for a specified period of time and based on the total volume of aviation fuel sold into airports.

A fixed unit rate approach allows the DfT to reduce future rates to take into account of over-collected amounts or surpluses and ensure that they are passed through to end users. We consider that Options 1 to 3 are purely a matter for the government and the counterparty to manage. The role of fuel suppliers should be to simply collect and pass through costs between end users and the administrator, not to bear risks for SAF projects and RCM scheme management outside of their control.

The specified time period should be as long in duration as possible in order to minimise the administrative burden for fuel suppliers. Ideally this would be on an annual basis, however a quarterly basis would also be acceptable.

The DfT should publish the applicable SAF RCM rates, which can be referenced by fuel suppliers in contracts and invoices. This creates a fair, and transparent mechanism allowing fuel suppliers to simply pass through the costs from aviation companies to the administrator. There should be a minimum of two (2) weeks' notice between a change in the applicable SAF RCM rate being published, and it coming into effect (e.g. published on the 15th of month M-1 to come into effect at the start of month M)

To avoid any confusion, the published levy rates should not be called "forecast" rates (nor be part of any forecast). They should be the rates applicable to all aviation fuel over the period in question and should not be changed for a particular period once they have been published.

Q6. What is your preferred approach to returning over-collected sums and surpluses to obligated suppliers? Why?

Option B

Returning unspent funds is likely to be extremely difficult for all concerned and could potentially be as significant an issue as under-collection and retrospective pricing given that aviation customers are likely to have funded it.

The use of a suitable reserve approach together with rolling over and netting off funds is the best option. This means that the RCM levy is fair, transparent and payable at the time the fuel is supplied. The use of a suitable reserve also helps mitigate any mutualisation risks by providing contingency funding if required.

There needs to be a mechanism in place to reduce, and potentially temporarily reduce to zero, the levy collection for a period if the size of the reserve becomes too large (we cannot comment on at what level of surplus would be deemed to be too large for the counterparty). This could be, for example, if supported SAF plants have delays in reaching beneficial operation, noting the policy intent to support more novel SAF production pathways.

The Government should ensure that robust enforcement arrangements are in place to address non-payment, with the counterparty able to intervene early where payment obligations are not being met. This will help protect compliant suppliers and maintain confidence in the operation of the levy framework.

Finally, we note that the SAF RCM scheme is intended to “kickstart” investment in UK production, rather than providing long-term support. As such, government need to consider how a reserve will be wound down and any remaining funds used at the end of the scheme, noting the difficulties discussed above.

Q7. Do you have any feedback on how the multiple incentives rules in the SAF Mandate legislation should be updated to ensure that SAF supported under the RCM can receive certificates under the SAF Mandate?

We are supportive of updating the multiple incentives rules so that SAF supported under the RCM remains eligible to receive SAF Mandate certificates. The SAF Mandate and RCM are intended to operate as complementary elements of the UK's SAF framework. Without this amendment, RCM-supported SAF would be disadvantaged within the Mandate, undermining the effectiveness of both policies and weakening the investment case for supported projects

Any changes to the multiple incentives rules to allow SAF supported by the RCM to qualify under the SAF mandate must be applied equally to UK and non-UK SAF in order to ensure that a level playing field prevails. A failure to have a level playing field could be seen as potentially protectionist and runs the risk of increasing overall costs for UK aviation, leading to poorer competitiveness in the sector in the longer term.

Q8. Are there any potential unintended consequences that may arise due to this change? If yes, how could policy mitigate against these consequences?

We note the comment in part 12 of section 5 “We also propose we do not make any change to the definition of support scheme under the RTFO, given that the RCM will not be providing support for a fuel that is eligible under the RTFO”.

This proposal does not recognise that plants which manufacture SAF, by the inherent nature of their operation, will also produce lower carbon fuels suitable for ground fuels as a co-product. This yield can be as high as 20% for some operations⁴. The proposal as outlined would therefore make this co-product ineligible for recognition under the RTFO. This has serious and significant impacts on the commercial viability of UK SAF plants, given that they cannot effectively sell up to 20% of their product into the UK market. This proposal needs to be urgently reconsidered.

⁴ <https://www.iata.org/contentassets/d13875e9ed784f75bac90f000760e998/saf-handbook.pdf>

Q9. Do you agree or disagree that changes to the multiple incentives rules should be limited to enable the eligibility of the RCM alone and not to enable the eligibility of other schemes that support fuels and chemical precursors at this time?

Fuels Industry UK responded to the consultation on RTFO multiple incentives in 2024 ⁵, and our position is unchanged from this.

We noted the comments from that consultation regarding support for production under the SAF revenue certainty scheme and the CCUS business model. In particular we welcome the comments regarding maintaining a level playing field while ensuring support for these technologies.

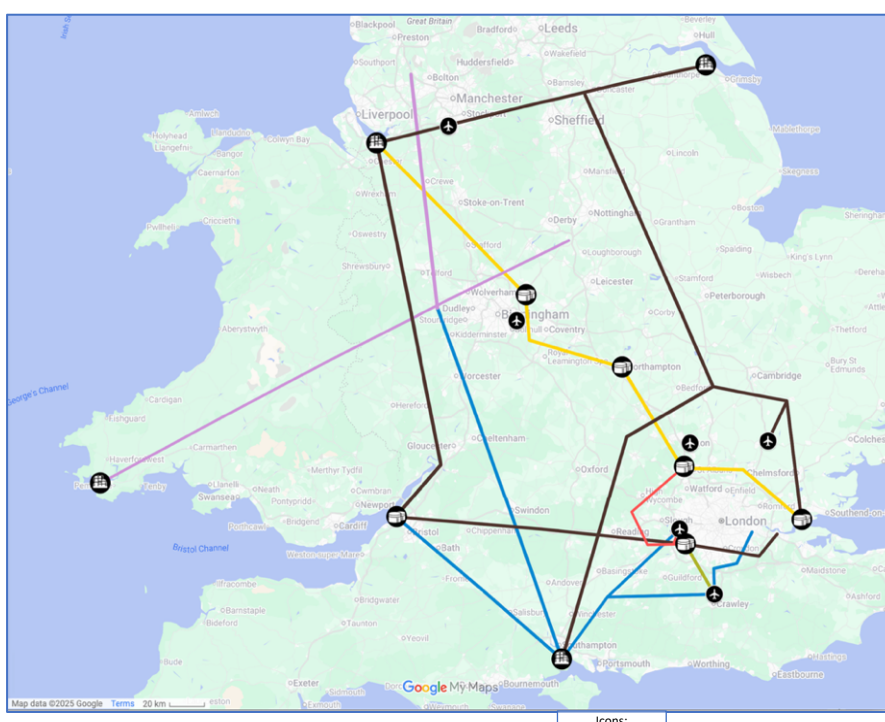
However, we are unsure why hydrogen produced under the low carbon hydrogen product business model (HPBM) has not been included in these considerations, as the same issues would apply for this technology. Low carbon hydrogen will be an important feedstock for HVO or SAF manufacture and must be included to ensure the level playing field.

Given the sectors involvement in these technologies, we would welcome the opportunity to discuss these issues in more detail with the DfT Low Carbon Fuels Team.

⁵ <https://www.fuelsindustryuk.org/media/gchdsakh/rtfo-addressing-multiple-incentives.pdf>

Appendix B: Fuel Supply chain complexities

As we set out in our response to the first consultation on the Revenue Certainty Mechanism (RCM) Levy Design in January 2026⁶, we recognise that ideally, in principle, the levy should be placed on fossil aviation volumes only. However, and given the complexities of the aviation fuel supply, this is not possible in practice. The fuel supply chain from a refinery or import terminal to the airports is extremely complex, containing multi-product pipelines⁷ where the removal and recovery of interface material is routine, the marking of fuel to provide kerosene for heating applications⁸, and storage comingled between different fuel suppliers⁹. Trading of fuel between suppliers also occurs within these complex supply chains, including after the duty (assessment) point.



Therefore, there will be significant differences between the aviation fuel moving out of the duty point at a refinery or import terminal and the cumulative volume that ultimately enters an airport. This includes accounting for both the fossil and low carbon components of the aviation fuel concerned; the latter can vary from nil to 50% from one batch of aviation fuel to another¹⁰.

The accounting for this stock takes considerable time and expertise and will take a number of months to fully resolve (even within the established RTFO, delays between fuel supply and DfT completing their checks can take up to 9 months).

⁶ <https://www.fuelsindustryuk.org/media/zwtbywbo/saf-rcm-levy-fuels-industry-uk-response-final.pdf>

⁷ <https://inspenet.com/en/articulo/multi-product-pipelines-transportation/>

⁸ <https://www.crownoil.co.uk/guides/heating-oil-guide/>

⁹ <https://www.kslaw.com/blog-posts/commingled-oil-gas-allocation-matters>

¹⁰ <https://www.iata.org/en/programs/sustainability/reports/saf-handbook/section-2.1>