

Fuels Industry UK Response

Fuels industry UK is a trade association which represents the UK's remaining oil refineries and main marketing companies operating in the UK. Under the current proposals from the Department for Transport (DfT), our member companies will be in scope of the Revenue Certainty Mechanism Levy proposed under the Bill as fuels suppliers

Relevant clauses in the Bill have been included and are based on the numbering in the Bill as introduced (15 May 2025).

Core Revenue Certainty Mechanism (RCM) principles

We note the following core design principles regarding the RCM:

- Fuels Industry UK's view is that should any SAF Revenue Certainty Mechanism Levy be created, then it should operate under the following key principles:
 - o Clarity
 - o Transparency
 - o Simplicity
 - o Fairness
- Transparency in approach is vitally important. It is important that costs are transparently passed through the supply chain (for example between producers, suppliers and passengers). It is also important that aviation passengers are aware of the additional costs they incur as a result of UK government support for the UK SAF production industry. This transparency also allows airline passengers to potentially change their behaviours, which is consistent with the Climate Change Committee recommendations in the recent Carbon Budget 7 report ¹.
- The SAF mandate only started on the 1st of January 2025, and its effects on the supply of lower carbon aviation fuel are still developing. The impact of the start of the SAF mandate needs to be considered in the development of the RCM.
- We note that exports of aviation fuel are exempt from the UK SAF mandate and would reasonably expect that this exemption would continue to the SAF RCM levy. SAF producers supported by the RCM could potentially export their lower carbon fuels, giving no benefit to UK fuel supplies or resilience. At the same time, for SAF production above the RCM contracted volumes, trading and exports should be allowed.
- The wider impact of additional levies needs to be carefully considered and developed. In 2023, the UK imported approximately 70% of its aviation fuel ². We expect that this figure is likely to increase further following the closure of the Petroineos Grangemouth oil refinery and announced insolvency at the Prax Lindsey refinery this year. In line with the Industrial Strategy ³, the UK needs to be seen as an attractive place to invest Fuels Industry UK supports the creation of new industries which create jobs and drive growth. The government must be careful that its policies do not promote new investments and jobs at the risk of losing established industries, jobs and investors. While the SAF RCM levy may provide investment opportunities for small SAF producers, it may deter wider investment in the fuel industry and cannot be looked at solely in isolation.

¹ <https://www.theccc.org.uk/publication/the-seventh-carbon-budget/>

² <https://www.gov.uk/government/statistics/petroleum-chapter-3-digest-of-united-kingdom-energy-statistics-dukes>

³ <https://www.gov.uk/government/publications/industrial-strategy>

Feedback on proposals:

In our view the current proposals for charging the levy on fuel suppliers are unworkable in their current form and need to be addressed. Key concerns are:

Fuels Suppliers being the payers of the levy

- Section 6 Clauses (1), (7) & (8) - That the polluter pays principle which DfT noted was the basis for selecting fuels suppliers pay the levy did not necessitate that conclusion. Alternative points in the supply chain could also have met that principle – including payment by airlines or additions to ticket prices - and a full cost benefit analysis of all levy design options would be beneficial and may be in line with the requirement on the SoS to consult in advance of making levy regulations 6(7).
- There is an inherent risk of tankering with the proposed approach to imposing a levy on fossil fuel suppliers. Tankering⁴ is where aviation fuel is loaded on an aircraft at another jurisdiction (such as within the European Union) with the purpose of making a double, rather than single flight, in order to avoid increased fuel costs at the destination airport. This has the potential to reduce the volume of aviation fuel supplied at UK airports and increases overall GHG emissions due to the higher aircraft weights on the outbound journey. This should be avoided, and the risk would be mitigated by transparently applying the levy in aviation ticket prices through a similar mechanism to Airport Departure Tax.

Detailed implementation of proposals

6(3) - The use of any form of retrospective pricing is impossible to administer for fuel suppliers, creating significant financial risk. The suggestion in the clause that companies pay different amounts will introduce large uncertainty for fuel suppliers and require a lump sum payment at the end of a year after sales to the market have already been made – i.e. in a way that cannot be priced in appropriately.

The current proposals talk about a market share approach based on “predetermined” market share; this could be taken as being based on historic, prior year volumes. This could potentially mean that new entrants will not have to pay levies until the 2nd year of their operation.

The current proposals under consideration treat aviation fuel supplies as being broadly constant and predictable through the year. However, it also needs to consider how the treatment of future demand shocks, such as the effects of the COVID pandemic, are treated in the application of a levy in the future.

- No reference in Bill to SAF mandate levels - The interaction between the HEFA cap introduced as part of the SAF mandate - and the introduction of the RCM levy also needs to be carefully considered. As of yet, there is no material existing production of SAF that would qualify above the HEFA cap, and suitable projects are awaiting the outcome of the RCM legislation to approve investment. As a consequence, there will be a delay between approval of the RCM legislation and SAF outside of the HEFA cap being available.

⁴ https://www.icao.int/environmental-protection/Documents/EnvironmentalReports/2022/ENVReport2022_Art38.pdf

Other issues of note:

- 10 and contractual design 1(4)- The RCM needs to be focused on projects that only require initial certainty to reach their Final Investment Decisions (FID), rather than those which need long term support in order to be financially viable. The government will need to work closely with industry to ensure the contract application, assessment and awarding process is transparent and robust to ensure projects with the greatest probability of success and decarbonisation are selected. Allocation of revenue certainty funds should only be done upon delivery of SAF volumes. This will be relevant to Section 10 on Surpluses but is a matter for contract design outside of the legislation.
- Contractual design 1(4) - Another concern from a SAF developer perspective is that if a SAF producer is benefiting from an RCM, they should not have a commercial advantage over players in the market not utilising an RCM and who can enter the market without it. It is important that this is considered in the funding and design of the RCM, in particular in the contractual arrangements.
- Contractual design 1(4), (5) & (6) - The current approach seems to be suggesting that there will be a 15-year contract for SAF producers to create investor certainty but also mentions flexibility; this seems counterintuitive and should be clarified by DfT. While the Bill reference made here notes the Bill directions will end after 10 years, but this is potentially at odds with the development of 15-year contracts, which may not be viewed as being short term.
- 10 and contractual design - The government should be cautious and rigorous in deciding which projects to support under the Revenue Certainty Mechanism to ensure it meets the design principles of clarity, transparency, simplicity and fairness that we describe above. We note that there should be a review of the financial payments already made to low carbon aviation fuel suppliers, with a view to establishing if value for money (VFM) has been achieved, as well as the learnings from providing this support.