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

SAF Revenue Certainty Mechanism – Levy Design 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 on the SAF revenue certainty mechanism: approach to industry funding.

Our responses to the consultation questions are given in Attachment 1. We also attach the letter to Dave Butterly outlining our concerns dated the 15th of December 2025 in Attachment 2.

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

Yours sincerely

A handwritten signature in blue ink, appearing to read "Chris Gould".

Chris Gould
Energy Transition Lead, Fuels Industry UK

Attachment 1: Fuels Industry UK Response

General Introductory Comments

Fuels Industry UK and its members have significant concerns regarding the proposed operation of the SAF Revenue Certainty Mechanism (RCM) levy and the risks that this creates for fuel suppliers. These concerns are covered further in the letter to the DfT Director of Low Carbon Fuels dated 15th December 2025 and included as a further attachment to this response. We request that the DfT take appropriate account of these concerns as a matter of urgency.

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:

- Clarity
- Transparency
- Simplicity
- Fairness

The current proposals do not comply with these principles.

Fuels Industry UK's view is that this consultation was published at too early stage in the levy design development process. It would appear to be a call for evidence to establish views on potential options, rather than a consultation on detailed and established "minded to" positions. We are also aware that there have potentially been several developments in DfT thinking on how the scheme could operate in practice since this consultation was published.

Given these factors, it is difficult for Fuels Industry UK to provide full feedback in many areas. We would expect, and strongly ask, that a further consultation is published prior to the enabling Statutory Instrument (SI) being passed by parliament. This should also include the design of both the levy collection and SAF project funding in a holistic manner rather than only focusing on single and specific aspects of the scheme, notably the collection side.

We note that this may lead to a delay in the timetable for the enabling legislation. However, we would also caution that the introduction of similar legislation for the hydrogen ² and Carbon Capture Usage and Storage (CCUS) business models ³ under DESNZ took many years, in excess of that being proposed for the SAF Revenue Certainty Mechanism (RCM).

² <https://www.gov.uk/government/publications/hydrogen-production-business-model>

³ <https://www.gov.uk/government/publications/carbon-capture-usage-and-storage-ccus-business-models>

There needs to be time taken to allow due consideration of the options available in the design of the scheme, both in terms of the levy collection and fund distribution which need to operate together. A failure to adequately consider all the available options is likely to lead to a poorly designed scheme, with unintended and unforeseen adverse consequences for the decarbonisation of the aviation industry. This includes unnecessarily higher costs for levy compliance, reducing UK competitiveness, including that of the aviation sector.

There needs to be established principles under which the counterparty and the DfT operate in addition to the requirements for fuel suppliers. For example, how will the counterparty manage under collection from a particular supplier, or ensure that its collected funds are spent in a financially appropriate manner?

The impact assessment accompanying this consultation describes the 100% pass through of costs from aviation fuel suppliers to aviation users. However, the proposals presented do not align with that premise. A lack of transparency on applicable rates, and the possible use of multiple and significant reconciliations do not make this 100% pass through possible.

The current proposals place the risks of the SAF Revenue Certainty Mechanism solely on aviation fuel suppliers. Their role 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 current proposals make it impossible for fuel suppliers, as rational commercial companies, to manage their business risks. Continuing with this approach risks future investment by aviation fuel suppliers, which must be avoided.

Question 1

Do you agree or disagree with suppliers submitting data to the SAF Mandate reporting system for determining relevant aviation fuel volumes for the purpose of the levy and why?

Disagree

The RCM levy should be based solely on a fixed unit price, for example pence per litre, for a specified period of time and based on the total volume of aviation fuel sold.

Recognising the complexities of the supply chain, we would ask that the location of where the fuel is sold for the purposes of the levy is subject to further consultation, including options for volume verification requirements.

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 system, this is not possible in practice. We note these complexities in our response to Q29.

The process for RCM data and levy collection needs to be clearly laid out to allow detailed discussions on the impacts to take place and appropriate comments to be provided. These are not clear in the consultation document, and we would strongly request that this is included in a future consultation, as outlined in our General Introductory Comments, above.

Question 2

In your view, is the current level of assurance on SAF Mandate reporting data sufficient for accurately determining individual levy contributions?

Disagree

As we note in our response to Q1, 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.

Recognising the complexities of the supply chain, we would ask that the location of where the fuel is sold for the purposes of the levy is subject to further consultation.

This significantly reduces the assurance requirements on the volumes reported for the purposes of the SAF RCM levy scheme. We would ask that verification options on volumes are subject to further consultation.

For the avoidance of doubt, the SAF mandate itself should still require the current, robust, level of assurance, and should not be diluted by any requirements for the SAF RCM levy scheme.

Question 3

Do you agree with the minimum threshold for the levy, and should any other exemptions apply?

This is not a significant concern for aviation fuel suppliers.

Due to the significant complexities in supplying aviation fuel, fuel suppliers will be supplying volumes in excess of those in the SAF mandate. As long as all aviation fuel volume is subject to the same unit rate levy, set for a specified period of time, then we do not foresee any issues with a minimum threshold.

Question 4

Do you agree or disagree with the options assessment summarised in Table 1?

No firm view

Table 1 provides a reasonable summary of the options and their associated impact as they are largely applied to the electricity sector. However, the aviation fuel supply sector is significantly different, with a fewer number of suppliers and alternative arrangements for market access.

As we note in our response to Q1, 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.

Recognising the complexities of the supply chain, we would ask that the location of where the fuel is sold for the purposes of the levy is subject to further consultation, including options for volume verification requirements.

With the levy based on a fixed unit rate for a defined period, the assessment (and collection timeframe) can be de-linked without triggering additional risk of errors, manual adjustments proration or need for complex forecasting methods. This is different to the DfT proposals referenced in the consultation, where additional assessment criteria would need to be included, including wider aviation market impact and ultimately cost to consumers.

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.

Finally, the proposals also need 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.

Question 5

Do you agree or disagree with aligning the frequency of assessment periods and collection cycles?

Disagree

As we note in our response to Q1, 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.

Recognising the complexities of the supply chain, we would ask that the location of where the fuel is sold for the purposes of the levy is subject to further consultation.

With the levy based on a fixed unit rate for a defined period, the assessment (and collection timeframe) can be de-linked without triggering additional risk of errors, manual adjustments proration or need for complex forecasting methods. This is different to the DfT proposals referenced in the consultation, where additional assessment criteria would need to be included, including wider aviation market impact and ultimately cost to consumers.

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.

We agree that collection cycles can be on a monthly basis.

We note that this is the principle on how fuel Excise Duty ⁴ is collected; the appropriate rates are set by Treasury on an annual basis through the Budget process and collected (paid) to HMRC on a monthly basis.

To initially build the buffer / reserve, the counterparty should issue a levy rate on volumes ahead of the first RCM supported SAF plant starting production. For example, if the counterparty anticipates a SAF plant to begin production in June 2030, they should issue a levy rate applicable to volumes in January 2030 so that by the expected start-up date a sufficient buffer will have been accumulated. This process of increasing the buffer through planned increases in the levy can be re-used for each subsequent RCM plant entering the start-up process.

Conversely, a reduction in the buffer, resulting from the counterparty underestimating the market SAF price, a SAF plant failure or due to a SAF plant exiting the RCM scheme at the end of its Contracts for Difference (CfD) contract, can be linked with a similar reduction in the buffer size and a corresponding reduction in the levy to accommodate this.

⁴ <https://obr.uk/forecasts-in-depth/tax-by-tax-spend-by-spend/fuel-duties/>

The counterparty should retain the ability to promptly (with a minimum period of a month) vary the levy on a go-forward basis for instances where the market becomes disrupted or volatile. At no point, however, can a retrospective change of applicable levy rate occur.

Question 6

Which assessment period and collection cycle frequency do you think is the most appropriate for the Aviation Fuel Supplier Levy and why?

As we note in our response to Q1, 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.

Recognising the complexities of the supply chain, we would ask that the location of where the fuel is sold for the purposes of the levy is subject to further consultation.

The term “assessment period” in this instance would refer to the specified period of time for which the levy is set, with the assessment based on what funding the RCM requires and projected fuel demand.

The assessment 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.

We agree that collection cycles can be on a monthly basis.

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) week's 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.

Question 7

Which approach would you prefer for the sequencing of the assessment, collection and billing periods and why?

Option B, a lagged approach

This would seem to be the most pragmatic option in this case. However, when using a fixed rate approach, the assessment in this case will relate to the determination what funding the RCM will require and projected fuel demand.

We note the reference to “volatile markets” in section 2.19 of the consultation document. 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)⁵. 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 buffer into the levy to maintain a positive net cash balance in the RCM scheme, then the approaches suggested can be avoided, as well as mitigating delays to collection and billing. For the avoidance of doubt, the establishment of this buffer must be through published levy rates, rather than through a lump sum payment from fuel suppliers (which would effectively amount to a tax on aviation fuel)

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).

⁵ <https://www.gov.uk/government/collections/digest-of-uk-energy-statistics-dukes>

Question 8

Are there any other alternative approaches that should be considered?

As we note in our response to Q1, 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.

Recognising the complexities of the supply chain, we would ask that the location of where the fuel is sold for the purposes of the levy is subject to further consultation.

As we note in our General Introductory Comments, this consultation would appear to be more of a call for evidence rather than a consultation on “minded to” positions. We therefore ask that a further consultation based on “minded to” positions is published prior to the RCM levy being subjected to parliamentary approval. We note that this may lead to a delay in the timetable for the enabling legislation. However, we would also caution that the introduction of similar legislation for the hydrogen and CCUS business models under DESNZ took many years, in excess of that being proposed for the SAF Revenue Certainty Mechanism (RCM).

Question 9

What is your preferred position on the timeframe for the final settlement of a billing period reconciliation exercise and why?

Fuels Industry UK’s strong view is that there should be no such reconciliation processes. As such the question on timeframes for the reconciliation process is irrelevant.

The fee paid to the counterparty should be the only fee payable and there must not be any reconciliation or retrospective adjustment of payments. The use of a buffer or reserve must be sufficient to remove the need for any reconciliation.

The use of retrospective requests for either additional funding, or the return of surpluses in any form creates significant difficulties for fuel suppliers and must be avoided. The costs of the levy must be transparent and clear for all stakeholders.

Question 10

What types of decisions would your organisation use the forecast to support?

As we note in our response to Q1, 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. Under this approach, the role of forecasts would be more limited as fuel suppliers would simply pass through a set rate.

We recognise that the counterparty will need to conduct its own forecasting in order to manage its obligations. This could include forecasting the SAF plant support required and projected fuel demand, amongst other factors. This could also provide some early indication for market participants about future levy rates. However, as per response to Q6 only the final levy rate should be published to avoid any confusion in the market.

Question 11

Do you agree or disagree with the proposal to publish a rolling 12-month forecast?

Disagree

As we note in our response to Q1, 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. Under this approach, the role of forecasts would be more limited as fuel suppliers would simply pass through a set rate.

We recognise that the counterparty will need to conduct its own forecasting in order to manage its obligations. This could include forecasting the SAF plant support required and projected fuel demand, amongst other factors. This could also provide some early indication for market participants about future levy rates. However, as per response to Q6 only the final levy rate should be published to avoid any confusion in the market.

Question 12

In your view, how frequently should the forecast be updated to ensure it remains useful for your business planning needs?

As we note in our response to Q1, 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. Under this approach, the role of forecasts would be more limited as fuel suppliers would simply pass through a set rate.

We recognise that the counterparty will need to conduct its own forecasting in order to manage its obligations. This could include forecasting the SAF plant support required and projected fuel demand, amongst other factors. This could also provide some early indication for market participants about future levy rates. However, as per response to Q6 only the final levy rate should be published to avoid any confusion in the market.

Question 13

What vital information, if any, would you want to see in the forecast?

As we note in our response to Q1, 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. Under this approach, the role of forecasts would be more limited as fuel suppliers would simply pass through a set rate.

We recognise that the counterparty will need to conduct its own forecasting in order to manage its obligations. This could include forecasting the SAF plant support required and projected fuel demand, amongst other factors. This could also provide some early indication for market participants about future levy rates. However, as per response to Q6 only the final levy rate should be published to avoid any confusion in the market.

Question 14

What is your preferred option as a means of mitigating under-collection risk and why?

Option B – Multi-period reserve

As articulated in the consultation document, this option provides greater protection against longer-term fluctuations in costs. It also promotes levy stability and predictability, reducing the risk of significant swings in supplier payment over time. This methodology also allows for potential delays in supported SAF plants reaching beneficial operation, noting the policy intent to support more novel SAF production pathways.

The approach also reduces the risks of under-collection. This is of significant concern to fuel suppliers, particularly where there is a risk that further payments are required in order to keep the counter-party solvent, which cannot be recovered from aviation fuel customers. This retrospective pricing risk would be unacceptable for any responsible and prudent business to operate under, due to the financial risks that it creates. If implemented, this would likely mean a significant increase in compliance costs as this risk would need to be priced into the fuel supply contracts.

We note the comments regarding the collection of additional contingency funds in section 2.31 of the consultation document. As we note in our General Introductory Comments, the consultation appears to be more of a call for evidence than a consultation on “minded to” positions and it is possible that the DfT view on this point has evolved after the consultation document was written. We note that the details of this appear lacking and have significant concerns regarding the implementation of this. It is possibly that this section simply refers to the establishment of an appropriate buffer or reserve; however, we would welcome clarification on this point as a matter of urgency and certainly as part of a future consultation.

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

Question 15

Should other approaches to mitigating under-collection be considered?

Yes

We would strongly recommend the use of Option B to manage under and over collection risks over a number of periods in a fair, transparent and appropriate manner.

Under-collection risks are also mitigated by having a robust and disciplined approach to SAF project funding, which could also include additional measures such as a cap on total expenditure under the RCM. A failure to adequately control spends by effectively managing those projects which are supported, is likely to significantly increase under-collection risks. It is vital that any buffer must only be used to fund the RCM – funds must not be diverted for any other use.

The full design of the SAF RCM scheme needs to be considered and consulted on, rather than just the levy collection side. This should include an appropriate evaluation of the compliance costs for both the counterparty and for fuel suppliers.

The counterparty should also be able to operate with a reasonable reserve and carry this from one year to the next, in order to manage the risks of under-collection. Surpluses should not be viewed as a policy failure, given the need for certainty and transparency as well as avoiding the need for reconciliation and retrospective pricing.

Question 16

In your view, which option do you prefer as a means of managing instances of over-collection and why?

Option A – rolling over and netting over

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 buffer 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 buffer 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 full design of the SAF RCM scheme needs to be considered

and consulted on, rather than just the levy collection side. Provided the scheme is well managed, the interventions needed to make significant reductions (or indeed cease) to collect a fixed unit rate based levy should be rare.

We note that this may lead to a delay in the timetable for the enabling legislation. However, we would also caution that the introduction of similar legislation for the hydrogen and CCUS business models under DESNZ took many years, in excess of that being proposed for the SAF Revenue Certainty Mechanism (RCM).

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 buffer or reserve will be wound down and any remaining funds used at the end of the scheme, noting the difficulties discussed above.

Question 17

What, in your view, is the most efficient way to ensure that over-collected amounts and surpluses are passed through to end users?

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. 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.

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 full design of the SAF RCM scheme needs to be considered and consulted on, rather than just the levy collection side.

Question 18

What, if any, other comments do you have on how over-collection and counterparty surpluses should be managed?

As we note in our response to Q1, 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.

Recognising the complexities of the supply chain, we would ask that the location of where the fuel is sold for the purposes of the levy is subject to further consultation. 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 buffer 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 outlined above 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.

As we note in our Introductory General comments, this consultation only focuses on the levy collection risks. 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. It is vital that any buffer must only be used to fund the RCM – funds must not be diverted for any other use.

The full design of the SAF RCM scheme needs to be considered and consulted on, rather than just the levy collection side. We note that this may lead to a delay in the timetable for the enabling legislation. However, we would also caution that the introduction of similar legislation for the hydrogen and CCUS business models under DESNZ took many years, in excess of that being proposed for the SAF Revenue Certainty Mechanism (RCM).

Question 19

Do you agree or disagree that credit cover should be the primary tool used to manage the risk of supplier default under the levy and why?

Disagree

Credit cover is one option to manage the risk of supplier default. However, this approach will add an additional financial burden onto fuel suppliers and the aviation market generally.

A well-designed levy program however is the best way to mitigate risk, providing the counterparty with the ability to take action before large outstanding amounts due/overdue from suppliers can occur.

Fuel Industry UK's view is that 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 provides appropriate contingency against default risks. In the event of a default the reserve can be drawn down in the short term; rates can then be adjusted to compensate and reestablish an appropriate buffer or reserve.

Taking this into account, the need for credit cover would seem to be an unnecessary complication which imposes an additional burden on fuel suppliers and consequently adds cost to the rest of the sector.

It needs to be recognised that fuel suppliers often have excellent credit ratings in their own right, being large multinational companies with significant reserves significantly in excess of their liabilities under the RCM levy. The need for credit cover therefore needs to be determined on a case-by-case basis and should only be required should the fuel supplier not be of sufficient standing. This approach ensures that fuel suppliers are not unduly burdened given the associated low default risks. Parent company guarantees should also be considered.

Question 20

Do you agree or disagree with the stated assumption regarding acceptable forms of credit cover and why?

Disagree

Fuel Industry UK's view is that 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 provides appropriate contingency against default risks. In the event of a default the reserve can be drawn down in the short term; rates can then be adjusted to compensate and reestablish an appropriate buffer or reserve.

Taking this into account, the need for credit cover would seem to be an unnecessary complication which imposes additional burden on fuel suppliers. There is also no mention of a cap on credit cover guarantees, which effectively imposes an unlimited financial burden on fuel suppliers and is not acceptable.

We note the three criteria for a minimum credit rating in the consultation document. It needs to be recognised that fuel suppliers often have excellent credit ratings in their own right, being large multinational companies with significant reserves significantly in excess of their liabilities under the RCM levy. The need for credit cover therefore needs to be determined on a case-by-case basis and should only be required should the fuel supplier not be of sufficient standing. This approach ensures that fuel suppliers are not unduly burdened given the associated low default risks. If DfT insists on applying credit cover to all aviation fuel suppliers, we would strongly recommend for DfT to include parent guarantees which are more commonly applied in the fuel supply sector

Question 21

How frequently should credit cover be updated and why?

Fuel Industry UK's view is that 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 provides appropriate contingency against default risks. In the event of a default the reserve can be drawn down in the short term; rates can then be adjusted to compensate and reestablish an appropriate buffer or reserve.

Taking this into account, the need for credit cover would seem to be an unnecessary complication which imposes an additional burden on fuel suppliers. It needs to be recognised that fuel suppliers often have excellent credit ratings in their own right, being large multinational companies with significant reserves significantly in excess of their liabilities under the RCM levy. The need for credit cover therefore needs to be determined on a case-by-case basis and should only be required should the fuel supplier not be of sufficient standing. This approach ensures that fuel suppliers are not unduly burdened given the associated default risks.

Question 22

In your view, what approach should be taken to the return of excess credit cover and earned interest on cash credit cover to suppliers?

Fuel Industry UK's view is that 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 provides appropriate contingency against default risks. In the event of a default the reserve can be drawn down in the short term; rates can then be adjusted to compensate and reestablish an appropriate buffer or reserve.

Taking this into account, the need for credit cover would seem to be an unnecessary complication which imposes an additional burden on fuel suppliers. It needs to be recognised that fuel suppliers often have excellent credit ratings in their own right, being large multinational companies with significant reserves significantly in excess of their liabilities under the RCM levy. The need for credit cover therefore needs to be determined on a case-by-case basis and should only be required should the fuel supplier not be of sufficient standing. This approach ensures that fuel suppliers are not unduly burdened given the associated default risks.

Question 23

Do you agree or disagree that mutualisation should be used as a backstop measure, to cover unpaid amounts, when a supplier defaults and their credit cover is insufficient and why?

Disagree

Mutualisation creates the need for retrospective recovery of funds from fuel suppliers that cannot be recovered and so may lead to businesses suffering significant adverse financial impacts. As such it represents an unacceptable business risk for many companies and must be avoided to ensure that the UK continues to be an attractive place for fuel suppliers to invest.

Fuel Industry UK's view is that 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 provides appropriate contingency against default risks. A well designed and well managed scheme could even limit monies outstanding at any time by individual suppliers to their 'share' of the buffer. In the event of a default the reserve can be drawn down in the short term; rates can then be adjusted to compensate and reestablish an appropriate buffer or reserve.

Question 24

What, if any, additional proposals do you have to manage supplier default risk under the scheme?

Mutualisation creates the need for retrospective recovery of funds from fuel suppliers that cannot be recovered and so may lead to businesses taking significant adverse financial impacts. As such it represents an unacceptable business risk for many companies and must be avoided to ensure that the UK continues to be an attractive place for investment.

Fuel Industry UK's view is that 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 provides appropriate contingency against default risks. In the event of a default the reserve can be drawn down in the short term; rates can then be adjusted to compensate and reestablish an appropriate buffer or reserve.

Given that it will be the same commercial entities operating under the SAF mandate, and the RCM levy, one option that could be considered is to impose restrictions on the SAF mandate if there is non-compliance under the SAF RCM levy. For example, participants could be excluded from selling SAF mandate certificates if they are deficient under the SAF RCM levy requirements.

The use of a monthly, rather than quarterly or annual collection process also reduces the risk of mutualisation by reducing credit exposures.

Other options to address the risk of a supplier defaulting on their payment may include charging interest on late payments and making payment of the levy a pre-condition to operating in the market along the lines of that mentioned above.

Question 25

What, if any, suggestions do you have on how to ensure that mutualisation is implemented fairly and proportionately?

Mutualisation should be avoided at all costs within the scheme design.

Expecting other market participants to take on risks outlines that there is an expectation of scheme and/or supplier failure. Market conditions may exacerbate a supplier failure, and such conditions may be impacting other market participants. The proposed need for mutualisation suggests a fundamental flaw/lack of confidence in the scheme to operate successfully as outlined.

Mutualisation creates the need for retrospective recovery of funds from fuel suppliers that cannot be recovered and so may lead to businesses taking significant adverse financial impacts. As such it represents an unacceptable business risk for many

companies and must be avoided to ensure that the UK continues to be an attractive place for investment.

Fuel Industry UK's view is that 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 provides appropriate contingency against default risks. In the event of a default the reserve can be drawn down in the short term; rates can then be adjusted to compensate and reestablish an appropriate buffer or reserve.

The impact of major shocks on the SAF RCM levy, such as demand shocks (as experienced during the COVID-19 pandemic) or price shocks (such as a sudden collapse in SAF prices) needs to be adequately considered. These could potentially increase the risk of mutualisation being required. The full design of the SAF RCM scheme needs to be considered and consulted on, rather than just the levy collection side.

The use of a monthly, rather than quarterly or annual collection process also reduces the risk of mutualisation by reducing credit exposures.

Question 26

Do you support or oppose the use of compliance notices as a formal mechanism to address supplier non-compliance?

Support

This seems to be a reasonable approach.

However, we note the lack of formal enforcement actions needed under the RTFO and SAF mandate to date. Given the fact that largely the same entities would be involved in the RCM levy collection, we do not anticipate that there will be a significant need for non-compliance mechanisms to be used in practice.

We agree that processes need to be formal, documented and followed; a failure by the counterparty to follow appropriate procedures could result in substantial individual supplier debts being built up.

Question 27

Do you agree or disagree that the counterparty should report regularly on compliance and enforcement actions?

Agree

This seems to be a reasonable approach.

However, we note the lack of formal enforcement actions needed under the RTFO and SAF mandate to date. Given the fact that largely the same entities would be involved in the RCM levy collection, we do not anticipate that there will be a significant need for non-compliance mechanisms (including reporting) to be used in practice.

Question 28

What, if any, further comments do you have on the proposed arrangements for administration, compliance, enforcement, and appeals for the levy?

We have no further comments at this time, other than to reiterate that, given experience in the RTFO and SAF mandate, that we do not expect there to be a significant need for compliance, enforcement and appeals for the levy.

Given that it will be the same commercial entities operating under the SAF mandate, and the RCM levy, one option that could be considered is to impose restrictions on the SAF mandate if there is non-compliance under the SAF RCM levy. For example, participants could be excluded from selling SAF mandate certificates if they are deficient under the SAF RCM levy requirements.

In terms of administration, we would ask that the costs of the counterparty itself are kept as low as possible. The related roles are likely to be mainly administrative in nature, relating to the calculation, collection and distribution of the levy funds themselves. There should not be a duplication of resource between the counterparty and the low carbon fuels teams at the DfT.

Question 29

What, if any, further comments do you have regarding the design of the levy?

SAF project concerns:

In addition to our comments in previous questions, 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. This should ensure that further support is made in the most effective manner. This could also include a cap on the total spend to SAF producers under the RCM scheme.

We note the difficulties in attracting investment in the UK, due to high energy costs⁶, significant carbon costs, uncompetitive labour costs, complex and burdensome planning rules as well as high levels of regulatory burden. These should be addressed as part of a wider government strategy on attracting inward investment and may reduce the need for the introduction of an RCM.

We note that SAF producers supported by the RCM could potentially export their lower carbon fuels, giving no benefit to UK fuel supplies or resilience. We would ask that this is clarified in the development of the RCM scheme.

The RCM scheme could be designed to ensure that exports of SAF are not eligible for support by the RCM. In a similar way, and to create a level playing field, exports of UK produced fossil aviation fuel must be exempted from the levy.

HEFA Cap and Cover Crops:

Looking at the expected timetable for implementing the SAF RCM scheme, and the resulting construction and commissioning of appropriate UK production facilities, we would not expect these to be in place until 2030 at the earliest.

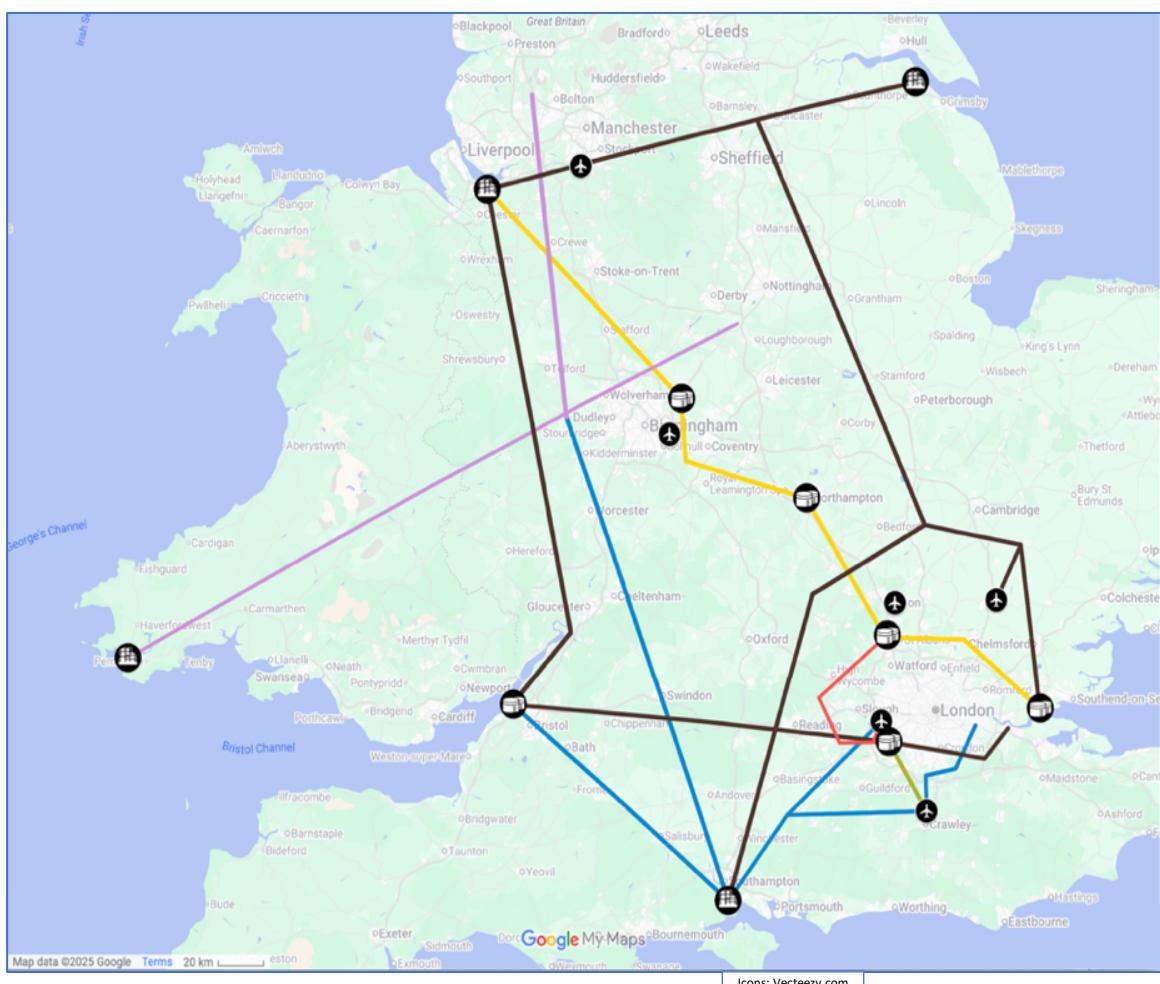
This potentially reduces the availability of non-HEFA SAF to UK fuels suppliers, to allow them to meet the appropriate targets under the SAF mandate and increases the risk of buy-out.

The HEFA cap may need to be reviewed and potentially revised, in light of this to ensure that the SAF mandate can be met with available SAF. Unless sufficient non-HEFA becomes available in the market, buy-out payments and levy should not apply at the same time. DfT should consider whether buy-outs in this case could be used to help fund the RCM rather than be used as general taxation. To address the risk of non-HEFA not becoming available in time, DfT should also consider the inclusion of cover crops in the SAF Mandate above the HEFA cap.

⁶ <https://iea.org.uk/were-number-one-in-unaffordable-electricity/>

Supply Chain Complexity:

The fuel supply chain from a refinery or import terminal to the airports is extremely complex, containing multi-product pipelines ⁷ where the removal and recovery of interface material is routine, the marking of fuel to provide kerosene for heating applications ⁸, and storage comingled between different fuel suppliers ⁹. 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 another ¹⁰.

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>

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). The DfT's approach to the SAF mandate is significantly more complex than the RTFO; In-supply chain mass balances, required for providing sustainability data to aircraft operators and associated loss/gain tracking, required for this purpose and the SAF mandate significantly increases complexity. Therefore, physical volumes of SAF in any reporting period are unlikely to match that booked via movements from and between mass balance locations.

Combined, the factors outlined above would make the proposal to place the levy on fossil volumes impossible to implement in practice.

Further SAF RCM levy concerns:

We remain concerned that the WTO concerns raised in the 2024 RCM consultation¹¹ have not been addressed or answered in the UK government responses so far and ask that this clarification is provided as a matter of urgency.

Transparency in approach is also vitally important, ensuring that aviation passengers are aware of the additional costs they incur as a result of UK government support for the UK SAF production industry.

The UK needs to be seen as an attractive place to invest. While the SAF RCM levy may work for small SAF producers, it may deter wider investment in decarbonisation and should not be looked at in isolation. The overall, wider impact of additional levies needs to be carefully considered and developed in order to avoid this unintended consequence.

Definitions and Terminology:

The definition of "relevant aviation fuel volumes" is not provided in the consultation. We note from section 2.2 that the Government's preferred approach is to calculate supplier contributions based on their market share of fossil aviation fuel—defined in this consultation as "for the purposes of the levy, includes fossil avtur, non-SAF portions of partial-SAF, and aviation fuels not meeting SAF sustainability criteria." This definition appears to be the same as that used in the SAF mandate legislation and guidance documents for "obligated amount" or "obligated fuel".

We also note that, unlike the SAF mandate, this consultation does not specify the point in the supply chain at which these "fossil aviation fuel" volumes will be measured.

¹¹ <https://www.fuelsindustryuk.org/media/211jbzhv/fuels-industry-uk-saf-revenue-certainty-response-final.pdf>

We are concerned that inconsistent terminology and definitions are being used in the RCM levy compared to the SAF mandate legislation and guidance. This inconsistency and lack of detail create confusion and undermines clarity in the design and operation of the levy mechanism. Given the closeness of the two schemes, we strongly urge the DfT to define and apply consistent terminology across both the SAF mandate and the RCM levy.

For illustration, we have highlighted some differences in these definitions below

- This consultation definitions include “Fossil Aviation Fuel: For the purposes of the levy, includes fossil avtur, non-SAF portions of partial-SAF, and aviation fuels not meeting SAF sustainability criteria”.
- This definition seems to be the same as the “obligated fuel” as defined in the SAF mandate
- This consultation uses the term “relevant aviation fuel volumes” but is not defined in this consultation and is very similar to the term used in the SAFM legislation which has a specific definition (different to the fossil aviation fuel definition in this consultation (above)).
- The SAF mandate (SAFM) legislation defines “relevant aviation turbine fuel” as “aviation turbine fuel owned by a supplier at the assessment time and supplied by that supplier at, or for delivery to, places in the United Kingdom”.
- The SAF Mandate guidance document uses the term “obligated fuel” and describes this as “fossil aviation turbine fuel and unsustainable SAF”.
- Paragraphs 6 & 8 of the SAFM legislation detail how the obligated amount is calculated using the notional amount of relevant aviation turbine fuel which the supplier has supplied during the obligation period
- The SAF mandate (SAFM) legislation and guidance documents also define and use the term assessment time / assessment point.
- The assessment time / point is effectively the duty point for aviation turbine fuel and the point in the supply chain where the volumes are calculated.

Risks to UK Competitiveness, Domestic Fuel Sector and Energy Security:

We urge the Government to carefully reconsider the implications of the proposed RCM levy on UK competitiveness, the domestic fuel sector and energy security. The UK imported around 70% of its ~12 million tonnes per annum aviation fuel demand, primarily from the Middle East and India in 2024, and we expect this percentage to increase further in the 2025 data. Introducing this levy on fuel suppliers to support a nascent, yet-to-exist SAF industry risks undermining an established and strategically important refining sector, already under severe pressure, as evidenced by the recent closures of the Lindsey and Grangemouth refineries. With only four UK refineries remaining, the country is moving toward even greater import dependency, heightening vulnerabilities in energy security.

Attachment 2: Letter to Dave Buttery 15th December on RCM concerns



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15th December 2025

Re: SAF Revenue Certainty Mechanism Levy Design

Dear Dave,

Following a number of engagements with officials in your team over recent months as part of the Sustainable Aviation Fuel (SAF) Revenue Certainty Mechanism (RCM) levy design consultation, I am writing to express our significant concerns about the proposals for the operation of the SAF RCM levy and to ask for your help to resolve them. We have spoken to Raja Nadarajan today and are looking to arrange a further session with him and our members in mid-January 2026 with the hope that we can secure a commitment to the alternatives we have proposed. However, I would like to discuss these before you attend the Fuels Industry Council meeting on the 29th of January 2026.

Our members are united in their concerns with emerging proposals which give rise to significant financial risks for fuel suppliers. The cumulative impact is to place the entirety of the financial risk for the operation of the scheme on suppliers of fossil aviation fuel, including UK refiners who are already operating in a hostile operating environment. Conversely, there does not appear to be any downside risk for the scheme counterparty (the Low Carbon Contracts Company), or UK SAF plants supported under the RCM. This approach seems massively unfair and not in line with the DfT's published principles of the levy being passed through.

We have particular, and major, concerns about the proposals in four areas:

- 1) We understand that "forecast" levy prices may be published by the LCCC to be referenced in contracts from fuel suppliers as a transparent means of passing costs through the supply chain. However, the actual levy costs incurred by the LCCC will be different to these, and the reconciliation process would lead to different costs being charged to fuel suppliers. As the fuel will have been sold on

the forecast, rather than later adjusted costs, there is no means of recovering any subsequent cost increase from aviation users. We would request that a single cost is published for a given period, which is then not changed in the future; this can be referenced in supply contracts ensuring a transparent pass through of RCM costs.

- 2) We understand that the LCCC will look to establish a reserve, which we agree is beneficial. We understand that the current proposal is that they do this by charging fuel suppliers a one-off fee, however we believe a transparent levy structure would be better. Partly because the current proposal would make it impossible to recover these additional costs from the market, effectively becoming an aviation fuel tax. We would ask that any fees referenced in 1) above include additional sums which are used to build up the reserve.
- 3) We note that if in the future the reserve becomes too large (for example if supported UK SAF plants take longer to commission than expected) then the LCCC may look to return some funds to fuel suppliers. This approach would be problematic, both politically and in practice, given that it is being funded by aviation users. We would ask that future levy prices are instead reduced to manage the reserve downwards, rather than returning money to fuel suppliers.
- 4) The levy will be charged on fossil aviation fuel volumes, rather than total aviation fuel volumes; this has two effects. The first is that the volume of sustainable aviation fuel supplied can take a number of months to be verified (in line with the required SAF mandate methodology) leading to extensive delays in the RCM charging process described. The second is that if SAF supplied in good faith is later found to not qualify under the SAF mandate, due to issues with the sustainability information (often out with the fuel suppliers control), then the SAF will then be counted as fossil) and incur an additional levy charge. We would ask that any scheme take these issues into account and be as simple as possible.

These combined issues are likely to make future investment in UK aviation fuel suppliers more challenging, noting that in 2025 we expect around 80% of aviation fuel volume to be imported. They are also likely to significantly increase the cost of UK aviation fuel. Both effects reduce UK competitiveness and could be avoided. Increased aviation fuel costs also increase the risk of commercially driven aviation fuel tankering (where aircraft are fuelled outside of the UK for the return journey), increasing global emissions.

Fuels Industry UK's view is that should a SAF RCM levy be created, it should operate under the following principles: clarity; transparency; simplicity; and fairness. We cannot see that the current proposals comply with these principles - and we would encourage the DfT to review their approach against these. In particular we would encourage as simple and transparent an approach as possible, avoiding many of the complexities which seem to be present in the current proposals.

Although we plan to provide a detailed response to the current SAF RCM levy consultation, the proposals referred to in this letter have emerged in discussions with officials since the consultation was published. It is our view that a further consultation is required on DfT's detailed "minded to" positions so that the proposals can be communicated clearly and their impact fully assessed in a transparent way. There are significant risks to all parties involved if this is not done.

I look forward to speaking to you soon.

Yours sincerely,

Elizabeth de Jong

Elizabeth De Jong

Chief Executive Officer, Fuels Industry UK

cc Raja Nadarajan and cc Simon Masterson DESNZ