

Airlines UK response to call for written evidence:

Sustainable Aviation Fuel Bill

June 2025

Airlines UK is the association for UK airlines, with members including 2Excel, Ascend Airways, AirTanker, British Airways, DHL, Eastern Airways, easyJet, European Cargo, FedEx, Jet2.com, Loganair, Norse Atlantic, One Air, RVL Aviation, Ryanair, TUI Airways, Titan Airways, UPS, and Virgin Atlantic.

UK airlines welcome the publication of the Sustainable Aviation Fuel Bill. This represents an important step towards delivering net zero carbon UK aviation by 2050, a sectoral commitment. The Bill would introduce powers to enable the Secretary of State to designate a Government-owned company as the counterparty and to direct the counterparty to enter into revenue certainty contracts with SAF producers. Whilst we have strong views as to the importance of the agreed scheme design and its funding mechanism, we understand these will be determined to a large degree via secondary legislation, and do not support or recommend any amendments to the Bill at this stage.

The importance of Sustainable Aviation Fuels (SAFs):

SAF is critical to aviation's net zero pathway, as the technology that will deliver proportionately the greatest reduction in emissions by 2050, in what is a hard to abate sector. SAF can achieve an average of over 70% greenhouse gas emissions savings on a lifecycle basis. It can be made in a variety of different ways, for example from used cooking oil, household waste and agricultural and forestry waste, and must meet strict (internationally recognised) sustainability criteria. The technology is ready now, as SAF is a "drop-in fuel" without the need for changes to existing engines or fuel infrastructure.

The importance of SAF as 'a growth opportunity for the UK through their critical role in decarbonising aviation' is referenced explicitly within the recently published Industrial Strategy¹. A domestic UK SAF industry could support around 10,000 new jobs by 2030 - and up to 60,000 by 2050 - in areas including Humberside, Teesside, the North West, Wales and Scotland, incentivising billions of pounds of investment into former UK industrial heartlands².

Why a Revenue Certainty Mechanism (RCM) is needed:

UK airlines support the RCM as a critical tool to help deliver investment in First-Of-A-Kind UK SAF production facilities, those that will produce so-called 'advanced' SAF, also known as '2G' and '3G' SAF.

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https://assets.publishing.service.gov.uk/media/6858622776eec44bf9d71dcf/industrial_strategy_advanced_manufacturing_sector_plan.pdf

² https://www.sustainableaviation.co.uk/wp-content/uploads/2023/04/SA9572_2023CO2RoadMap_Brochure_v4.pdf

Advanced SAF is made using more challenging but scalable feedstocks, such as municipal solid waste, forestry, and industrial wastes, and captured carbon and green hydrogen (for 3G). The UK has huge potential for each of these pathways, but they are nascent. First generation 'HEFA' SAF is most available, but less scalable and uses feedstocks like used cooking oil. HEFA use is capped under the UK SAF Mandate, recognising the need to encourage the other, more advanced, and scalable pathways – and the potential advantages of being 'first movers' in this space.

Advanced SAF is subject to a sub-mandate in the UK - reaching around 300k tonnes in 2030. However, currently there is no UK production and little production overseas available to import. A number of UK facilities are planned, but none have yet reached Final Investment Decision (FID). A major hurdle is investor uncertainty around First-Of-A-Kind plants, alongside the lack of a clear market price on which to make investment decisions, plus competition for capital with other emerging low carbon technologies.

The RCM will deliver much of this certainty, helping planned UK facilities become operational and produce advanced SAF, whilst supporting Mandate compliance and progress towards the sector's net zero future.

RCM scheme design will be critical to keep UK aviation competitive:

The RCM will be funded via an industry levy on fuel suppliers - whose costs will pass through to airlines and airline customers. It must, therefore, strike the right balance between supporting projects whilst doing so at as low a cost as possible to airlines and passengers. This means controlling costs/liabilities through:

- Scheme design - i.e. how many projects are supported, at what SAF volumes and at what agreed strike price, and;
- Ensuring transparency and safeguards in the funding mechanism, to ensure fairness for airlines and our customers

The RCM cannot be a blank cheque for producers. It must strike the right balance between enabling fuel supplier compliance with the mandate (they are the mandated party – not airlines), without locking-in higher SAF costs over the long-term. To achieve this, the RCM:

- Should not seek to cover the entirety of the 2G SAF volume requirement in 2030 (i.e. meaning a proportion of mandated 2G SAF volumes would fall outside the RCM) in order to retain competition between projects and support fair price discovery (i.e. the process of determining the prevailing market or 'reference' price for 2G, which is not yet established)
- Project allocation should then be a competitive process between bidders for RCM support, to deliver the most competitive strike price (i.e. what successful projects would be paid for their SAF, in relation to the reference (or prevailing market) price)

The Government has estimated that the potential impact of the RCM on ticket prices per passenger will be minimal. However, this is subject to uncertainty and wide assumptions, including the market price of SAF in years to come, the availability of imports and volumes covered by the scheme.

Ultimately, a well-designed RCM can play a vital part in supporting a decarbonising and competitive UK aviation sector, whilst creating a new UK industry and thousands of UK jobs. By contrast, a poorly designed RCM risks generating higher costs, either through failing to support projects quickly

enough or by locking in high and uncompetitive prices over the long-term, putting UK aviation at a major competitive disadvantage.

UK airlines are calling for:

- We support the Sustainable Aviation Fuel Bill and do not suggest amendments at this stage.
- We seek delivery of the RCM as quickly as possible, to support UK advanced SAF production and help ensure the UK SAF Mandate can be delivered competitively.
- The Bill must ensure that the RCM delivers value for money for UK airlines and customers, including through the parameters that are set that will determine final scheme design and its funding mechanism.

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