Carbon Neutral Fuels

To: scrutiny@parliament.uk
Subject: Written Evidence - Sustainable Aviation Fuel (Revenue Certainty Mechanism) Bill
Date: 3rd July 2025

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1. **Carbon Neutral Fuels Ltd** is a UK-based developer of Sustainable Aviation Fuel via the Third Generation "Power-to-Liquid" pathway. As a Department for Transport Advanced Fuels Fund competition winner, we are currently progressing a commercial-scale project in Workington, Cumbria.

2. Representing a capital investment of ~£1 billion, this facility will produce 25,000 tonnes of SAF per year from 2031—equivalent to approximately 35% of the UK's mandated Power-to-Liquid SAF supply for that year. Our process uses low-carbon electricity, captured CO_2, and green hydrogen, delivering a lifecycle CO_2 reduction of 90% relative to fossil kerosene—an essential carbon reduction contribution in a sector where emissions are still rising.

3. We strongly support the Sustainable Aviation Fuel Revenue Certainty Mechanism (**RCM**) Bill and welcome the Government's commitment to introduce a Contracts-for-Difference (CfD)-style mechanism for SAF. This measure is essential for enabling project developers like ourselves to raise infrastructure finance—particularly the long-term debt required to reach Final Investment Decision (FID) on capital-intensive SAF projects.

4. Key Points

4.1. **The SAF Mandate alone is insufficient**

4.1.1. While the UK's SAF mandate sets an ambitious trajectory, it does not provide the price stability or guaranteed offtake required by investors and lenders. Like CfDs in the renewable electricity sector, revenue certainty is vital to unlock investment at this level.

4.2. **No projects in Europe have taken FID**

4.2.1. Transport & Environment has identified 41 large-scale SAF projects announced across Europe, yet none has reached FID due to revenue uncertainty. If implemented swiftly and inclusively, the RCM could position the UK at the forefront of SAF production.

4.2.2. [Source: T&E Report, April 2025 – https://www.transportenvironment.org/uploads/files/202504_e-kerosene_report.pdf]

4.3. **The mechanism must include both 2nd and 3rd generation SAF**

4.3.1. We welcome the Government's stated intention to focus initial support on non-HEFA fuels. It is critical that both pathways are included:

4.3.1.1. **2nd generation SAF** – derived from municipal solid waste, biomass, or other non-food waste feedstocks

4.3.1.2. **3rd generation SAF (e-fuels / RFNBOs)** – derived from green hydrogen and captured CO_2 using low-carbon electricity.

4.4. **The mechanism must include 3rd generation SAF in the first allocation round**

4.4.1. 3rd generation SAF offers the highest potential for greenhouse gas reductions with minimal environmental impact, and does not compete with food crops or rely on limited waste feedstocks.

4.4.2. Excluding third generation SAF would:

4.4.2.1. Prevent the UK from developing a resilient and diverse SAF supply base;

4.4.2.2. Miss an opportunity to create a UK manufacturing base that can service both the UK and EU markets;

4.4.2.3. Cede technological and industrial leadership to other nations;

4.4.2.4. Make the UK dependant upon imports of a fuel likely to be in short supply due to EU targets.

4.4.3. Notably, over 50% of the DfT's latest Advanced Fuels Fund competition is earmarked for 3rd generation SAF projects. Including these fuels in the first RCM allocation round would align with existing government policy to develop an indigenous SAF supply chain and enable funded projects to reach Final Investment Decision.

4.5. **3rd generation SAF requires additional pricing support**

4.5.1. Currently, third generation SAF production costs exceed the UK SAF Mandate's buy-out price. This creates a disincentive for obligated parties to procure it, encouraging payment of the buy-out fee instead.

4.5.2. The RCM must allow strike prices above the buy-out level for third generation SAF—or alternatively, the buy-out price must be increased.

4.5.3. Without this, the mechanism will not support the very fuels identified as strategically important. Without targeted support, e-fuels will not be produced in the UK, and we will become dependent on imports.

4.6. **Support contract lengths up to 15-20 years**

4.6.1. SAF production assets are major infrastructure projects with typical lifespans of at least 20 years. To support bankability and long-term debt financing, RCM contracts should allow flexible durations of 15–20 years. Ten years or less may not provide sufficient revenue certainty for project finance structures.

4.7. **Timely implementation is critical**

4.7.1. We urge the Committee to recommend that the first allocation round be operational in 2026 as currently proposed, with clarity on strike price setting methodology and contract bankability. Without this, project development risks stalling.

5. Conclusion

5.1. We welcome this Bill as a foundational pillar for the UK's SAF industry. To succeed, the Revenue Certainty Mechanism must:

5.1.1. Be swiftly implemented;

5.1.2. Include both 2nd and 3rd generation SAF;

5.1.3. Provide additional pricing support for 3rd generation SAF - either by amending the SAF Mandate or allowing strike prices above the buy-out price;

5.1.4. Support contract durations of 15-20 years.

5.2. The UK has a unique opportunity to lead Europe in SAF production. The RCM can unlock billions in private investment, create highly skilled jobs, and deliver meaningful emissions reductions in a sector that is seeing emissions rising whilst other sectors fall.

5.3. We would be pleased to provide further information or oral evidence if helpful.

Yours sincerely,

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