Written evidence submitted by the Exolum to the Sustainable Aviation Fuel Public Bill Committee (SAFB14)

Relevance: Exolum North-West Europe

1. Exolum is a global leader in energy logistics. In the UK, Exolum stores and delivers aviation fuel for 40% of flights leaving the country each year, via a 2,000km aviation fuel pipeline network with 22 fuel storage facilities. As such, this infrastructure will play a critical role in the UK's sustainable aviation fuel (SAF) supply chain.
2. This network provides all the fuel for Manchester and Stansted Airports, approximately half of fuel for Gatwick Airport and approximately a third of the fuel for Heathrow Airport. It also provides fuel, via associated road loading facilities, for regional airports such as Liverpool, Exeter and Bristol Airports. It also supplies Ministry of Defence bases around the country.
3. Exolum has a strong track record of investing in UK energy infrastructure, having invested £500million since 2015. It already plans to invest a further £250million in the UK in the next five years.
4. 2024 data shows that transporting SAF via Exolum's UK pipeline network incurs just 0.5% of the carbon emissions associated with transporting SAF via road tanker transport. For one road tanker load, SAF transported the distance between the two extremities of Exolum's pipeline network would save the carbon emissions equivalent to a flight from London to New York for one passenger[1].
5. As a UK aviation fuel pipeline operator, Exolum is unique; it does not refine or produce aviation fuel or SAF. It is focussed on providing the most economic and carbon-efficient delivery of SAF to the aviation fuel market, from the widest possible range of producers.
6. Exolum's network therefore acts as a crucial route to market for would be UK SAF producers, who are unlikely to own and operate their own logistics infrastructure, providing them with significant market-reach via a geographically dispersed network with multiple points of entry and exit for SAF and blended SAF products.

The importance of SAF blending to the Sustainable Aviation Fuel Bill

7. Under the government's plans to enact the powers in the Sustainable Aviation Fuel Bill, a SAF producer will receive 'top-up' payment (via a Revenue Certainty Mechanism) to produce a synthetic blend component that is sold to aviation fuel suppliers. This component must be blended with conventional aviation fuel to be used as 'drop-in' SAF in aircraft.
8. Dedicated, strategically located SAF blending capacity, as part of the UK's aviation fuel pipeline and delivery networks, is therefore required to enable SAF producers to bring their product to market and receive the intended subsidy. Investment in SAF blending capabilities and infrastructure is a crucial enabler of domestic SAF production in the UK.
9. Existing aviation fuel logistics infrastructure is optimised for conventional fuels, with SAF blending capacity requiring investment in specific handling, segregated storage capacity and supporting infrastructure, and specialised blending capabilities and equipment.
10. Exolum is currently developing investment plans for this blending infrastructure at strategic locations on its pipeline and storage network. However, logistics infrastructure investors typically have lower risk appetites than SAF production investors, requiring more detailed, verifiable information on expected volumes and locations of fuels before they will invest in ahead of anticipated need.

[1] Based on a round trip of 736km by road tanker wagon between Redcliffe Bay and Killingholme, emitting 1.2kg CO_2e per km.

11. The nascent nature of the SAF market, with a lack of historic data on SAF volumes and clarity of production project locations, makes investment in this blending infrastructure a risky proposition, with potential impacts on the goal of the Sustainable Aviation Fuel Bill.

Risks, solutions & benefits

12. The following table summarises the aforementioned risks in more detail, Exolum's suggested objectives for government policy interventions to address those risks, and the wider benefits of those interventions, in terms of SAF market development.

Risks associated with the status quo	**Objectives for policy interventions to support SAF blending**	**Wider benefits of policy interventions on SAF blending**
SAF producers cannot deliver their product efficiently to market, due to bottlenecks, potentially leading to price spikes and hampering efforts to establish and then scale an internationally competitive UK SAF production industry.	Sufficient SAF blending capacity is available, avoiding the potential for bottlenecks that prevent SAF product delivery and so revenue for producers.	Adequate SAF is available to the market, reducing the possibility for unnecessary SAF price increases due to supply bottlenecks, which also reduces the cost of subsidy paid to SAF producers, via the Revenue Certainty Mechanism, for airline ticket payers.
Lack of clarity of SAF blending locations makes it harder for SAF producers to access a significant portion of the UK market via an independent route and on the best possible terms and conditions.	SAF producers have the clarity needed to prioritise project locations close to blending hubs, providing them with market access to c. 40% of the UK aviation fuel market.	SAF production market has the widest possible number of buyers and sellers, by supporting access to a significant portion of the market, leading to greater competition and innovation, supporting international competitiveness of domestic production whilst driving down SAF costs for airline ticket payers.
SAF is transported and stored in a carbon inefficient way, such as by road tanker, undermining the environmental credentials of SAF and its contribution to carbon emissions targets.	SAF producers, through their contracted aviation fuel suppliers, are appropriately rewarded by the SAF Mandate market for supporting an environmentally superior means of transporting SAF to market.	Aviation fuel suppliers, and so SAF producers, can realise additional value by claiming the reduced carbon emissions associated with pipeline transportation, under the SAF Mandate. SAF makes an even greater contribution to reducing carbon emissions than otherwise would be the case, enabling the sustainable growth of aviation in the UK.

Points to raise in relation to the Sustainable Aviation Fuel Bill

13. Government policy currently is focussed on the production and demand sides of the UK SAF market, but as this short paper sets out, there is the opportunity for greater policy focus on the crucial, midstream section of the market.

14. Either alongside or part of the Sustainable Aviation Fuel Bill, greater clarity is required on what measures the government may consider, to support investment in SAF blending infrastructure.

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