SUSTAINABLE AVIATION FUEL: UK SAF MANDATE AND REVENUE CERTAINTY MECHANISM

The UK's new SAF Mandate came into effect on 1 January 2025, following an extensive consultation process and much anticipation. The SAF Mandate is expected to unlock investment in the sustainable aviation fuel (**SAF**) supply chain, including production projects, by legally mandating gradually increasing levels of demand from jet fuel suppliers across the UK's aviation industry.

The Government also recently confirmed details of the proposed SAF Revenue Certainty Mechanism (**RCM**) for producers in the UK. Framework legislation was proposed to Parliament on 14 May 2025 and is expected to become law by the end of 2026. The RCM is expected to be the final key policy tool designed to kickstart the SAF industry in the UK.

In this briefing, we look at the SAF Mandate and RCM and consider their impact.

Key issues

- The new **UK SAF Mandate** came into effect on **1 January 2025**.
- The SAF Mandate creates **legally binding requirements** for the amount of SAF supplied by jet fuel suppliers in the UK, which will increase gradually over time.
- By **mandating supply**, the SAF Mandate is expected to **unlock investment in the SAF supply chain**.
- The UK's approach shares **similarities with the EU's ReFuelEU Aviation** mandate, but with important differences.
- The UK has also published further details and introduced proposed legislation for the **SAF Revenue Certainty Mechanism**, which will take the form of a **CfD** with similarities to the renewable energy CfD and similar low-carbon schemes.

UK SAF MANDATE

What is the new UK SAF Mandate?

The SAF Mandate is the UK's key policy mechanism to stimulate demand for SAF. It aims to do this by a setting a legal obligation on fuel suppliers in the UK to supply an increasing proportion of SAF over time. Suppliers will be granted tradeable certificates for the SAF they supply in proportion to the GHG emission reductions delivered by that SAF as compared to fossil jet fuel.[1]

To whom does it apply?

Any company that owns and supplies 15.9 terajoules (**TJ**), approximately 460,000 litres, or more of aviation turbine fuel for use in the UK during any year running from 1 January to 31 December, commencing on 1 January 2025, must register for an SAF Mandate account and comply with the requirements of the mandate.

[1] **Source**: https://www.gov.uk/government/publications/about-the-saf-mandate/the-saf-mandate-an-essential-guide#what-is-the-saf-mandate

For suppliers whose obligated amount is between 15.9 TJ and 344 TJ (approximately 10 million litres), there is no obligation on the first 15.9 TJ supplied.[2]

How is SAF defined?

The SAF Mandate defines SAF as fuels that reduce GHG emissions from aviation by a minimum of 40% over the lifecycle of the fuel when compared to standard jet fuel (based on an 89gCO2e/MJ comparator).

The SAF Mandate categorises SAF into three types based on different production pathways:

1. **HEFA** (hydro-processed esters and fatty acids): biofuels developed from oils or fats, such as used cooking oil or forestry residues.
2. **Non-HEFA**: fuels derived from waste or residues, such as municipal solid waste.
3. **PtL** (power-to-liquid): e-fuels made from low carbon power sources, such as renewable or nuclear energy.

Eligible SAF must be made from sustainable sources, wastes or residues and cannot be produced from new food, feed or energy crops.

Where hydrogen is used as an input such that it adds atoms into the final fuel, the hydrogen is considered a "precursor" and it must be derived from an eligible feedstock, which are: residual wastes or residues, recycled carbon fuels (**RCFs**) or low carbon (renewable or nuclear) energy.

Blue hydrogen (derived from fossil gas accompanied by carbon capture) is not currently an eligible feedstock, and therefore if blue hydrogen is used as a feedstock to produce a synthetic jet fuel it would not count towards the SAF Mandate. If a mixture of eligible and ineligible hydrogen is used as a feedstock, it would be possible to create a partially eligible fuel where the eligible proportion counts towards the SAF Mandate.

Detailed technical guidance on the requirements is available here.

How does it work in practice?

The SAF Mandate comprises two components:

1. The **main obligation** requires that 2% of total fossil jet fuel supplied (approximately 230 ktpa) must be SAF in 2025. This will increase annually, reaching 10% in 2030 and 22% by 2040.
2. The **PtL obligation**, which will be introduced in 2028, will require that 0.2% of total jet fuel supplied is PtL SAF, increasing annually to reach 3.5% in 2040. This has similarities to the ReFuelEU Aviation mandate in the EU, which has a sub-obligation for e-SAF, but the UK SAF Mandate's PtL obligation is additional to the main obligation.

The "trigger point" for obligations under the SAF Mandate is the duty point (for jet fuel (avtur) and aviation gasoline (avgas)) or the point of sale (for hydrogen). This approach is aligned with similar legislation in other jurisdictions.

[2] **Source**: Ibid.

The below table shows the detailed trajectories of the two obligations as percentages of both:

- the *total jet fuel demand* (both sustainable and unsustainable) in the UK; and
- a *supplier's obligated fuel amount* (which is the quantity of *unsustainable* aviation fuel supplied), in each year.[3]

Obligation period (1 Jan – 31 Dec)	Main obligation (% total fuel)	Main obligation (% obligated fuel)	PtL obligation (% total fuel)	PtL obligation (% obligated fuel)	Total obligation (% total fuel)	Total obligation (% obligated fuel)
2025	2.00%	2.041%	-	-	2.00%	2.041%
2026	3.60%	3.734%	-	-	3.60%	3.734%
2027	5.20%	5.485%	-	-	5.20%	5.485%
2028	6.60%	7.082%	0.20%	0.215%	6.80%	7.296%
2029	8.20%	8.952%	0.20%	0.218%	8.40%	9.170%
2030	9.50%	10.566%	0.50%	0.556%	10.00%	11.111%
2031	10.25%	11.485%	0.50%	0.560%	10.75%	12.045%
2032	11.00%	12.485%	0.75%	0.850%	11.75%	13.314%
2033	11.75%	13.467%	1.00%	1.146%	12.75%	14.613%
2034	12.50%	14.493%	1.25%	1.449%	13.75%	15.942%
2035	13 50%	15.882%	1.50%	1.765%.	15.00%	17.647%
2036	14.50%	17.344%	1.90%	2.273%	16.40%	19.617%
2037	15.50%	18.856%	2.30%	2.798%	17.80%	21.655%
2038	16.50%	20.421%	2.70%	3.342%.	19.20%	23.762%
2039	17.50%	22.040%	3.10%	3.904%	20.60%	25.945%
2040 Onwards	18.50%	23.718%	3.50%	4.487%	22.00%	28.205%

Additionally, the use of HEFA to meet the main obligation will be capped over time to encourage uptake of more advanced fuels. The **HEFA cap** will begin to take effect on 1 January 2027 and decrease annually so that HEFA can only be used to meet a maximum of 71% of total SAF demand in the UK in 2030 and 35% in 2040. The table below shows the HEFA cap each year expressed as a percentage of the *supplier's obligated fuel amount* under the main obligation.

Obligation period (1 Jan – 31 Dec)	HEFA cap as % of main obligation
2025	No cap
2026	No cap
2027	92.31%
2028	87.88%

[3] **Source:** https://www.gov.uk/government/publications/saf-mandate-compliance

2029	80.49%
2030	74.74%
2031	73.17%
2032	69.09%
2033	65.53%
2034	61.60%
2035	57.78%
2036	53.79%
2037	50.32%
2038	47.27%
2039	44.57%
2040 onwards	42.16%

Fuel suppliers must apply for certificates and provide sufficient evidence that the fuel is eligible and meets the prescribed sustainability criteria. The certificates are tradeable and can therefore be sold to other suppliers.

Certificates from any given year can be carried forward to meet up to 25% of a supplier's obligation during the following year.

Suppliers that are unable to meet the obligation or acquire certificates are able to pay a buy-out price instead, starting at £4.70 per litre for the main obligation and £5 per litre for the PtL obligation. [4]

A key question is whether the Government will be prepared to consider allowing SAF suppliers to use "book and claim" systems such as the RSB Book & Claim Registry or the ISCC Credit Transfer System, for their accounting approach. These methods, which are based on obtaining SAF Certificates, are likely to lead to greater flexibility and lower compliance costs for suppliers than under the current "mass balance" approach. "Mass balance" was chosen as the sole chain of custody method allowed under the current SAF Mandate, as it better enables traceability through the supply chain without sustainability characteristics being detached from the fuel.

How does it affect the RFTO?

As of 1 January 2025, fuel suppliers are no longer able to benefit from support for SAF under the Renewable Transport Fuel Obligation (**RFTO**) scheme, which previously provided certificates for the supply of renewable aviation fuels (and will continue to apply for road transport fuels).

MANDATES IN OTHER JURISDICTIONS

ReFuelEU Aviation

The UK's SAF Mandate has similarities to the EU's binding mandate known as ReFuelEU Aviation, the first phase of which also took effect on 1 January 2025. ReFuelEU Aviation has been implemented through an EU Regulation and is therefore directly applicable to, and binding on, all EU Member States.

[4] **Source**: https://www.gov.uk/government/publications/about-the-saf-mandate/the-saf-mandate-an-essential-guide#what-is-the-saf-mandate

For further detail, see our briefing: [Low-Carbon Fuels: Decoding EU Legislation for the Transport Sector.]

The graph below provides a snapshot of how the UK's SAF Mandate thresholds compare to ReFuel EU Aviation. The EU's requirements are more ambitious from 2035 onwards, although it is important to note that both jurisdictions will be keeping their mandates under regular review as the industry develops, and therefore the requirements may change.

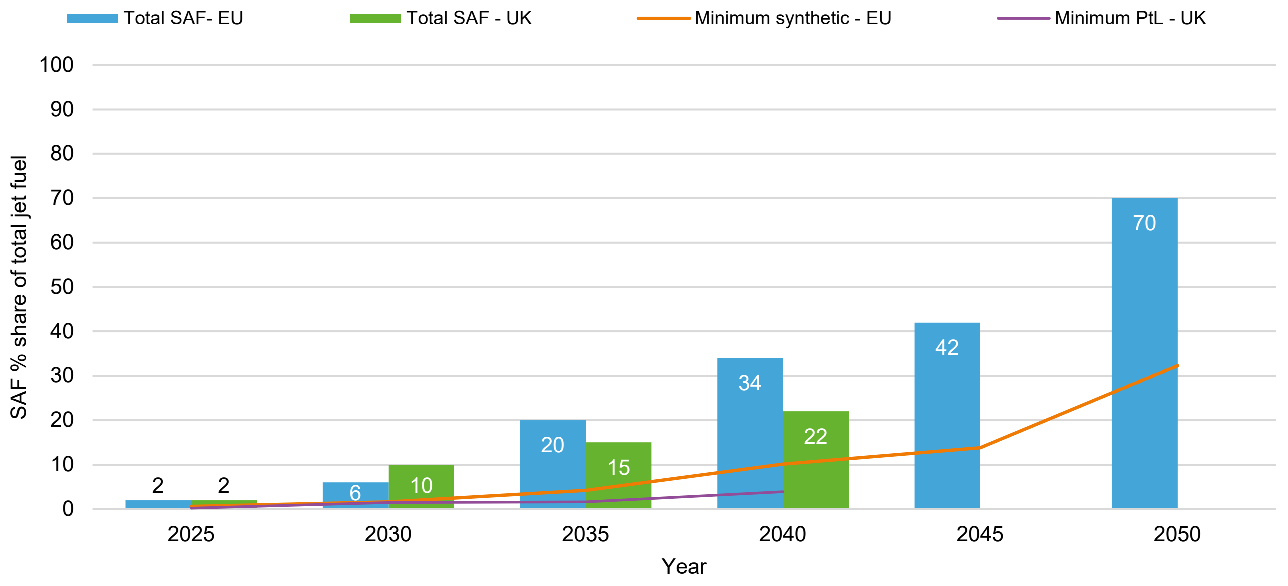

Figure 1: UK SAF Mandate requirements compared to ReFuelEU Aviation.[5]

In addition to the above, another important distiction of the UK SAF Mandate compared to ReFuelEU Aviation is that ReFuelEU Aviation applies both to airlines and fuel suppliers whereas the UK SAF Mandate applies only to fuel suppliers.

Further distinctions include what feedstock and technology can be used to produce eligible SAF for the purposes of ReFuelEU Avaition, which is much more prescriptive compared to under the UK SAF - for example alcohol-to-jet based technologies using bio feedstocks.

US Section 45Z credits

By contrast to the UK and EU, the US has proposed a "carrot" approach of tax credits alongside non-binding targets, rather than the "stick" approach of legally binding mandates. The proposals for the tax credits are still in draft form, and there is uncertainty around whether the new administration in the US will complete or alter the implementation of these proposed credits.

However, if implemented, the regulations would grant SAF producers in the US federal tax credits under Section 45Z of the Internal Revenue Code for each kilogram of SAF produced and sold to an *unrelated person* from 1 January 2025 until 31 December 2027.

The SAF would be required to have a lifecycle emissions rate below 50kgCO_{2e}/MMBtu. The tax credit could be up to $1.75 per gallon (adjusted

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[5] **Source**: https://climatecatalyst.org/learning-hub/sustainable-aviation-fuel-policy-in-the-uk/

annually for inflation) if the facility also meets certain wage and apprenticeship requirements. If those additional requirements are not met, the credit would be reduced by 80%.

The credit would not be stackable with other credits such as the credits under Section 45V (for hydrogen production) or Section 45Q (for carbon capture).

For a recent update, see our briefing: Updated Guidance for Taxpayers Seeking to Claim the Clean Fuel Production Credit under Section 5Z.

Other regions

Other jurisdictions have also announced plans to implement mandates to stimulate SAF production and demand, including Japan and Canda, but the majority of these mandates are not yet fully implemented as of the date of this briefing and the details remain under consultation.

REVENUE CERTAINTY MECHANISM FOR SAF PRODUCERS

To complement the SAF Mandate, the UK is also proposing to implement a Revenue Certainty Mechanism (**RCM**) for UK SAF production projects, and the Government has recently confirmed that this mechanism will take the form of a Guaranteed Strike Price.

The Government's responses to an industry consultation on the proposal were published in January 2025. The responses included confirmation that the Government's intention is that the first tranche of projects to benefit from RCM support will be non-HEFA projects, as the Government's view is that less mature technologies require support more than HEFA.

A response to consultation on funding the levy published on 14 May 2025 has confirmed that the mechanism will be funded by industry participants through a levy on jet fuel suppliers. Suppliers liable under the SAF Mandate will be subject to the levy, and their liabliity will be based on their market share of fossil jet fuel sales. In particular, the Government confirmed that SAF Mandate buy-out funds will not be used to help fund the levy.

Further consultations are planned throughout 2025 around other aspects of the design of the scheme, including on the eligibility criteria for projects applying for the RCM. No final positions have been made on the eligibility criteria thus far, including on whether existing SAF projects will be eligible to apply for the RCM. The Government is expected to engage with stakeholders on these issues throughout the policy design.

The Sustainable Aviation Fuel Bill was introduced to Parliament on 14 May 2025 containing framework provisions to implement the RCM and the levy on suppliers. It is expected to be enacted by the end of 2026.

The RCM will be implemented through private law contracts between a government-backed counterparty and fuel producers, with a similar structure to existing Contracts for Difference (**CfD**) support available for renewable power producers and other low carbon schemes for hydrogen and carbon capture.

SAF developers have reacted extremely positively to this, and expect a decent amount of healthy competition in the early auction rounds for the RCM.

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EXPECTED IMPACT ON THE UK MARKET AND BEYOND

In the immediate term, the UK's SAF Mandate is expected to unlock confidence among the investment community to invest in SAF projects in the UK.

A key issue holding back final investment decisions (**FID**s) for developers has been the difficulty in securing offtakers and a lack of certainty over whether there will be a sufficiently large market of buyers when larger SAF production projects come online in the future, given the high price premium for SAF compared to fossil kerosene and the lack of natural demand among consumers.

The mandate will create immediate demand for SAF by law, as well as certainty around increasing demand over time as the percentage requirements ratchet upwards. This is expected to spur aviation fuel suppliers and users to start signing offtake agreements to secure their supply now and in the future as the mandated requirement increases.

In the longer term, by creating revenue certainty and price stabilisation for producers, the RCM is expected to strengthen the investment case and bankability of production projects further, unlocking equity investment and debt launches for larger projects with a wide range of investors, in a similar pattern to the UK's highly successful renewables CfD programme. That said, in the immediate future, the RCM could have a short term negative impact in that potential SAF offtakers may be more hesitant to enter into long-term offtake arrangements to the extent that they expect to be able to obtain more competitive pricing on projects which will be successfully awarded RCM contracts. However they will still need to weigh this up against the potential exposure of the buy-out price under the binding UK SAF Mandate.

It is worth noting that the SAF, fuel trading and aviation sector has also been petitioning the EU to develop a CfD or similar revenue certainty mechanism for SAF production in the EU, particularly in relation to e-SAF. This is due to the significantly higher capex costs and regulatory and industry challenges arising from the hard requirements for renewable fuels of non-biological origin (RFNBO), meaning that green hydrogen must be used to produce such e-SAF, but to date no plans have been announced. Certain other subsidies such as capex subsidies and grants are potentially available for SAF projects in the EU, however.

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