# Sustainable aviation fuel revenue certainty mechanism: approach to industry funding

**31 March 2025**

## About Logistics UK

Logistics UK is one of the country's largest business groups, and the only trade association which represents all of logistics. Our mission is to support, shape and stand up for a safe, sustainable and efficient logistics sector. Our membership of more than 20,000 includes global, national and regional businesses and SMEs spanning road, rail, inland waterways, sea and air as well as the customers of freight services, such as retailers and manufacturers. We deliver services, representation and thought leadership, helping members and policymakers to seize new opportunities for the sector and the economy as a whole.

## The logistics sector

Logistics underpins our economy and is fundamental to our way of life. It supplies our hospitals, schools, factories, construction sites, shops and homes with everything they need, everywhere, every day – nothing moves without it.

The efficiency of logistics and the productivity of the economy are completely intertwined. Due to this relationship, Oxford Economics found in 2023 that getting the policy and infrastructure environment right for logistics would unlock up to £8 billion a year in productivity-led growth.

However, we are not currently going in the right direction. The UK fell from 4th to 19th place in the World Bank Logistics Performance Index over the past decade, largely as a result of border friction and underinvestment in transport corridors.

Logistics is a major sector in its own right. It contributes £185 billion to the economy each year (12% of UK non-financial GVA), is one of the UK's largest employers, providing good jobs with strong career progression – 2.7 million people (8% of the UK workforce) are employed in logistics roles, and its key hubs provide a catalyst for further growth and investment, helping places to thrive[1].

## The importance of producing SAF being produced domestically

Logistics UK supports measures to increase the domestic production of sustainable aviation fuel (SAF), given its ability to reduce emissions by up to 70%, with immediate savings.

Producing SAF in the UK will not only increase availability, addressing a key concern around security of supplies, but will also be key to reducing overall costs as production is scaled up. Domestic production of SAF can have wider national benefits too, such as stimulating economic growth by creating new jobs both directly at the SAF sites and also indirectly across the supply chain, from feedstock production to fuel distribution. This has the potential to benefit local economies, particularly in rural areas where biomass feedstocks are sourced, and in regions where new SAF production facilities are established.

Logistics UK has been calling for government to invest in UK production of SAF to achieve these aims, most notably to support the aviation sector by both increasing availability and reducing the cost of SAF. With the government's net zero target, making SAF more accessible will be a vital step in meeting the target.

## Continued government support is key

Logistics UK welcomed the introduction of the SAF Mandate at the start of the year. Consistency in policy and regulation is vital to ensuring long-term planning and investment stability, ensuring SAF is more competitive with conventional jet fuel.

SAF is now a proven technology and used in aircraft today, therefore attention must turn to addressing barriers around costs and increasing production to meet rising demands. These options should be explored without passing along costs to industry.

## Statement of support and funding mechanism

Logistics UK welcomes the government's commitment to establishing a revenue certainty mechanism (RCM) for SAF production in the UK, given its potential to de-risk investment in production and therefore enable greater availability and supplies.

[1] Logistics Report 2024, Logistics UK

However, it is important that any additional levy costs on fuel suppliers are minimised for users, including freight airlines and forwarders buying space. Logistics UK recognises the cost required to de-risk investment and increase production, however, SAF prices must not become artificially inflated or stuck.

**Cost control and market efficiency considerations**

While supporting the RCM in principle, Logistics UK advocates for rigorous cost control measures throughout the implementation process. The mechanism must incorporate careful calibration of supported SAF volumes and competitive strike price determination to prevent the entrenchment of unnecessarily expensive production costs in the long term. As the consultation document acknowledges, the RCM should function as a temporary measure while market prices stabilise, not as a permanent subsidy that distorts market dynamics.

**De-risking investment**

The fundamental purpose of the RCM policy intervention is to de-risk investment in SAF production facilities. Elevated risk premiums significantly increase production costs, creating a substantial barrier to investment. By providing revenue certainty, the mechanism will reduce these risk premiums, enabling production facilities to secure financing on more favourable terms and ultimately facilitating more competitive SAF pricing. While airlines and cargo operators will indeed benefit from increased SAF availability and potentially lower prices, the primary economic benefit accrues to producers and investors through reduced financial uncertainty.

**Collaborative industry engagement**

For effective implementation of the RCM, early and comprehensive stakeholder collaboration is essential. It is important that the RCM will be designed to ensure transparency in any funds moving between suppliers and industry.

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