Sustainable aviation fuels revenue certainty mechanism: revenue certainty options

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About Logistics UK

Logistics UK is one of the country's largest business groups, supporting, shaping and standing up for safe and efficient logistics. We are the only organisation representing the entire logistics sector.

We represent a sector delivering an increasingly innovative, productive and sustainable system of essential national infrastructure. This system ensures the availability of the products that households, businesses and public services rely on every day, and is supporting the UK's transformation for the future. Our membership of over 20,000 includes global, national and regional businesses and SMEs spanning the road, rail, sea and air industries as well as the buyers of freight services, such as retailers and manufacturers.

Response to consultation

Sustainable aviation fuel (SAF), as a drop in fuel, is a vital alternative to traditional kerosene jet fuel, reducing aviation lifecycle greenhouse gas emissions by up to 80%[1]. With no zero emission alternative currently viable for long haul flight, SAF is the most significant opportunity to reduce aviation emissions in the medium term.

SAF reduces carbon emissions but also lowers other harmful pollutants, such as particulate matter and sulphur oxides, contributing to better air quality around airports and reducing the aviation sector's overall environmental impact. By integrating SAF into the fuel supply chain, and adopting higher SAF blends, the aviation industry can make significant progress towards achieving international climate targets and support the UK's commitment to reaching net zero emissions by 2050.

The importance of SAF being produced domestically

Producing SAF domestically in the UK carries several economic and strategic advantages. First and foremost, producing SAF in the UK will increase availability, addressing a key concern around security of supplies, as well as helping to reduce overall costs as the industry is scaled up. Domestic production of SAF can have wider national benefits too, such as stimulating economic growth by creating new jobs 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 industrial regions where new SAF production facilities are established.

Domestic production enhances energy security by reducing dependence on imported fossil fuels. By developing a domestic SAF industry, the UK can insulate itself from global oil price volatility and geopolitical risks associated with fossil fuel imports. Furthermore, investing in domestic SAF production has the potential to position the UK as a global leader in sustainable aviation, allowing for the influencing of international policies and markets.

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.

Continued governmental support is key

The rapid advancement seen in the implementation of SAF has largely been driven by robust governmental support, which must be maintained and expanded by the next incoming government. 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. It will be essential to expand feedstocks beyond HEFA, to include other sustainable sources such as waste. These options should be explored without passing along costs to industry.

The next government must maintain pace with the revenue certainty mechanism (RCM), whilst also progressing the SAF mandate within the legislative process, to ensure that combined, both can help deliver the necessary UK SAF market.

The need for a SAF revenue certainty mechanism

[1] Sustainable Aviation Fuels - a new generation of reduced emissions fuels

A key challenge for emerging SAF projects is the uncertainty of revenue streams, which can deter investment and hinder the growth of the industry. Implementing a SAF revenue certainty mechanism is crucial to reducing financial risks and attracting investment.

A revenue certainty mechanism should be delivered earlier than Q4 2026, given the SAF mandate will be introduced from 2025.

By ensuring revenue certainty, investors will have greater confidence in the long-term viability of SAF projects, leading to increased capital inflow and faster development of production facilities. This, in turn, helps to build a robust SAF supply chain, reduce production costs through economies of scale and achieve widespread adoption of SAF across the aviation sector.

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