SAF revenue certainty mechanism: indicative heads of terms and contract allocation

Summary

- Industry views the RCM as an important policy tool to help develop the nascent industry and help scale up and establish the UK's domestic production. However, continued engagement between industry stakeholders and government will be required to ensure that the details of the contract do not cause undue damage on industry, and support rather than hinder ,progress.

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 22,000 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, right across the country.

The logistics sector

Nothing moves without logistics. The sector employs 8% of the UK workforce in good jobs with strong career progression, contributes £170 billion in GVA each year, and underpins the resilience of the everyday economy.

Logistics plans and coordinates the movement and storage of the goods that businesses, public services and households rely on – using ports, airports, roads, railways, waterways, warehouses and smart digital systems to tie it all together.

With the right policies, logistics can drive up UK growth by £8 billion a year.[1] However, rising costs, red tape and poor infrastructure are holding the sector back – putting firms out of business, fuelling inflation, and undermining productivity and supply chain resilience. As a result, the UK has fallen from 4th to 19th in the World Bank Logistics Performance Index over the decade to 2023.

Consultation response

Supporting SAF

Logistics UK supports measures to expand domestic production and supply of sustainable aviation fuel (SAF), given its ability to deliver immediate emissions reductions of up to 70%. Air freight is critical to the UK economy, handling high value goods and representing 30% of UK exports by value. Ensuring access to competitively priced SAF is therefore essential for maintaining global connectivity and economic competitiveness.

Increasing UK based SAF production will strengthen supply security and help reduce costs as production scales. As set out in our response to the 2025 consultation on the revenue certainty mechanism (RCM), the sector welcomes all measures that support the development of this emerging market. Clear, consistent government policy remains essential to unlocking investment and expanding supply.

Logistics UK has consistently called for government investment in domestic SAF production. With aviation recognised as a hard-to-decarbonise sector, improving access to SAF is a vital step toward achieving the UK's net zero target. We welcomed the introduction of the SAF Mandate in 2025 and emphasise that policy

[1] Logistics Delivering a solution to the UK's productivity puzzle, Oxford Economics, 2023

stability and regulatory consistency are crucial for long-term planning and for ensuring SAF becomes cost competitive with conventional jet fuel.

Domestic SAF production also offers wider economic benefits. It has the potential to create new jobs both directly at production facilities and indirectly across the supply chain—from feedstock production to fuel distribution. These opportunities could support regional economic growth, particularly in areas where biomass feedstocks are sourced or where new SAF plants are located.

SAF is a proven technology already in commercial use. The priority must now be to address cost barriers and scale production to meet rising demand, while avoiding disproportionate cost impacts on industry.

Remaining Uncertainty

Logistics UK welcomes the introduction of the RCM and its aim of providing investor confidence and long-term certainty for domestic SAF production. However, several areas require further clarification to ensure the mechanism is workable and proportionate.

Airlines have raised concerns about how the RCM will operate in practice, particularly regarding cost exposure and the degree of influence they will retain over required SAF volumes. A balanced approach is essential. If the mechanism becomes overly rigid or expansive, it risks inflating prices that would ultimately be passed on to consumers. Given ongoing cost of living pressures, the RCM must support decarbonisation without imposing excessive financial burdens on airlines. It is important that the mechanism does not remove airlines' ability to negotiate or offset agreements.

More broadly, SAF remains more expensive in the UK than in any other global market, with both UK and EU mandates contributing to upward pressure on prices.

Industry is also concerned about the forthcoming cap on HEFA based fuels from 2027, which will require a shift to second generation fuels. Despite this requirement, there is currently no UK production of fuels eligible under the mandate. Without sufficient supply, there is uncertainty around how the buyout mechanism will function, increasing the risk of further price inflation. Industry requires greater confidence in future supply and clarity on how the transition to second generation fuels will be supported.

Although global SAF production is increasing, the pace remains insufficient. Effective implementation of the RCM will require early, transparent, and comprehensive engagement with stakeholders to ensure clarity around how funds will flow between suppliers and industry and how the mechanism will support market growth.

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