



Fuelling Certainty: Consultation Opens on the SAF Revenue Certainty Mechanism

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Burges Salmon LLP

United Kingdom | October 30 2025

On 16 October, the UK government launched its consultation seeking views on the design of the proposed levy on fossil aviation fuel suppliers (the ‘Aviation Fuel Supplier Levy’) that will be used to fund the Sustainable Aviation Fuel (SAF) revenue certainty mechanism (RCM).

What is the SAF RCM and why is the consultation significant?

Back in May 2025, the UK government confirmed its intention to introduce – alongside the demand-driver of the SAF Mandate on which more details are available in our article here – an RCM for SAF with the aim of providing investors with the confidence needed to invest time and capital in the development of SAF projects.

The RCM is proposed to take the form of a government-backed ‘revenue certainty contract’ and it is rumoured that the contract counterparty will be the government’s Low Carbon Contracts Company (the counterparty to electricity market Contracts for Difference (CFD)). The RCM contract will guarantee a fixed price (or strike price) for SAF and like the electricity market CFD, SAF producers would receive top up payments where the SAF price received is less than the strike price and would be obliged to make difference payments where they receive a market price above the strike price. It is still to be determined quite how the market price will be calculated.

The government was clear that the costs of the RCM should be borne by the sector through a new variable levy on aviation fuel suppliers that sits alongside existing obligations under the SAF and this consultation seeks views on both the levy’s design and administration.

The Design of the Aviation Fuel Supplier Levy

The consultation sets out several key intended design features of the Aviation Fuel Supplier Levy, namely:

- **Market share-based contributions:** suppliers will be subject to pay proportional charges based on their individual contribution to the volume of fossil aviation fuel supplied in the UK.
- **Minimum thresholds:** suppliers supplying volumes of fossil aviation fuel below 15.9TJ (equivalent to 468,000 litres annually) will be exempt. This is the only exemption proposed to the levy at present.
- **Forecasting:** A rolling 12-month forecast of levy rates is proposed to aid business planning – although this may be subject to change following scheme maturity.

The consultation also seeks views on: (1) the length of the period over which contributions are assessed; (2) the frequency at which levies collected; and (3) the sequencing of the levy's assessment, collection and billing periods.

Risks and Enforcement

Contingency planning

As the levy will fund the actual cost of the operation of the RCM, the government has decided that the levy will need to be calculated and collected based on forecasts of the scheme costs and then reconciled when actuals become available. This presents the risk that the forecast levy amounts imposed on a supplier are insufficient to cover their proportion of the total scheme costs. To mitigate this under-collection risk, the consultation proposes applying an additional contingency amount on the levy to compensate for uncertainty in the scheme cost forecasts and help to cover any unforeseen costs.

The consultation also includes proposals in relation to over-collection (i.e. when the counterparty levies a greater amount on a supplier than required to cover their proportion of the total scheme costs) and how these will be repaid.

Supplier default

To address the risk of a supplier defaulting on its levy payment obligations, the consultation suggests two mechanisms:

- **Credit cover:** this is a requirement for suppliers to provide a “back-up” for their levy obligations. The consultation suggests that this could be done either through standby letters

of credit, cash or a mixture of the two which are placed on either a monthly or quarterly period.

- **Mutualisation:** this refers to the process of spreading the outstanding levy contributions amongst the remaining compliant suppliers where the credit cover is insufficient.

Enforcement Actions

The consultation outlines several potential enforcement tools to ensure compliance with obligations under the Aviation Fuel Supplier Levy based on those which have proved successful in other schemes, including:

- **Notices of non-compliance:** the counterparty will, where necessary, issue formal notices where the supplier has failed to meet its obligations under the levy. This will include information on remedial actions and further enforcement which may be required;
- **Reporting of compliance and enforcement:** publicly reporting on non-compliance to ensure there is transparency, accountability, proportionate enforcement and ensure there is a reputational deterrent;
- **Interest on late payments:** to incentivise timely payments;
- **Financial penalties:** a power for the Secretary of State to issue a supplier with a financial penalty (currently stated in the SAF Bill to be the lesser of either £100,000 or 10% of annual turnover of the supplier).

Next Steps

The consultation offers a crucial opportunity for key stakeholders such as project developers, fuel suppliers, airlines and airports to influence the levy's design and implementation. The consultation period is open until **8 January 2026**. The consultation document and details on how to respond can be found [here](#).

The government's consultation response is expected later in 2026. That response will inform the development of secondary legislation which will provide the detail of the RCM. The SAF Bill, which will provide the legislative framework for those regulations is going through parliamentary process (with its second reading in the House of Lords scheduled for the end of November 2025) and is expected to receive Royal Assent (and become law) before the end of 2026.

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