LEXOLOGY

Sustainable Aviation Fuel Bill: Revenue certainty mechanism explained

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The UK Government is mandating Sustainable Aviation Fuel (SAF) blending as a requirement for all suppliers of Aviation fuel – starting at 2% in 2025 and rising to 22% by 2040 – and backing industry with price guarantees to accelerate production, reduce costs, and support net-zero goals. SAF is key to greener air travel, economic growth, and circular energy innovation.[1]

Key purpose of the Sustainable Aviation Fuel Bill

The Sustainable Aviation Fuel Bill introduces a statutory Revenue Certainty Mechanism to support the commercial production of SAF in the UK. It aims to reduce investment risk and enable the construction of first-of-a-kind commercial SAF plants, while directly contributing to the UK's aviation decarbonisation targets.

The first reading in the Lords took place on 20 October 2025, with the date for the second reading yet to be announced, but Royal Assent expected by the end of 2026.[2]

How the SAF Bill works: key features explained

1. **Revenue certainty contracts**

   To support investment in UK SAF Production, the Bill introduces a Revenue Certainty Mechanism. The Secretary of State may instruct a government-owned counterparty to enter contracts with SAF producers, guaranteeing a fixed "strike price" for SAF over a defined period.

   - If the market price falls below the strike price, the counterparty pays the producer the difference.
   - If the market price exceeds the strike price, the producer pays the counterparty the surplus.

   This mechanism mirrors the UK's Contracts for Difference (CfD) scheme used in low-carbon electricity and hydrogen, in which the mechanism aims to lower financing costs, boost investor confidence, and accelerate final investment decisions for SAF plants.

The mechanism is intended to be a time-limited measure to stimulate an early market for SAF and will become obsolete once investor confidence is proven on a commercial scale.

2. **Designated counterparty**

   The counterparty must be a company wholly owned by the government. It is responsible for issuing and managing contracts with SAF producers, handling payments under the strike price mechanism, and administering the overall scheme.

3. **Levy funding**

   The mechanism is funded through a variable levy imposed on UK aviation fuel suppliers, calculated according to each supplier's market share of aviation turbine fuel. This approach reflects the "Polluter Pays" principle under the Environmental Act 2021.

   This levy covers:

   - Payments under strike price contracts
   - Administrative costs of the scheme

   The levy adjusts to market fluctuations through recurring charging periods, with potential redistribution of surplus funds to levy payers when market prices exceed strike price. Suppliers may need to provide financial collateral to ensure payment security.

   Placing the levy on fuel suppliers distributes costs across the supply chain, targets those with SAF Mandate obligations and minimises administrative burden.

4. **Administration and enforcement**

   The counterparty (a government-owned company) is responsible for administering both the levy and the contractual framework, with oversight and support from the Secretary of State.

   To ensure compliance with levy regulations, the Secretary of State is empowered to impose financial penalties of up to £100,000 or 10% of a supplier's turnover.

5. **Oversight and flexibility**

The Secretary of State retains powers to direct the government-owned counterparty, request relevant information, and provide financial assistance to support the scheme.

Key regulations underpinning the mechanism are subject to parliamentary approval, ensuring appropriate oversight. The Bill applies across the UK, with consultation requirements in place for devolved administrations to ensure coordinated implementation.

6. **Policy rationale**

The mechanism is designed to address key investment barriers – including technology readiness, feedstock availability, construction risk, and revenue uncertainty.

It complements the UK's SAF Mandate, which requires fuel suppliers to blend a minimum proportion of Sustainable Aviation Fuel, by offering long-term price certainty. Together, these measures aim to unlock private investment and accelerate the commercial-scale production of SAF in the UK.

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