FREQUENTLY ASKED QUESTIONS

Establishing an e-SAF market intermediary in Europe

This document is a collaborative effort between Project SkyPower and H2Global, designed to be a dynamic, living document. It addresses frequently asked questions (FAQs) regarding the creation of a market intermediary for conducting double-sided auctions, intended as a robust and effective mechanism for public support of e-SAF in Europe. The responses provided are high-level for the sake of clarity and brevity; however, they can be expanded upon and supported by further analysis in bilateral discussions. Specifically, answers related to auction design are intentionally left open, as they will be shaped through negotiations between funding providers, and subject to EU competition law. While these answers are based on extensive industry engagement, we recommend additional industry consultation before the launch of any tender, as local conditions and the positions of individual organisations may vary.

Legal disclaimer: this document is intended to serve as an illustrative indication of a potential auction mechanism for consideration and discussion. Final auction design will be confirmed in grant notices issued by funding Member States, fulfilling the requirements of European State Aid law.

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RATIONALE FOR DOUBLE-SIDED AUCTIONS FOR E-SAF

1. How effective have existing instruments been to date in getting e-SAF projects to FID?

No European, commercial-scale e-SAF project (i.e. >20 ktpa) has reached FID to date. Globally, one commercial-scale project has reached FID – this was Infinium's Roadrunner project in the U.S. where the IRA tax credits are an important factor. While several support instruments already exist on the national and EU-level, these are not sufficiently accessible and/or inadequately capitalised to support commercial-scale production. The existing instruments would require restructuring to be more effective in supporting first-of-a-kind (FOAK) e-SAF projects, most prominently:

- **From 2027, restructured, 10-year and dedicated 'e-SAF Allowances' could support bankability**. Fuels Eligible for ETS (FEETS) support or 'SAF Allowances' are welcome support for airlines to bridge a part of (e-)SAF costs incurred on their inter-EEA flights. Currently, a total of 20 million free ETS allowances for SAF uptake are reserved for the period 2024-2030, hence only for the first year of the e-SAF sub-mandate. While they generously cover 95-100% of the price differential between e-SAF and fossil jet fuel, they are to be claimed annually and ex-poste by offtakers on a first-come-first-served basis, hence do not guarantee support over the full contract period. This guarantee is a key prerequisite for airlines to be able to sign long-term offtake agreements. Even if support were to be extended to 2034 (which will be considered as part of the 2026 EU ETS review), the allowances could still run out during the contract period which would extend to 2040 (or beyond). To be more effective in supporting e-SAF, three adjustments are important: an increase in the number of SAF Allowances beyond 2030, a shift to ex-ante 10+-year allocations[1] (ideally tied to signed offtake agreements to ensure revenue certainty), and the introduction of dedicated e-SAF funding.
- **European Hydrogen Bank support needs to be made more accessible through a dedicated aviation window, similar to the maritime window in the second auction of the EHB.** Due to strong competition with other hydrogen-derived products, e-SAF projects, which have more challenging economics, have not been able to win auctions for OPEX support via EHB (with clearing prices below €0.5 per kg of H_2 produced).
- **EU Innovation Fund could be leveraged to bridge part of the current cost premium of e-SAF, yet this support has not resulted in FIDs to date.** Within the next year, an adjustment of award criteria or, if possible, either a dedicated e-SAF call from the EU Innovation Fund or extra points for e-SAF projects, would increase the accessibility of funds, which are intended to cover up to 60% of the NPV differential with fossil-based alternatives.[2] While no e-SAF projects received EU Innovation Funding in the last call (IF23), funding has been awarded previously to three e-SAF projects: Nordic Electrofuel's e-fuel pilot project, as well as the Shell and Vattenfall-led HySkies project, which has since been shelved, and BioOstrand in Sweden – indicating that e-SAF projects can be eligible for this type of funding. However, the funding received has been far below the 60% NPV differential with fossil-based alternatives and has not yet succeeded in getting e-SAF projects to FID.
- **Given limited funds available, national level funding is most effectively used for topping up existing EU-level instruments, pooling funds with other Member States, and supporting FEED studies.** Member States that view e-SAF as a strategic opportunity and national priority can leverage even limited funding to achieve outsized impact e.g. by co-funding an e-SAF auction via the H2Global mechanism or by topping up SAF Allowances (with national ETS revenues from the aviation sector). In addition, grants in the order of tens of millions each could offer catalytic capital in early project

[1] Project SkyPower's engagement with the aviation and energy industry in Europe showed that the duration of SAF Allowances (i.e. being provided for 10+ years) emerged as more important than the level of funding (i.e. that less than the current 95-100% of the premium could be covered if SAF Allowances would be given out for 10+ years).

[2] As the EU Innovation Fund is not set up to provide support for individual end use sectors, a dedicated e-SAF call may be challenging. In contrast, certain changes to the five award criteria (effectiveness of greenhouse gas emissions avoidance, degree of innovation, project maturity, replicability, cost efficiency), in particular to the cost efficiency criterium, could enhance the accessibility of EU Innovation Fund funding for e-SAF projects. In order to avoid the administrative burden of applying for EU Innovation Fund support, a two-step approach could be considered in which only pre-selected projects are encouraged to develop a full application.

development stages to co-fund FEED studies. A prime example is the recent €100 million Carb Aéro call in France which is supporting four e-SAF projects in getting through FEED.

While these adjustments to existing mechanisms would represent a meaningful improvement and help advance e-SAF projects toward Final Investment Decision (FID), they are unlikely to be the most effective or efficient means of achieving this goal. The following question introduces an alternative mechanism worth considering.

2. What type of public support mechanism would be most suitable for e-SAF?

The key objectives of a public support mechanism are (i) bringing e-SAF projects to FID, (ii) optimising the use of public capital, (iii) catalysing a self-sustaining EU e-SAF market, and (iv) ensuring quick and easy implementation. A further breakdown of these objectives into specific criteria, as well as a visual comparison of different types of instruments in the context of unlocking the EU e-SAF market, can be found here.

A government-backed market intermediary with a (double-sided) auction mechanism was assessed relative to more conventional public support instruments, i.e. fixed-level support (e.g. a grant, SAF Allowances, or tax credits) and contracts-for-difference (CfDs) with a supply-side auction mechanism.

(i) A market intermediary is effective at bringing projects to FID: it tackles key market failures by mitigating both revenue risk for producers (through providing 10+ year purchase contracts), and price risk for offtakers (through short-term e.g. 3-year sales contracts), allowing offtakers to remain flexible as the market develops. Fixed-level support does not eliminate the need for long-term offtake contracts given that it either only covers a small share of the required revenues (e.g. European Hydrogen Bank support), or that it is only awarded on an annual basis (e.g. SAF Allowances). Similarly, CfDs offer a dynamic one-sided support instrument providing revenue certainty to the most cost competitive producers (by compensating the difference between the market price and a fixed strike price). However, the contract only covers volumes sold, hence lenders may still require long-term volume commitments to ensure volumes are purchased. Therefore, it does not enable full flexibility on the demand-side.

(ii) A market intermediary efficiently uses public capital, and tools exist to mitigate risk: via (double-sided) auctions, it introduces competition on both supply and demand sides to minimise the price gap i.e. required subsidy. Fixed-level support carries a high risk of inefficiency: either the subsidy is fixed too high, leading to over-subsidisation and small volumes of e-SAF supported, or the subsidy is too low, and the support is not effective. CfDs carry the risk of the market becoming dependent on high subsidies (as seen previously, e.g. in the UK offshore wind market). Importantly, given the long-term contracts signed with producers, both a market intermediary and CfDs carry a relatively large financial risk exposure compared to fixed-level support. Nevertheless, risk exposure can be managed effectively (and has been done so previously in the case of CfDs) using several risk management tools, e.g. setting a floor sales price.

(iii) A market intermediary can catalyse a self-sustaining EU e-SAF market: it can facilitate price transparency by publishing both purchase (i.e. production costs plus margins) and sales prices (i.e. market willingness to pay), which is crucial for the market to operate autonomously, particularly as the sales price would be published every ~3 years providing a strong signal on the direction of market prices over time. A CfD mechanism can aid transparency on the supply side only (by publishing the average strike price), while fixed-level support has no such feature.

(iv) A market intermediary has already been successfully implemented by an existing entity: H2Global is an existing mechanism that facilitates double-sided auctions. While fixed-level support is easier to implement than both CfDs and a market intermediary, and certain forms already exist, this support has not yet been effective in getting e-SAF projects to FID in Europe. CfDs have been used before in other sectors such as renewable electricity, but similar to a market intermediary, they require careful tender design to unlock FIDs for European e-SAF production.

In summary, a government-backed market intermediary with (double-sided) auctions optimises the use of public capital in the short term to efficiently catalyse a self-sustaining EU e-SAF market over the long term. To date, H2Global is the only known entity carrying out such auctions.

3. Has the H2Global model managed to get a project to FID?

H2Global's pilot auction for the German government awarded the Egypt Green Hydrogen Project with a consortium around Fertiglobe. In 2024 Hintco entered into a binding contract with Fertiglobe to produce renewable ammonia in Suez Canal Economic Zone bound for European ports with a maximum contract value of EUR 397 million. As a result, Europe has secured a significant supply of renewable ammonia from 2028 - subject to the start of production date and supply availability - and rising up to a total of 397,000 tons cumulatively by 2033.

The pilot first e-SAF tender held by H2Global found no winning purchase bids primarily given (a) , RED II specific regulatory hurdles and material uncertainties concerning the metric for assessment of compliance in non-EU countries (only projects located outside of EU and EFTA were invited to submit bids according to the auction design) and most importantly (b) a relatively small funding budget which yielded insufficient volumes to support FID of Greenfield projects.

RATIONALE FOR MEMBER STATES TO FUND A PILOT E-SAF AUCTION

4. What is the ask to national governments?

The ask to national governments is to jointly commit funding to an e-SAF pilot tender, using a double-sided auction mechanism (e.g. via H2Global) which could kickstart the market in time for the first e-SAF sub-mandate in 2030. While the European Commission is evaluating such an instrument, delaying action until EU-level support materialises risks stalling the market and missing mandates, hence early mobilisation of funding from national governments is critical. Funds committed by national governments would be disbursed from 2030 onwards, upon delivery of the first e-SAF volumes. Importantly, the tender can be structured to ensure that funding governments stand to benefit from accelerated access to e-SAF and from stimulation of domestic economies.

50+ organisations from across the value chain have unified their voice in an open letter coordinated by Project SkyPower to call for national governments to fund such an auction.

5. Why is it the responsibility of Member States to fulfil an EU-led regulation?

Given construction and commissioning timelines of 3-4 years, immediate support is needed to unlock FIDs for the first commercial-scale e-SAF projects to come online by 2030 but any new EU funds are highly unlikely to materialise before 2027/28. As outlined in Question 2, existing EU-level support mechanisms for e-SAF (e.g. SAF Allowances, the European Hydrogen Bank and the Innovation Fund) exist but have not yet been effective in getting projects to FID. New funding would need to be sourced from either the EU ETS Aviation revenues or from the EU long-term budget. Hence, allocation is dependent on the ETS Directive review in 2026 (which will likely take 1-2 years for implementation) or the next multiannual financial framework (MFF) starting in 2028, respectively.

Therefore, bridging support from existing national funds (e.g. ETS revenues) is critical to meet 2030 mandates, and provides an opportunity for Member States to secure a leadership position on e-SAF. National-level support to unlock the first-of-a-kind e-SAF projects would not only increase market confidence but also demonstrate commitment to European clean tech leadership, climate targets, and ReFuelEU Aviation regulation. As the majority of EU ETS revenues from aviation are disbursed to Member States, this could be a potential source to draw from. Early strategic investment by Member States into e-SAF would also provide invaluable experience in this critical technology to its domestic industry, securing a leadership position in the e-SAF market as it begins to scale both regionally and globally.

6. How is the European Commission participating in such efforts?

The European Commission has introduced the ReFuelEU regulation, which is the most comprehensive regulation that exists globally for e-SAF scale up today. It creates a clear and steadily increasing demand signal for e-SAF, which has been critical for enabling the planning of over 30 large-scale projects across Europe. As outlined in question 2, several support instruments exist at the EU-level: SAF Allowances, the European Hydrogen Bank and the EU Innovation Fund.

Building upon all its efforts to-date, the European Commission will also seek to enhance investments in the transportation sector, with a proposal to be outlined in the Sustainable Transport Investment Plan (STIP) in November 2025. This plan will indicate the type of support mechanisms required to meet the EU's decarbonisation targets. The call for evidence already indicates that double-sided auctions are under active consideration as an EU funding mechanism for e-SAF. **Crucially, the Commission is inviting Member States to signal their intention to co-fund such auctions ahead of the STIP's publication.** Including this commitment in the STIP would send a strong market signal, accelerate project bankability, and align EU-level ambition with national-level action.

7. How could a funding country directly benefit from a first auction?

Co-funding a pilot e-SAF tender could provide a number of benefits to funding governments and their domestic industry, for example by:

- **Enabling secure access to e-SAF volumes in a nascent (and likely short) market to avoid penalties for domestic industry[3].** Based on the respective tender requirements, stakeholders along the value chain can participate in the demand-side and supply-side auctions. A fund provider can choose to receive volumes in proportion to the funding contribution in a co-funded tender. This would ensure access to the e-SAF volumes required in-country to meet domestic decarbonisation targets, and avoid large penalties for domestic suppliers and airlines.
- **Providing a head-start and unlocking opportunity for clean-tech leadership**. The double-sided auction mechanism can be shaped entirely by the funding governments. Funding this first e-SAF tender would provide funders first-hand experience in shaping the e-SAF auction, gaining valuable knowledge about this critical technology and having a say on what a successful e-SAF project looks like. This puts funding countries in an advantageous position on e-SAF, with invaluable knowledge of what these projects need to get to bankability, and what makes a project competitive.
- **Kick-start a new market for domestic players to tap into** through getting the first 1-2 e-SAF plants to FID, irrespective of where they are in the EU, this would help to break the current deadlock, enabling domestic technology providers, EPCs etc. to expand into and become leaders in e-SAF.

8. What does "commitment" mean at this stage?

Given the short window to get e-SAF projects to FID in time to meet 2030/31 sub-mandates, funding commitments are needed urgently. A country committing to funding an e-SAF auction via H2Global is indicating an intention to allocate funding to the instrument in 2026, and can be recognised as part of a group of first-mover Member States in the upcoming Sustainable Transport Investment Plan. The scope, volume and timing of the funds are decided by the respective governments/parliaments. The next step following these commitments is for official letters signalling this commitment to be sent between the responsible Ministers in participating Member States.

[3] To be assessed under EU State Aid rules and potentially notified to the European Commission.

CAPITAL REQUIREMENTS OF AN E-SAF AUCTION

9. Where could the funding come from?

In the spirit of efficiency and fairness, an EU-wide market intermediary could be funded via existing taxes and government levies on the aviation sector. The aviation sector has paid billions in EU ETS Aviation fees and has yet to see meaningful reinvestment into decarbonising the sector. From 2031 to 2040, ETS revenues from aviation will reach more than €14 billion (assuming a constant price of €80 per tCO_2). The current 20 million SAF Allowances are 13% of the total number of allowances auctioned in the award period. An equivalent share after 2030 would equate to ca. €2 billion. As the majority of ETS revenues are disbursed to Member States, this would require funding commitments from national governments.

In addition to ETS revenues, funding could be committed from existing clean technology funds. Ca. €100+ billion of public funding for clean technology in EU Member States has not yet been disbursed (e.g. in the **Recovery and Resilience Facility**), of which a share could be made available for e-SAF.

10. How can Member States access Recovery and Resilience Funding for this purpose?

The Recovery and Resilience Facility (RRF) is the EU's central investment instrument under NextGenerationEU, established in 2021 to help Member States recover from the COVID-19 crisis, accelerate the green and digital transitions, and strengthen economic and social resilience. It combines large-scale investments with structural reforms, supported by favourable EU borrowing conditions.

The RRF is strictly time-bound**:**

- All milestones and targets in national Recovery and Resilience Plans (RRPs) must be completed by **31 August 2026**.
- Final payment requests (including evidence and audit documentation) must be submitted by **30 September 2026**.
- All disbursements must be made by **31 December 2026**.
- The next few months are critical for including e-SAF tenders in RRF-funded national plans. Given the long lead times for updating RRPs, **governments have until the end of 2025 to make these changes.**

<u>Why this matters for e-SAF</u>

Several Member States already have hydrogen-related measures in their RRPs, which creates a natural pathway to seek additional RRF support for e-SAF. An estimated **€7.5 billion** in RRF allocations remains available EU-wide for hydrogen-related applications. To access these funds, Member States must:

1. **Engage early with the European Commission** to explore solutions for the disbursement timing challenge, i.e. committing funds by the end of2026 but allowing payments after that date when e-SAF volumes are actually delivered. The European Commission has indicated it views e-SAF as a positive use of RRF funding and is actively encouraging Member States to signal co-funding intentions ahead of the STIP publication.
2. **Revise national RRF plans by the end of2025** to explicitly include an e-SAF pilot tender. Only measures that are certain to be implemented by the August 2026 deadline should be included in the plan.

The RRF's legal deadlines mean there is no scope for new RRP amendments after 31 August 2026. The biggest constraint for e-SAF tenders is the mismatch between the RRF spending window and the likely

delivery dates for first e-SAF volumes (2030 onwards). **This makes it essential to agree on mechanisms with the European Commission that allow commitments now but payments later.**

SkyPower is exploring administrative and legal pathways that the European Commission could take to enable Member States to commit RRF funds to e-SAF within the allowed timeframe, while still supporting actual delivery and market impact.

11. How much funding is required and how many projects will be unlocked?

The level of concessional funding ultimately depends on the outcome of both purchase and sales auctions, as the design ensures public funds are minimised by leveraging healthy competition on both sides. Given that the precise funding volume cannot be known in advance, governments should collectively commit to a total amount, combining capital and guarantees, sufficient to cover the maximum possible requirement, even though actual spending will likely be lower. This is to provide sufficient revenue certainty for debt financing to be unlocked.

Project SkyPower tentatively estimates that a commitment of around €1-1.5 billion from a group of first-mover Member States could unlock FIDs for 1–2 large-scale e-SAF projects, with actual disbursement expected to be less than 50% of this figure, as the market intermediary mechanism optimises purchase and sales prices, and capital efficiency via the inclusion of optional volumes to be purchased only in the case of prices fetched by sales auctions being high enough see question 15). While this will not meet the full sub-mandate requirement by 2030, publication of purchase and sales prices could create enough price transparency to enable bilateral offtake agreements outside of the intermediary.

12. Will advance payment by the governments be necessary? What happens if the entirety of the funding is not used?

No advance payment is necessary. The transfer of the price differential via concessional funds is only required after delivery of the e-SAF to the agreed delivery point, i.e. from 2030 onwards, and once the sales revenues have been received. The public funding only needs to be spent when the tender has been successful, i.e. when there is an actual value-added.

Funds foreseen for the (annual) disbursement for the cost differential that are not needed remain with the fund provider. There is the option to include the purchase of optional volumes in the auction design if the (annual) budget for the cost differential is not exhausted.

RISK EXPOSURE AND MITIGATION

13. Will a market intermediary support the full mandate? If not, will the announcement of public support not stall bilateral offtake agreements for other projects?

No, it is unlikely that sufficient public funding will be available to unlock domestic production capacity equivalent to the total mandated volumes by 2030 (~600 ktpa of e-SAF, equating to ~12 large-scale plants[4]). More importantly, it is not intended to do so. This market intermediary intends to create price transparency by publishing the winning sales price bids and therefore creating a dynamic, competitive and liquid market that is self-sustaining when public support is withdrawn, with private offtake agreements providing the necessary certainty to suppliers in terms of both volumes and prices, and to buyers in terms of affordability, that is necessary to scale e-SAF in the EU. In addition, imports will also play a role in fulfilling the mandate.

[4] Assuming an average capacity of ~50 ktpa e-SAF and CAPEX requirements of €1-2 billion each, totalling to at least €12 billion of capital investment by 2030.

Public capital must be used as efficiently as possible to crowd in private capital for the first few e-SAF projects. These FOAK projects can increase market confidence and accelerate investments by:

(i) Enabling competitive price discovery and price transparency, allowing offtakers to better evaluate projects and take strategic decisions with regards to entering bilateral contracts;
(ii) De-risking second-of-a-kind (SOAK) projects with the lessons learned;
(iii) Allowing for investors to better assess the risk profile and market demand, potentially lowering the cost of capital and thereby production costs.

As the auction process means that only a few projects out of the total 10-15 needed by 2030 will receive support, there is still a business case for offtakers to sign long-term offtake agreements with competitive projects in every likely scenario.

- In an expected supply shortage scenario by 2030, the parties that have signed offtake commitments will avoid significant penalties (equating to at least twice the price differential between e-SAF and fossil jet fuel).
- Even in the highly unlikely event that there is no supply shortage, offtakers may still further reduce the risk of a first mover disadvantage by identifying the most competitive projects for their e-SAF requirements, and by using contracting solutions like dynamic pricing with a floor price, joint purchasing, or offtake via a private market intermediary.

14. What happens if the intermediary cannot sell the e-SAF, e.g. because lower-cost e-SAF imports from outside of the EU flood the EU market with aggressively lower prices?

This scenario is highly unlikely in the early years of the mandate, as European projects account for ~60% of the global e-SAF pipeline. Based on the publicly available information of the current global project pipeline, supply is expected to be short even when accounting for global capacity that could come online by 2030, as the demand far exceeds the capacity, hence European projects are unlikely to face challenges in securing demand at least at the initial stages.

However, depending on the speed of market scale-up and technology innovation, the market intermediary may be faced with higher-than-expected net investment costs in later years. Cost reductions are expected over time as SOAK plants come online, and new production regions develop beyond Europe.

As a consequence, the e-SAF supply could accelerate faster than anticipated. In the case of stagnating demand, the e-SAF price might therefore come under pressure to decline. Regardless of such circumstances, the intermediary will fully honour its long-term supply contracts with producers, utilising contract flexibilities to absorb the funding gap within the boundaries of the annual funding budget.

One such flexibility is the use of optional volumes: under this modality, the intermediary would commit to an annual purchase of a minimum volume. Funding parties would also agree to a floor sales price – which can be derived from the market prices of jet fuel A or HEFA SAF. Depending on market developments, the intermediary would adjust the volume it purchases:

- In the unlikely case of oversupply, should the market price of e-SAF fall under the floor price, the intermediary would purchase only the minimum volume agreed in the initial contract.
- In a short market, should the market price of e-SAF remain above the floor price, the intermediary would purchase additional volumes to provide to the market as much e-SAF as suppliers are able to deliver, within the limits of the annual funding budget.

As the e-SAF market develops and the total risk exposure falls with each subsequent sales auction, funding parties are thus able to maximise support to the market while minimising risk. **In case of extreme competition from producers outside the EU, these safeguards inherent to auction design can be supplemented by regulatory support. The European Commission could, for example, take measures to protect European projects from global market distortions** e.g. including European

resilience requirements in the mandate or accelerating the incremental increase of the mandates if supply scales up drastically faster than anticipated.

15. What is the exit strategy of the Market Intermediary?

The Market Intermediary is designed as a temporary catalyst, not a permanent crutch. Its purpose is to bridge the early-stage market gap and enable a self-sustaining e-SAF market that can operate without public subsidy i.e. stepping back as private investment, bilateral offtakes, and competitive dynamics take over. In order to prevent subsidy dependence, the market intermediary will not aim to meet the entire sub-mandate even in early years, to allow some room for strategic bilateral offtake agreements to take place. In addition, the sales auctions will employ minimum sales ('floor') prices that keep supported volumes competitive with both domestic and lower-cost imports, while avoiding artificially low prices that distort the market.

The Market Intermediary will provide targeted, time-bound intervention. Funding auctions will draw on ETS revenues and ReFuelEU penalty proceeds only until market liquidity, price transparency, and investor confidence reach a tipping point. Based on Project SkyPower modelling, this tipping point could be achieved after around three purchase rounds, covering roughly 40% of the 2035 mandated volumes. By then, the market is expected to have enough price signals, proven projects, and investor appetite to function without intermediary support.

AUCTION DESIGN

16. What is the process behind the tender organisation?

Once governments decide to set up an e-SAF tender unilaterally, bilaterally or multilaterally, they will work closely together with the intermediary to translate policy objectives into a tangible auction design, building on the intermediary's experience to apply relevant legislation. **The funding governments have final say over all design aspects** including purchase and sales contract durations, eligibility criteria for bidders, geographic scope for producers and offtakers, point of delivery, product criteria etc.

Once the auction design is agreed to and finalised by the co-funders and the intermediary, the proposal is shared with DG COMP. Following the approval of the auction design by DG COMP, the tender documents are released.

17. If Member States commit by the end of 2025, what is the earliest point at which a first purchase auction can take place?

The timelines are dependent on the duration of the auction design negotiations between co-funders and the timeline to get approval from DG COMP. With the support of the European Commission and extensive engagement with Member State governments already on mechanism design, we believe these timelines could be accelerated for a first e-SAF pilot auction to take place before the end of 2026 with funding commitments by end of 2025.

18. What parties will be eligible to participate? How does H2Global ensure that bidding projects are credible and mature? Who is the offtaker, airlines or fuel suppliers?

The eligibility criteria are set by the fund provider in line with EU law. The auction includes a pre-qualification phase that needs to be passed in order to place a bid. The details of this process are subject

to the respective tender design. As an illustrative example, the following criteria *could be considered* for producers:

- Pre-qualification requirements and Product specifications: synthetic aviation fuels (incl. synthetic low-carbon aviation fuels) as defined under RFEUA regulation.
- Maturity: projects must be in or post-FEED.
- Geography: to be defined by the fund provider in line with the EU / national industrial strategy.
- A maximum net product price; "stackability" with other subsidy schemes;; specification around production pathways;

Eligibility criteria for offtakers could, where compliant with EU law, include e.g. priorities for certain type of parties (e.g. fuel suppliers, airlines and traders), and potential restrictions on bid volumes (i.e. minimum and/or maximum amounts to ensure scalability whilst allowing fair access for participating offtakers).

19. How will the purchase and sales auctions be timed?

The fund provider decides how the auctions are timed, where the auctions for the supply side (HPA) and the demand side (HSA) can be time divergent. Exact timelines are subject to the tender design: for instance, the HSA auctions could be organized annually, bi-annually or every three years. Here, the balance between supporting market creation and limiting financial risk exposure must be considered: shorter contracts mean more price signals for the market, but also less certainty on net investment requirements. In the H2Global pilot auction, HSA auctions are scheduled to take place annually with a lead time to the delivery year of approximately 9 months.

For a new e-SAF tender, the purchase auction would ideally take place as soon as possible to unlock FIDs by the end 2026.

Ideally, HSAs should be conducted frequently, to provide the market with valuable and recurring price signals. HSA details will be determined in close coordination with the respective fund provider.

20. Would the purchase price be locked in for the full contract duration?

Yes, the purchase price is fixed throughout the duration of the contract, enabling producers to reach FID. This is not a design aspect that is decided on by co-funding parties.

21. How does the compensation to bridge the cost difference work in practice?

As the trader and physical intermediary, the intermediary is the sole recipient of public funds allocated within this support scheme. These funds are drawn by the intermediary based on the actual cost-of-difference incurred, which may vary across HSA auctions due to fluctuations in the demand-price curve.

Importantly, in the current setup, funds are not provided to the intermediary upfront. Instead, they are disbursed upon request when a price difference arises between the long-term, fixed purchase price The intermediary pays to suppliers (under the HPA) and the short-term sales prices determined through demand-side (HSA) auctions.

The process works as follows:

(i) The off taker pays the intermediary in advance of the delivery date.
(ii) The producer delivers the product.
(iii) The intermediary draws the necessary funds from the fund provider under the grant agreement to cover any negative difference between the sales revenue and the procurement expenditure (if applicable).
(iv) The intermediary pays the producer within the agreed payment terms.

22. What happens if the intermediary makes surplus revenues?

The intermediary is designed to function as a not-for-profit. In the H2Global mechanism, subsidies will only be drawn down to the extent that they are required to compensate for a price gap between the intermediary's purchase and sales transactions in the respective delivery year. Hence under any circumstances of higher procurement expenditure than sales revenue there would not be any surplus revenue, there only might be a partial utilization of the available annual funds budget. In the unlikely scenario that sales revenue exceed the procurement expenditure the intermediary would be utilizing such funds according to the specification of the fund provider.

23. Is neat e-SAF or blended Jet A-1 auctioned?

The exact product requirements are defined by the fund provider.

24. How is physical delivery managed?

The product will be delivered by the supplier at the delivery point determined in the supply contract. The off taker will be responsible for transporting the product from this respective delivery point to its destination, for example an airport.

25. Can airlines still request the proof of sustainability documents?

As the auctions involve European member states, the auctions and therefore the products will adhere to European regulations, including sustainability standards. The process of certification will be decided by the fund providers while proof will most likely be provided by the producer and passed on to the off takers by the intermediary unchanged.

INTERACTIONS WITH OTHER EU FUNDING INSTRUMENTS

26. Can a project that has received public grants bid in the purchase auctions?

Received or committed public support must be made transparent within the bid to avoid price distortions. The fund providers, pending approval from DG COMP, can decide on eligibility of projects that have received other sources of funding.

27. Can market intermediary contracts be combined with claiming SAF allowances?

The cumulation rules depend on the state aid regulation of the European Commission. Today, SAF Allowances can only be claimed for the period 2024-2030, so only for the first year of the e-SAF sub-mandate. However, the scheme might be extended to 2034 yet in the current form the SAF Allowances can only be claimed ex-post hence the off taker is not guaranteed support when putting in a bid. Therefore, it is unlikely to significantly distort offtake bids.

28. How can the intermediary be synced up with a demand aggregation mechanism?

In general, the H2Global instrument can be combined with other mechanisms, such as the Hydrogen mechanism by the Commission.