



Fuel for thought: SAF revenue contracts and certainty mechanisms

CMS

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Overview

On 12 January 2026, The Department for Transport (“**DfT**”) published its indicative Heads of Terms (“**HoTs**”) and proposed contract allocation approach (i.e. the process determining how RCM support will be distributed across producers and over what timeframe) for the UK’s Sustainable Aviation Fuel (“**SAF**”) Revenue Certainty Mechanism (“**RCM**”). The UK government is aiming to bridge the gap for early-stage projects and first-of-a-kind facilities to enable them to reach a marketable stage, thereby accelerating aviation decarbonisation in line with the government’s SAF Mandate targets.

The UK government has set ambitious decarbonisation targets, including a SAF Mandate requiring a minimum of 10% of SAF in fossil jet fuel supply by 2030. Despite existing grant funding and regulatory support, the government acknowledges that SAF projects face significant investment barriers, particularly due to revenue uncertainty and the absence of a mature market price for advanced (non-HEFA) SAF^[1].

The RCM, as introduced by the SAF Bill in May 2025, aims to provide revenue certainty to UK SAF producers via private law contracts with a government-owned counterparty, similar to the UK’s CfD scheme. Here too there will be a guaranteed Strike Price per litre of SAF, with payments adjusted as against a prescribed Reference Price (and adjusted for CPI). The mechanism is to be funded by a variable levy on aviation fuel suppliers and is intended to complement other policy measures such as the SAF Mandate, airspace modernisation and carbon pricing.

The consultation closes on 3 April 2026, seeking stakeholder feedback on key contractual and allocation design features ahead of what will be the first SAF allocation round (“**SAF AR1**”). The date for SAF AR1 is yet to be confirmed.

We summarise below the key terms in the HoTs and their potential implications for the SAF industry more broadly, comparing them especially to the other low contract mechanisms that investors and lenders will be familiar with from other technologies.

What’s in the HoTs - key terms to be aware of

The agreements will be split into three sections: (1) bespoke front-end agreement terms, (2) standard terms and conditions, and (3) a glossary of key definitions. However, the HoTs focus on the key provisions that will be included in the standard terms and conditions. We have commented on these in the table below.

Subject/Term	SAF Consultation	CMS Comment
Contract Term	Proposed fixed 15-year duration.	This aligns with similar low-carbon business models such as the LCHA, CfD and DPA.
Milestone Requirements/ Target Commissioning Windows/Longstop Date	<p>Three pre-operational checkpoints for Producers.</p> <ol style="list-style-type: none"> 1. Producer must satisfy initial conditions precedent (e.g., requisite planning and other key approvals); 2. Demonstrate commitment to the project (e.g., actual capital spend); and, 3. Achieve operational conditions precedent (e.g., commissioning, sustainability compliance) within defined windows. <p>The project must commission within a selected Target Commissioning Window (“TCW”) of 12 months, with a further 12-month Longstop Period. If the facility does not commission by the end of the TCW, the term commences but no payments are made until Operational Conditions Precedent are met, and the term erodes during the Longstop Period.</p>	This follows the low-carbon business models and in particular will be familiar in the testing approaches for hydrogen projects with an LCHA. As with other CfD type projects, there is limited scope for extending these dates for reasons such as FM events and network issues.
Termination Provisions	The counterparty may terminate contracts for failure to meet milestones (as described	This position reflects the approach in similar low-carbon business models

	above), insolvency, non-payment, or other material breaches. Producer termination payments to the counterparty remain under review.	though there appears to be an evolution in approach taken to termination payments. As such this will be an area to watch for SAFs.
Qualifications and limited on sales	<p>Government has proposed several restrictions on what SAFs would be eligible for payments:</p> <ul style="list-style-type: none"> • payments are only made for "Qualifying Volumes": metered volumes purchased by a Qualifying Offtaker and compliant with SAF Sustainability Criteria. • the "Annual Sales Cap" sets a cap on the maximum qualifying volumes of SAF which can be sold in a given year (though subject to a bit of flexibility). • the "Contract Sales Cap" caps the overall qualifying volumes of SAF which can be sold during the 15 year term. • the "Annual Sales Floor" means that if at least the minimum qualifying volume of SAF is not sold in a given year, the overall SAF volume eligible for difference payments over the term of the contract is reduced. 	<p>This follows many of the positions in the LCHA, some of which have proved problematic for the hydrogen industry. Whilst the Annual Sales Cap and Minimum Sales Volume are intended to help to manage costs and volume exposure for government, the volume risk transfer is likely to be view unfavourably.</p>
Reference Price Options	<p>Three proxy options are under consultation for the nascent non-HEFA SAF market:</p> <ol style="list-style-type: none"> 1. Higher of Achieved Sales Price and Jet A-1 Fuel Price Floor. 2. Higher of Achieved Sales Price and HEFA SAF Fuel Price Floor. 3. Indicative Market Price (Jet A-1 plus SAF Mandate certificate price per certificate earn). 	<p>Because there is currently no reference price that can be easily used for non-HEFA SAF, the proxy reference prices are options to use until the market matures. Engagement from industry is therefore key for this provision.</p> <p>Note that the government is considering including the value of the SAF as fuel plus the value of the SAF mandate certificates in its consideration of the price and so is considering adding premia of saving e.g. under CORSIA to the value.</p>
Transition to Market-Based Reference Price	<p>The government intends to move to a market-based Reference Price as soon as practicable following an established and robust index.</p>	<p>Careful consideration should be given to the approach to managing the transition, considering the potential impacts of such a transition on producers' ability to secure offtake agreements and finance. This is all the more so given that one is a regulatory mechanism whereas the terms of the contract should be fixed for its term.</p>
Price Discovery Mechanism	<p>To incentivise producers to seek the highest possible price and support market price formation, several options are proposed including bonuses for sales above floor price, limiting supported volumes, mandating sales via transparent mechanisms, and requiring arm's-length commercial terms.</p>	<p>As with the LCHA, there is tension for producers between pursuing the "highest possible price" as this may limit their ability to negotiate long-term offtakes that secure bankability but at lower prices.</p>
Strike Price - Indexation and Carbon Intensity	<p>The Strike Price is proposed to be indexed to CPI inflation. Strike Price may be adjusted based on the carbon savings of the SAF produced.</p>	<p>Although the CPI indexation is consistent with other low-carbon models, the alignment with the SAF Mandate's efficiency objectives is not immediately obvious of how may be applied in practice.</p>
Change in Law	<p>Qualifying Change in Law covers</p>	<p>This is likely to track the other</p>

	discriminatory/specific/other categories, with a symmetrical "no better, no worse" compensation principle, including during construction post-ICs; amendments may be proposed to avoid illegality.	low-carbon models and therefore be applied narrowly.
Other provisions	Force majeure, reporting, dispute resolution, and subsidy control provisions are included, largely following precedents from other low-carbon business models.	Standard boilerplate provisions.

Comment and next steps

The consultation closes on 3 April 2026. The consultation notes that the preferred method for submitting responses is via email (LowCarbonFuel.Consultation@dft.gov.uk) or an online questionnaire (accessible here). Alternatively, responses submitted in writing should be addressed to the SAF Revenue Certainty Mechanism Team, details of which are listed on page 8 of the consultation. The government aims to finalise the RCM framework for implementation by the end of 2026 including the enactment of associated regulations needed to put the RCM in place.

The issuance of the HoTs follows the gradual development of the RCM framework and government’s goal of building a UK SAF industry. Although indicative, the HoTs indicate the government’s intended direction of travel and highlight the uncertainties in the current scheme. Chief amongst these is the consideration of the reference price. Given that there is currently no readily available market price for non-HEFA SAF, the options for determining the proxy reference price (even if on a temporary basis), will be a key consideration for the market. As a reminder, the comparisons are against conventional Jet A-1 fuel, price payable for HEFA SAF, or Jet A-1 fuel plus the price of the UK SAF Mandate certificate earned). The determination of the reference prices in particular will be a critical area requiring clear data sources, robust verification, and dispute resolution mechanisms. In markets that are still developing, clarity on these elements is essential for bankability and offtake alignment. Another area of interest is likely to be the balance between the need for the government to have visibility and control over supported volumes through these contracts, against the need to provide certainty for investment and not include barriers that will hold back a nascent industry such as the sales caps and sales floor. Finally, interactions with other regimes matter. The RCM, funded via an aviation fuel levy, complements the SAF Mandate and other initiatives. Developers will need to coordinate across grants, mandates, and certificate schemes, align with carbon pricing and sustainability verification, and consider how Non-Qualifying Offtakers are treated, including safeguards against supported exports or onward sales. As such the development of the SAF market and support producers can rely on, will continue to be a topic of interest for many over the coming year.

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