



# Sustainable Aviation Fuel (SAF): Key Legal Considerations for Producers and Suppliers in Singapore

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## Bird & Bird

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*Singapore's Sustainable Aviation Fuel (SAF) policy framework is designed to facilitate aviation's green transition and provide long-term market certainty. This article highlights the key legal and commercial considerations for SAF producers and suppliers, encompassing feedstock and technology risks, fraud mitigation, certification and quality requirements, environmental attributes, and risk allocation in production and supply agreements.*

### Singapore's SAF policy

The Civil Aviation Authority of Singapore (CAAS) considers SAF a cornerstone of aviation's green transition, positioning Singapore as a leader in sustainable air travel. By investing in infrastructure and partnerships, CAAS is confident that SAF will accelerate emissions reduction while driving industry growth. With strong regional collaboration, Singapore aims to become a regional hub for SAF innovation and deployment, setting the pace for Asia-Pacific's sustainable aviation future.

CAAS's national SAF target creates a clear and predictable market, giving producers confidence to scale up supply. By combining a levy with voluntary corporate demand, Singapore is creating a stable ecosystem where SAF producers can thrive and innovate. This initiative positions suppliers at the heart of Asia-Pacific's sustainable aviation future, with Singapore acting as a launchpad for growth and regional leadership.

Singapore's institutional design for SAF procurement and accounting is transparent: The SAF Fund is managed by CAAS and may be used to procure SAF and SAF environmental attributes (EAs), and to cover costs connected with the procurement, management, accounting, and allocation of SAF and EAs to levy payers and other prescribed persons. The definition of SAF EAs is explicitly tied to lifecycle CO<sub>2</sub> performance, which represents the difference between SAF's lifecycle emissions and those of conventional fuel and conforms to the Carbon Offsetting and Reduction Scheme for International Aviation (CORSI)A) offsetting requirements and sustainability reporting schemes.

A core pillar of Singapore's SAF policy is a national SAF uplift trajectory starting at 1% SAF for all flights departing Singapore from 2026, with the goal to raise this to 3-5% by 2030 (subject to global developments and wider SAF availability). Singapore will seek to achieve these targets through a mandatory SAF levy using a "fixed cost envelope approach," whereby CAAS aggregates SAF demand across airlines and centrally procures SAF using the collected levy. The quantum of the SAF levy is set based on the volume of SAF needed to meet the 1% SAF target for 2026 and the projected price premium of SAF over conventional jet fuel, plus associated costs including certification, blending, and delivery.

### SAF Procurement

The Singapore Sustainable Aviation Fuel Company Ltd. (SAFCo) will centrally procure SAF using the SAF Fund to obtain longer-term competitive price agreements using predictable cashflows, and will also aggregate voluntary SAF demand from organisations, enabling SAFCo to negotiate attractive pricing for both SAF and EAs.

On 2 February 2026, CAAS, SAFCo and 9 companies entered an MOU to participate in Singapore's first trial for central procurement of voluntary Sustainable Aviation Fuel (SAF). The 9 companies are the Boston Consulting Group, Changi Airport Group, DBS Bank, GenZero, Google, OCBC, Temasek, Singapore Airlines and Scoot.

A recent report<sup>[1]</sup> indicates that sharp price swings in SAF highlight the limitations of current production pathways and raise concerns about the sector's ability to expand to meet rising mandates. The volatility in SAF prices is being amplified by the small size of the market and thin pool of suppliers, renewing concerns that today's dominant Hydroprocessed Esters and Fatty Acids (HEFA) pathway will struggle to scale as mandates rise. It remains to be seen whether an aggregated purchase system will help to blunt the effects of such volatility.

### SAF Production

Producers will not be required to receive a "license to produce" from SAFCo; instead, they participate in a competitive tender process and bid to sell SAF to SAFCo.

HEFA is the prevailing dominant and cost-effective pathway for SAF production in Singapore and globally. The HEFA process involves hydrotreating feedstock (waste oils, animal fats, used cooking oil and vegetable oils) to remove oxygen, followed by cracking and isomerization to create jet-fuel-range hydrocarbons.

To reduce dependence on first-generation SAF, regulators in Singapore are steering the industry towards advanced production pathways. From our observation, two key routes dominate the future pipeline:

- **Second-generation SAF:** Fuels from waste and residues such as municipal solid waste or forestry residues. These feedstocks are familiar to the resources and waste management sector, but competition from energy recovery and biomass markets could limit availability.
- **Third-generation SAF (Power-to-liquid (PtL)):** Synthetic fuels made using renewable electricity or low-carbon power to convert power into liquid hydrocarbons. These processes are energy-intensive and may

compete for scarce renewable power.

However, certain investment risks still remain to be addressed, such as:

- lack of clear, reliable benchmark or market price for advanced SAFs,
- policy and regulatory uncertainty, and
- competition between projects and other low carbon technologies for financing (unless self-funded).

The UK Sustainable Aviation Fuel Bill (set for a Third Reading in February 2026) is demonstrating leadership with a Revenue Certainty Mechanism (**RCM**) which is time-limited to provide interim support, whilst the market price of non-HEFA SAF remains uncertain, to help support first-of-a-kind plants in the UK. This is a concept that may be emulated in Singapore.

SAF producers should mindfully manage various risks associated with the capital-intensive and feedstock-sensitive business of producing SAF. Such risks include the following: **Feedstock Risks**

SAF production depends heavily on feedstock availability. Feedstock availability may fluctuate in response to various factors, such as weather or regulatory changes. This exposes local producers of SAF to price volatility and supply chain risks in their procurement of essential feedstock. To mitigate these risks, SAF producers should carefully negotiate their feedstock supply contracts to include provisions addressing situations of feedstock disruptions. This includes performance guarantees, liquidated damages and force majeure clauses. In addition, SAF producers may also negotiate with their feedstock suppliers for flexibility in the volume of feedstock supplied. This would allow SAF producers to scale their operations based on fluctuations in demand for SAF from their customers.

#### **Novel Technology Risks**

While HEFA-based SAF is a mature and proven technology, other newer production pathways, such as alcohol-to-jet and waste-to-fuel, which may be more scalable, are emerging. However, novel technologies may be deemed riskier. Owing to a lack of long-term data and limited commercial examples, new technologies may not scale as projected, and incur cost overruns or result in underperformance.

To mitigate against these technology risks, performance guarantees should be carefully negotiated to reflect realistic operational parameters, taking into account the nascent nature of the technology. Liquidated damages regimes should be structured to incentivise performance whilst acknowledging technological uncertainties. Parties may also consider incorporating technology warranty provisions, and step-in rights in the event of prolonged underperformance. In the context of SAF production facility development, these contractual protections are typically documented in EPC contracts (between project developers and construction contractors), technology licence agreements (between project developers and technology licensors), and equipment supply agreements (between contractors and equipment manufacturers).

Where technology licensors are involved, back-to-back warranty arrangements and indemnities for intellectual property infringement should be secured. Additionally, parties should negotiate clear risk-sharing mechanisms, including caps on liability and appropriate carve-outs, to allocate technology risk equitably between project developers (as employers commissioning SAF production facilities), EPC contractors (responsible for engineering, procurement, and construction), and technology licensors (who provide proprietary production processes and equipment).

#### **Fraud Risks**

SAF producers should be vigilant to the risks of greenwashing and fraud. A major issue involves passing off virgin palm oil as used cooking oil (**UCO**) for use as feedstock in SAF production<sup>[2]</sup>, which undermines both sustainability goals and regulatory compliance. Using virgin palm oil as feedstock for SAF production is prohibited under European Union rules due to its strong links to deforestation and biodiversity loss.

To mitigate these risks, SAF producers should conduct rigorous due diligence and checks on the sources of their feedstock. These measures include:

- Verifying feedstock origin to ensure UCO and other waste-based inputs are genuine.
- Implementing a supplier monitoring system to ensure the integrity of feedstock sources.
- Auditing supply chains to prevent fraudulent relabelling of virgin oils.

The rights and responsibilities in relation to these measures should be appropriately set out and assigned between the parties (i.e. buyer and supplier) in the feedstock supply agreement. Such agreements should also contain the necessary protections and quality assurances to safeguard against the risk of feedstock fraud.

#### **SAF Supply**

SAF suppliers may supply and sell SAF directly to purchasers (e.g. airline companies) via offtake or fuel supply agreements.

In Singapore, agreements for the supply of SAF would typically comprise the following key terms:

##### **(a) Composition of SAF**

SAF can be sold neat (i.e. not mixed with conventional jet fuel) or blended (i.e. mixed with conventional jet fuel). The supply agreement should clearly set out the composition of the SAF. Contracts typically specify the feedstock type, blend ratio (if blended supply) and compliance with ASTM standards.

##### **(b) Contracted volume of supply**

The parties may agree on the sale of a fixed volume of SAF in a single transaction, or agree to a longer-term supply of SAF.

Contracts for the long-term supply of SAF may set out a minimum annual/monthly contract quantity. The SAF may be sold on a “take-or-pay” basis up to the minimum annual contract quantity whereby the buyer is required to either take (and accept delivery of) a minimum quantity of SAF or pay for any shortfall. This ensures that the seller receives a certain minimum revenue from the agreement, thus mitigating risk for the supplier who might have invested in high-overhead projects.

#### (c) Quality, Sustainability & Certification Requirements

SAF supply agreements typically require compliance with quality standards (ASTM D7566). The SAF sold must usually also be CORSIA-eligible, allowing buyers to claim verified emissions reductions. The seller may also be obligated to provide documentation on feedstock traceability and lifecycle carbon reductions.

#### (d) Physical Delivery or Book & Claim Terms

SAF can be produced, blended and uplifted at the selected airport as physically delivered fuel. The agreement would thus specify the delivery location and custody transfer point.

Alternatively, EAs can be purchased under a Book & Claim arrangement (essentially the buyer purchases SAF certificates representing the emission reductions of SAF without actual physical delivery of SAF). This concept decouples the environmental attributes from the physical SAF. The buyer “books” (purchases) a specific volume of SAF produced elsewhere and “claims” the associated emissions reduction in their sustainability reporting. The physical SAF is blended into the general fuel supply, while the environmental benefits are transferred via a digital registry, preventing double-counting.

#### (e) Environmental Attributes

Environmental attributes are of critical importance in Singapore’s SAF ecosystem. The contract terms relating to the environmental attributes typically concern transfer of ownership conditions, reporting deadlines, verification procedures and alignment with CORSIA.

#### (f) Risk Allocation and Force Majeure

The allocation of risks in supply agreements, especially those for long-term supply, is often keenly negotiated between parties. SAF production is a capital-intensive and feedstock-sensitive business. As such, contracts for the supply of SAF often allocate risks related to feedstock availability, production disruptions, transport disruptions, and regulatory changes. Such events may trigger force majeure clauses, which are a useful risk allocation mechanism for parties.

#### Conclusion

Singapore is making significant strides in its sustainable aviation journey. The combination of mandatory levies, centralised procurement through SAFCo, and voluntary corporate participation creates a structured ecosystem designed to provide market certainty for SAF producers, suppliers and purchasers alike.

Notwithstanding these developments, stakeholders must navigate a complex landscape of legal and commercial considerations—from technology and supply chain risks in production, to quality specifications, environmental attribute transfers, and risk allocation in supply agreements. As the market matures and advanced production pathways develop, parties entering into SAF-related transactions should ensure that their contractual arrangements adequately address feedstock variability, regulatory compliance, certification requirements, and the accounting of environmental attributes. With careful attention to these legal and commercial considerations, producers and suppliers will be well-positioned to capitalise on Singapore's ambition to become a regional hub for SAF innovation and deployment.

**Bird & Bird** - Sandra Seah and Genessa Chew

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