



Department  
for Transport

# **Sustainable Aviation Fuel Revenue Certainty Mechanism**

## Contract Allocation Strategy

July 2026

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## Ministerial Foreword

Delivering cleaner, greener transport is a core priority for our government. Across every transport mode, we are taking decisive action to cut emissions, strengthen the United Kingdom's energy security, and position the UK at the forefront of green innovation. Aviation is no exception, whilst it is a challenging area to decarbonise, its contribution to the economy as a driver of connectivity, trade, jobs and investment, means that securing long-term sustainability in the sector is essential.

The government's goal is clear: to enable people to continue flying, while sharply reducing the environmental impact of aviation. The UK is accelerating the use of Sustainable Aviation Fuel (SAF), modernising its airspace, and investing in the next generation of low/zero emission aircraft through world-leading research and development programmes. These actions support our climate commitments and create opportunities for real growth, skills and high-quality employment across the nation.

SAF will be central to both the near-term and long-term decarbonisation of flight. With the introduction of the UK's SAF Mandate in 2025, we have taken a global leadership position in driving demand for SAF. The next step is to ensure the UK can support the development of First-of-a-Kind SAF production technologies, capturing economic value at home, enhancing energy security and supporting the transition to cleaner aviation. Alongside supporting aviation decarbonisation goals, this positions the UK to secure economic benefits and strengthen our security of energy supply.

To achieve this, the government is delivering a Revenue Certainty Mechanism (RCM) that will give producers and investors the confidence they need to build and scale SAF production plants in the UK. In March 2026, the SAF Bill received Royal Assent, providing the legislative powers required to implement this mechanism.

This publication sets out the government's proposed Strategy for allocating contracts under the RCM, including the intended timeline for the first allocation round. The approach has been informed through extensive engagement across the SAF value chain, and the government remains committed to working closely with industry to ensure the RCM is robust, investable and capable of supporting the scale-up of UK SAF production.

As the UK progresses towards decarbonising aviation, it is essential that this transition is delivered in a pragmatic and proportionate way that considers impacts on consumers. The RCM is intended to support this objective by helping to reduce the cost of producing SAF

in the UK, while providing the long-term certainty needed to unlock investment and grow a competitive domestic SAF industry.

The RCM forms part of a wider programme to decarbonise aviation, including:

- the UK SAF Mandate, securing demand and delivering greenhouse gas reductions
- airspace modernisation, enabling quicker, cleaner and quieter journeys
- our long-term investment in low- and zero-emission aircraft through the Aerospace Technology Institute
- carbon pricing through the UK Emissions Trading Scheme and CORSIA
- government-funded research to better understand and address non-CO<sub>2</sub> impacts
- SAF production grants through the Advanced Fuels Fund and its successor scheme the Low Carbon Fuels Fund (LCFF)
- the DfT-funded SAF Clearing House, supporting testing and certification

Together, these measures will enable the UK to build a resilient SAF industry, accelerate the transition to net zero aviation, and deliver the government's Plan for Change.

**Keir Mather MP**

Minister for Aviation, Maritime, and Decarbonisation

## Executive Summary

The government is publishing this Strategy to provide greater clarity on the approach to allocating contracts under the first allocation round, SAF Allocation Round 1 (SAF AR1), of the SAF Revenue Certainty Mechanism (RCM).

The **Introduction** sets out the strategic objectives of contract allocation under the RCM, including supporting first-of-a-kind UK SAF projects, ensuring value for money and delivering projects at pace to support SAF Mandate targets. It confirms that, for SAF AR1, a tendered bid process with bilateral negotiations approach will be taken forward, following strong consensus in consultation responses.

The **indicative timeline** for the first round of contract allocation which reflects the ambition to open the application window for the round from Q1 2027, shortlist projects from Q4 2027 and award contracts from Q4 2028.

The **proposed size of SAF AR1** is set with the intent to support up to 230 kilotonnes per annum of SAF production capacity, reflecting considerations around speed of deployment, portfolio risk and market distortion. Indicative analysis is also provided on the potential impacts on levy costs under different market price scenarios.

Under **technology and feedstock considerations**, the government confirms that it will not ringfence support for specific SAF production technologies in SAF AR1. Where necessary, a portfolio approach can be applied, to manage risk and support a diverse range of technologies and feedstocks.

Further recognition and details regarding feedstock security of supply, multi-fuel type plants and certified fuel requirements are also set out.

Finally, the current position on **future allocation opportunities** is stated, including the view to potentially run a second allocation round at a larger and more technology-diverse scale approximately one year after contracts are awarded through SAF AR1.

## Disclosure

The Department for Transport reserves the right to amend any timeline, volume, or value identified within this Allocation Strategy, from time to time.

The Department also reserves the right to not commence or conclude any allocation round for any reason.

The publication of this Strategy is not a call for competition; allocation rounds will be launched via separate notices.

All RCM contract awards are “subject to contract”.

## Glossary

**Allocation Rounds:** The competitive processes used to award RCM contracts to individual SAF projects.

**Application Guidance:** The set of documents provided to potential bidders that explains how to take part in an RCM contract allocation round.

**Aviation Fuel:** Fuel for use in aircraft or use in testing engines for use in aircraft.

**Bioenergy:** Bioenergy is energy derived from biomass, including its use for electricity, heat and transport fuels.

**Counterparty:** The designated government-owned entity responsible for administering the RCM, as well as the RCM levy to fund the scheme's costs.

**Difference Amount:** The calculated difference between the Strike Price and the Reference Price.

**Fossil Aviation Fuel:** Kerosene-based jet fuel produced from fossil sources (for example petroleum hydrocarbons), compliant with specification standards.

**Floor Price:** The Floor Price sets the maximum difference payments available to the producer, acting as a minimum Reference Price.

**Greenhouse Gas (GHG):** Any gaseous constituent of the atmosphere, whether natural or anthropogenic, that absorbs and re-emits infrared radiation and contributes to the greenhouse effect.

**First-Of-A-Kind (FOAK):** First commercial deployment of their kind in the UK.

**Hydroprocessed Esters and Fatty Acids (HEFA) SAF:** A common SAF production pathway using oils and fats.

**Indicative Heads of Terms (iHoTs):** The high-level, non-binding summary of the principal commercial and legal terms that are expected to form the basis of a future contract agreement.

**Jet A-1:** Kerosene-type aviation turbine fuel compliant with specification standards to be suitable for aviation turbine engines.

**Levy:** A variable levy imposed on suppliers of fossil aviation fuel to fund the revenue certainty mechanism.

**Low Carbon Fuels Fund (LCFF):** The Department for Transport grant funding scheme, that is a successor to the Advanced Fuels Fund.

**Nth-Of-A-Kind (NOAK):** Subsequent commercial deployments of the same or similar technology in the UK.

**Operational Conditions Precedent:** Requirements that demonstrate a producer has commissioned a specified installed capacity and that the facility is compliant with any sustainability criteria or metering requirements set out in the contract

**Price Discovery Mechanism:** The incentive for producers to seek the highest possible price for their fuel, supporting the emergence of a market price for non-HEFA SAF.

**Reference Price:** The benchmark price against which the Strike Price is compared to determine the size and direction of the Difference Amount.

**Revenue Certainty Mechanism (RCM):** UK government scheme to provide greater financial certainty to SAF producers, encouraging investment in UK SAF production.

**RCM contract:** Private law agreement between a UK SAF producer and a government-owned counterparty which defines the terms of the scheme, including bespoke provisions for the specific project.

**Sustainable Aviation Fuel (SAF):** A low carbon alternative to conventional jet fuel, derived from sustainable feedstocks.

**SAF Act:** Sustainable Aviation Fuel Act 2026<sup>1</sup>.

**SAF Allocation Round 1 (SAF AR1):** The first allocation round for the SAF RCM.

**SAF Allocation Round 2 (SAF AR2):** The second allocation round for the SAF RCM.

**SAF Bill:** Proposed primary legislation relating to SAF, enabling the implementation of the RCM and associated levy, that is introduced to Parliament and is subject to debate, amendment, and approval before becoming law.

**SAF Mandate:** UK government regulatory obligation requiring aviation fuel suppliers to supply a minimum proportion of SAF into the UK market set out in the Renewable Transport Fuel Obligations (Sustainable Aviation Fuel) Order 2024.

**Strike Price:** The value guaranteed, from the RCM contract, for each litre of SAF sold by producers.

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<sup>1</sup> Available [here](#)

**Target Commissioning Date:** The planned date by which a project is expected to become operational and begin delivering its intended outputs, as set by the contracting authority or proposed by the bidder.

**Target Commissioning Window:** The planned period by which a project is expected to become operational and begin delivering its intended outputs, as set by the contracting authority or proposed by the bidder.

## Background

### The need for and progression of the Revenue Certainty Mechanism

The government has a comprehensive plan in place for SAF. The UK is creating demand for SAF through the ambitious targets set out in the SAF Mandate, which is the UK's key policy to decarbonise jet fuel. Supply is being supported by grant funding to drive investment in early-stage UK SAF production with the Advanced Fuels Fund allocating £198 million over three windows to a total of 21 different projects, and the Low Carbon Fuels Fund (LCFF) committing to allocate, subject to usual business case development, up to an additional £219 million over four years. The UK SAF Clearing House also helps SAF producers navigate testing and qualification, reducing barriers to new fuels coming to market.

Despite these policy measures, First-of-a-Kind (FOAK) facilities still face barriers to attracting investment due to uncertainty around revenue forecasts. Examples of uncertainty include:

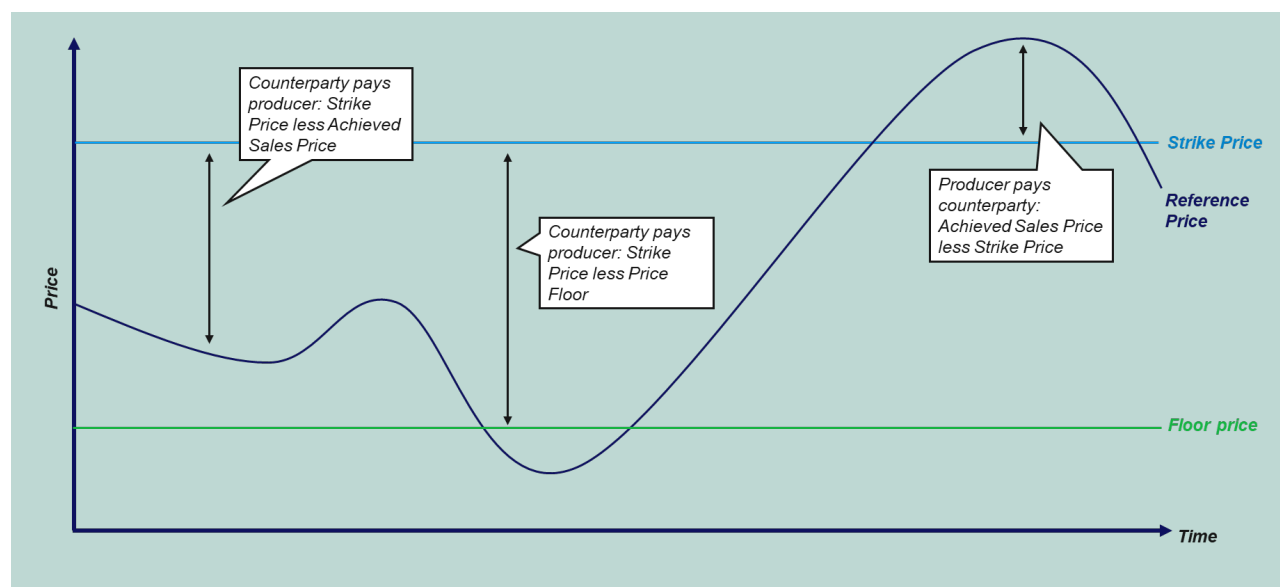
- The lack of a clear UK or global market price for advanced (non-Hydrotreated Esters and Fatty Acids (HEFA)) SAF
- Perceived policy and regulatory uncertainty
- Projects competing for finance with other emerging low carbon technologies

The government has therefore committed to the Revenue Certainty Mechanism (RCM) through a Guaranteed Strike Price model, funded by industry, to address investment risk.

### How the RCM Works

The SAF RCM should help enable UK SAF projects to secure a lower cost of capital, lower the cost of UK SAF production and help projects reach Final Investment Decisions (FIDs) in the UK. The mechanism involves a private law contract between UK SAF producers and a counterparty (wholly owned by government), setting a price ('Strike Price') that a producer will receive for eligible SAF over a fixed period. Where the Reference Price exceeds the Strike Price, the producer pays the difference to the counterparty. Where the

Reference Price is below the Strike Price, the producer receives a payment for the difference from the counterparty. Difference payments from the counterparty will be funded via a levy on aviation fuel suppliers.



Illustrative example of how RCM works

The RCM is a key lever for supporting the government's Plan for Change missions to Make Britain a Clean Energy Superpower and to Kickstart Economic Growth. A UK SAF industry, enabled by the RCM, will support emissions reductions through the SAF Mandate, enhance energy security, drive economic growth and create good green jobs across the UK. Recent events in the Middle East have highlighted the importance of energy security. By supporting investment in additional domestic SAF production capacity, the RCM has the potential to deliver wider energy security benefits alongside its core objective of enabling FOAK SAF deployment in the UK.

The government does not see the RCM as a permanent feature of the SAF production landscape but an intervention that is required while the SAF market is nascent and a lack of certainty and clarity exists around the economics of SAF investment for investors. The RCM is, therefore, intended to provide support to FOAK advanced SAF technologies and feedstocks through a time-limited series of allocation rounds.

## Key milestones

Government has been acting quickly to ensure that the RCM is able to sign contracts in a timely manner to support the delivery of SAF Mandate targets, with the key milestones achieved outlined below:

- **April 2024:** consultation on RCM design options
- **July 2024:** the King's Speech announced the intention to legislate for the RCM

- **January 2025:** the government response to the April 2024 consultation confirmed that the RCM will be based on a Guaranteed Strike Price mechanism and the first tranche of signed contracts would be with UK SAF projects using non-HEFA technology and feedstocks
- **March 2025:** consultation on funding the RCM was published proposing a variable levy on aviation fuel suppliers
- **May 2025:** the SAF Bill was introduced in Parliament and the government response to the March 2025 consultation confirmed that a variable levy will be placed on aviation fuel suppliers to fund the RCM
- **October 2025:** consultation on the design of a variable levy to fund the RCM
- **January 2026:** consultation on the RCM indicative Heads of Terms (iHoTs) and the proposed approach to contract allocation
- **March 2026:** the SAF Bill received Royal Assent on 5th March and passed into law, providing the legislative powers for the government to introduce an RCM
- **June 2026:** publication of the response to the first consultation on the design of the levy to fund the RCM, and publication of the second consultation on the design of the levy to fund the RCM

# 1. Introduction

## Proposal Introduction

- 1.1 Government recognises the need to provide greater clarity on the timing and scope of the first contract allocation round, SAF Allocation Round 1 (SAF AR1), as well as the longer-term approach to contract allocation. This publication is intended to provide prospective applicants with sufficient information and advance notice to support preparation for the allocation round and the submission of high-quality bids. Therefore, this Strategy covers:
- The timeline for SAF AR1, including when government plans to open the application window, shortlist projects and award contracts.
  - The maximum volume of SAF that government will support in the first allocation round.
  - The approach to supporting different technologies and feedstocks, including considerations around Power-to-Liquid (PtL) SAF, Carbon Capture, Usage & Storage (CCUS)-enabled SAF and feedstock security of supply.
  - Considerations around subsequent RCM allocation rounds, including indicative timing, size and format.
- 1.2 This Strategy sets out a direction of travel for the future of the RCM. In parallel to this, the detailed design of SAF AR1 is currently being undertaken. The application guidance for SAF AR1, which will outline the assessment framework, including the criteria, evidence requirements, and submissions expectations at each stage, will be issued when the application window opens for the round. This guidance will be informed by the responses received to our previous consultation on the RCM iHoTs and approach to contract allocation<sup>2</sup>. Prior to opening the application window for SAF AR1, we plan to issue a formal response to all questions in this previous consultation. Responses to the previous consultation have also informed elements of this Strategy and any final decisions that have been made on contract allocation in response to that consultation have been highlighted throughout.

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<sup>2</sup> [Consultation on the Sustainable Aviation Fuel Revenue Certainty Mechanism Indicative Heads of Terms and approach to contract allocation](#)

- 1.3 Unless a position is clearly stated as a formal decision then the approach set out in this Strategy should not be taken as a definitive final design choice and may be subject to change. The government reserves the right to amend any timeline, volume, or value identified within this RCM Contract Allocation Strategy. This Strategy does however signal the government's current position, emerging thinking and direction of travel.

## Strategic Allocation Objectives

*Summary: This section outlines the government's strategic allocation objectives, the focus for the first contract allocation round, and the decision to proceed with an allocation approach of a tendered bid process with bilateral negotiations for this round.*

- 1.4 In our previous consultation on the RCM iHoTs and approach to contract allocation, we outlined that contract allocation on the RCM is aligned to the following strategic objectives:
- **Scaling First-Of-A-Kind (FOAK) UK SAF production to commercial deployment** – We aim to support projects representing first commercial deployment of their kind in the UK through SAF AR1. There are a diverse range of SAF production technologies and feedstocks that can be used to produce SAF, each with distinct opportunities and risks. Government recognises the value in not just supporting one production pathway in the nascent phases of the market, to mitigate against systemic delivery risks of the scheme.
  - **Value for money** – SAF supported through the first allocation round should support cost-effective delivery of SAF Mandate targets, minimising the impact of the scheme on the fuel and aviation sectors.
  - **Speed of deployment** – SAF needs to be delivered at pace through the first allocation round to support SAF Mandate targets.
- 1.5 Achieving the correct balance of these three objectives is critical to ensure that we can support cost effective delivery of SAF Mandate targets at pace with a view to establishing the UK as a key player in the future production of advanced non-HEFA SAF.
- 1.6 Earlier this year, government consulted on whether to proceed with the proposed allocation approach of a tendered bid process with bilateral negotiations for SAF AR1. The vast majority of respondents (91%) expressed support for this model, given the nascency of the SAF market, characterised by a limited project pipeline, diverse technologies and a high proportion of FOAK projects, while noting the need for transparency throughout the process. It was viewed that this model was the most pragmatic allocation mechanism at this stage, allowing project-specific risks and uncertainties to be addressed while maintaining competitive tension. By contrast, purely price-based allocation mechanisms, such as sealed-bid auctions, were viewed as carrying significant risks for an initial allocation round, as they would require government to establish an auction framework and parameters capable of accurately reflecting market conditions that remain highly uncertain. **We therefore confirm that government's final decision is to proceed with the proposed allocation approach of a tendered bid process with bilateral negotiations for SAF AR1.**

- 1.7 A key focus for the first allocation round will remain on deliverability, which will be reflected in the final eligibility and evaluation criteria for the bidding process. Projects that apply to SAF AR1 must demonstrate that they can complete commissioning by their proposed delivery year. Bids will be scored more highly where applicants provide more robust and credible evidence of organisational, project, technical and commercial deliverability. Deliverability will play a particularly important role in SAF AR1, reflecting the need to establish a credible and investable UK SAF market at pace. Prioritising projects with robust delivery plans will help reduce the risk of delays or project attrition, support confidence in the RCM amongst investors and industry, and ensure that support is allocated efficiently and effectively.
- 1.8 Alongside demonstrating a high degree of deliverability, projects participating in the first allocation round will also be required to clearly evidence that their bids represent strong value for money for government. Ensuring that support is allocated efficiently and effectively is a central objective of SAF AR1.
- 1.9 Bids will therefore be subject to robust evaluation and due diligence processes, undertaken with support from the delivery partner for the first allocation round, to assess the credibility, competitiveness and overall value for money of proposed projects before any funding decisions are made.

## 2. Contract Allocation Strategy

### SAF Allocation Round 1 Timeline

*Summary: This section outlines the government's timeline for the first contract allocation round, including when the round will launch and when contracts will be awarded.*

- 2.1 The government is committed to delivering the RCM in a timeframe and approach that is ambitious yet deliverable, applying lessons from comparable allocation approaches implemented by the Department for Energy Security & Net Zero (DESNZ) in, for example, hydrogen production and Carbon Capture, Usage & Storage (CCUS).
- 2.2 The timeline for the first round of RCM contract allocation is outlined below. It represents the fastest viable option that maintains a robust commercial process and competitive round. It should be noted that these dates are indicative, and government reserves the right to alter these timelines at any stage in the process. This timeline reflects the proposed bid process outlined in the previous consultation on the RCM iHoTs and approach to contract allocation.

| SAF AR1 Application Stage             | Description                                                                                                                                                                                                      | Date (Calendar Year) |
|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| <b>Pre-Launch Engagement Sessions</b> | Engagement sessions to provide initial information on finalised eligibility and evaluation criteria, and provide further information on how to bid.                                                              | From Q4 2026         |
| <b>Application Window Opens</b>       | The application guidance will be published, and SAF AR1 will be open to applications. Projects that bid will then proceed into the eligibility phase, and if they pass, will proceed into the evaluation phases. | From Q1 2027         |
| <b>Shortlisting</b>                   | Projects that have been successful in the evaluation will be shortlisted to proceed to the                                                                                                                       | From Q4 2027         |

| Due Diligence (open book) and Agreeing an Offer stages. |                                                                                                                                                          |              |
|---------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| <b>Contract Award</b>                                   | Successful projects will receive an offer of an RCM contract from the RCM counterparty, following a direction from the Secretary of State for Transport. | From Q4 2028 |

- 2.3 Considering the indicative contract award date set out above, it is proposed that projects should be able to evidence a robust pathway to the completion of commissioning no later than the end of Q1 2033, with earlier completion strongly encouraged. In the application guidance, it will be requested that applicants should make clear the delivery year in which they plan to complete commissioning to the satisfaction of Operational Conditions Precedent. Applicants will be expected to support their selected delivery year with evidence that it best fits their plans for operation and deployment. This allows the government to allocate support within budgetary limits, with consideration given to when projects could support SAF Mandate targets. The Target Commissioning Date and Target Commissioning Window will govern the real contractual milestones.
- 2.4 Projects must deliver demonstrable evidence behind information and commitments provided at the eligibility stage. Rigorous technical, financial and commercial due diligence will be carried out on shortlisted projects to verify producer assumptions, proposed schedules and assure deliverability of projects that receive contracts. Throughout the development, construction, and commissioning phases, the producer will be subject to evidence checkpoints including Initial Conditions Precedent, Milestone Requirements and Operational Conditions Precedent, which will permit the counterparty to withdraw support if progress stalls and to deter projects submitting speculative bids that are unlikely to meet the commissioning timescales.
- 2.5 It is recognised that this timeline highlights potential challenges with bringing RCM-supported domestic capacity online to support SAF Mandate targets if there are insufficient imports. In June 2026, the government published a Call for Evidence on the UK SAF Mandate seeking views on how government can best support all parts of the industry in meeting the Mandate to ensure delivery of the government's climate and environmental ambitions and seeking evidence on the level of supply of both HEFA and non-HEFA SAF over the next few years.
- 2.6 The role of the RCM is crucial in scaling UK production throughout the 2030s, and a time-limited series of allocation rounds will help support delivery of SAF Mandate targets. Speed of deployment and value for money are key allocation objectives; the government is working at pace to ensure that the RCM is fit for purpose, and to design an allocation process that can identify and support highly deliverable projects to reach FID.

## SAF Allocation Round 1 Supported Capacity & Levy Payments

*Summary: This section outlines the government's proposed maximum size of the first contract allocation round, as well as the estimated impact on the potential cost of levy payments.*

### Supported Capacity

- 2.7 The government recognises the importance of clearly bounding the scale of the first allocation round for SAF producers and investors.
- 2.8 The first allocation round, SAF AR1, has been sized with consideration given to:
- The SAF Mandate target trajectory and design. The SAF Mandate is not specific about where the fuel is supplied from, as long as it meets eligibility and sustainability criteria, however RCM supported UK SAF can help to mitigate potential uncertainty around future supply.
  - Global supply and demand dynamics, including potential import availability.
  - The role of UK Low Carbon Fuels production in supporting energy security.
  - Economic benefits, with the opportunity to develop UK industry and intellectual property, and create conditions for high skilled employment to support green jobs.
  - The size, maturity and diversity of the current UK SAF production pipeline.
  - Market distortion: the more of the market that is covered by the RCM, the more distortive the scheme could be on market pricing. It is important that a market price is established for different forms of non-HEFA SAF as quickly as possible to accelerate projects' ability to take FID without an RCM contract in the future.
  - Value for money, recognising that FOAK costs are likely to be the greatest in SAF AR1 versus any potential future allocation round(s).
  - Speed of deployment, highlighting that supporting a greater number of projects in SAF AR1 would reduce the speed at which government could award contracts due to increased timelines for evaluation, due diligence and agreeing offers.
- 2.9 Lessons learned from allocation processes on similar schemes have shown the value in sequentially increasing supported capacities in allocation rounds. However, supporting insufficient volumes through SAF AR1 could increase exposure to project and portfolio attrition risks, limiting the scheme's ability to support the development of a credible UK SAF industry. Conversely, supporting excessively large volumes at an early stage could risk distorting emerging market dynamics, reducing value for money, and increasing the complexity and duration of project evaluation, due diligence and contract negotiations. The government has therefore sought to calibrate the scale of SAF AR1 at a level that appropriately balances these

considerations, while supporting the timely and credible deployment of UK SAF production capacity.

- 2.10 Therefore, support through the RCM will initially be targeted towards a small number of highly deliverable FOAK SAF production projects. In SAF AR1, mature projects with robust project development fundamentals will be prioritised for support. As announced in June 2026, the LCFF will offer grant funding to both mature projects and support a development pipeline for less mature projects. This will help contribute towards a competitive pool of projects for SAF AR1 and future allocation rounds.
- 2.11 Government expects to award multiple contracts totalling **up to a maximum of 230 kilotonnes SAF per annum (ktpa)** of supported capacity in SAF AR1, subject to affordability and value for money. Assuming benchmark carbon intensities, this is equivalent to approximately **0.74 MtCO<sub>2</sub>e Greenhouse Gas (GHG) emissions savings relative to fossil aviation fuel**. Assumptions have been made on the production technology split as outlined in the **Analytical Annex**. It should be noted that these are assumptions for sizing purposes and do not reflect any pre-determinations or decisions on contract award.
- 2.12 These total GHG emissions savings have been estimated assuming that no projects are connected to the CCUS Transport & Storage (T&S) network. This does not mean CCUS-enabled projects are ineligible for SAF AR1. We have taken this approach because of the significant variation in emissions savings for projects with or without CCUS and calculating total GHG emissions savings would require us to assume which projects might be successful ahead of the competitive process. We recognise the benefits that CCUS-enabled SAF projects can offer in terms of GHG emission reductions. If bids connected to the CCUS T&S network are successful as part of SAF AR1 we will revisit the total GHG emissions savings assumption, but this would not be expected to impact the total maximum volume of SAF supported in SAF AR1 or the number of contracts awarded. This approach would maintain the total maximum volume of SAF supported and the number of contract awards, only impacting the assumed associated GHG savings and allowing the scheme to continue at pace. Further information on our approach to supporting CCUS-enabled SAF is outlined later in this document.
- 2.13 The consultation on the RCM iHoTs and approach to contract allocation requested stakeholder views on limiting supported volumes for each project through RCM contracts. Doing so would allow government to potentially support a larger number of projects within the capacity limit for SAF AR1, and better support the emergence of a market price for different types of non-HEFA SAF. The responses received on the consultation are currently informing further policy design and government will put forward a final position on this as part of the response to the consultation.
- 2.14 We consider that the proposed round size strikes an appropriate balance across the three strategic allocation objectives outlined above, and supports the government's ambition to bring RCM-supported capacity into operation at pace whilst ensuring contracts signed represent value for money. Further information on future allocation rounds can be found later in this document.

## Levy Payments

- 2.15 The proposed scale of SAF AR1 will influence the potential levy costs associated with the scheme. While final costs will depend on the Guaranteed Strike Prices agreed with successful projects through the allocation process, government has undertaken initial analysis to provide an indication of the potential scale of these impacts.
- 2.16 For UK aviation fuel suppliers, the majority of the cost is expected to be the total difference payments arising from contracts agreed in SAF AR1. For analytical purposes, the contracts are assumed to be 15 years in length; this is not a definitive government position and will be confirmed in the response to the consultation on the RCM iHoTs and approach to contract allocation published in January 2026<sup>2</sup>. When SAF prices are below the strike price, the difference payments are additional to purchasing the SAF. The two costs move in opposite directions. For example, as the price of UK SAF increases, the difference payments funded by the levy on aviation fuel suppliers decrease.
- 2.17 To estimate potential levy costs, we have considered “Low” and “High” SAF price scenarios, with “Low” reflecting the lower end of possible SAF market prices (below the strike price) and “High” reflecting the upper end (above the strike price). For the first allocation round covering 230ktpa of SAF over potentially 15-year contracts, in the indicative “Low” price scenario when the price is below the expected strike price, the levied industry would incur an estimated cost of up to c. £3 billion. Where prices are higher than the strike price in the indicative “High” price scenario, the RCM-supported plants would make payments to the counterparty of up to c. £1 billion over 15 years. This analysis assumes that SAF is not sold at the floor price, because there is an effective price discovery mechanism in place, the concept of which was consulted on in January 2026 with final policy positions being developed.
- 2.18 This price discovery mechanism provides an incentive for producers to seek the highest possible price for their fuel, thereby supporting the emergence of a market price for non-HEFA SAF and minimising difference payments from the counterparty to the producer. In a scenario where these mechanisms are not effective, this analysis assumes that the contracts include a floor price which, for simplicity, is modelled as the HEFA SAF price or the Jet A-1 price. Under this pessimistic assumption, difference payments could amount to up to c. £7-8 billion over 15 years. This is purely a modelling assumption: decisions on the reference, floor and strike prices, which determine the level of difference payments, have not yet been finalised. The analysis therefore presents a set of illustrative scenarios. As indicated above, an effective price discovery mechanism would result in producers selling above any price floor. Future SAF market prices are also highly uncertain, which means the costs of the scheme cannot be estimated with accuracy.
- 2.19 The Revenue Certainty Mechanism Cost-Benefit Analysis (CBA) remains the primary point of reference for assessing the impacts of the scheme<sup>3</sup>. The analysis in this Strategy builds on that evidence base by providing a more detailed assessment of the potential scale of difference payments under the RCM. Notwithstanding this

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<sup>3</sup> [SAF Revenue Certainty Mechanism: cost-benefit analysis](#)

additional analysis, the overall impact on ticket prices is expected to remain in line with the estimates set out in the published CBA.

- 2.20 This analysis is indicative and subject to a high degree of uncertainty. More information around analytical assumptions can be found in the **Analytical Annex**.

## Technology & Feedstock Considerations

*Summary: This section outlines the government's proposed approach to supporting different technologies and feedstocks.*

- 2.21 In the previous consultation on the RCM iHoTs and approach to contract allocation, the government set out its position proposing the eligibility of all non-HEFA SAF technologies and feedstocks for SAF AR1. Within this scope, all eligible non-HEFA projects will compete within a single allocation process. **Government confirms that it does not intend to ringfence support for specific technologies**, although portfolio factors, described in the section below, may be applied at shortlisting and when determining the final set of projects to be awarded contracts.
- 2.22 Allowing eligible projects to compete within a single pot enables fair and competitive competition between bidders and ensures contract allocation delivers against the overall strategic allocation objectives of supporting projects demonstrating the highest deliverability, value for money and economic benefits. Providing special provisions for specific pathways within the round would increase complexity and reduce flexibility within the allocation process, risking delays to contract awards and potentially leading to less deliverable projects being awarded contracts.

## Portfolio Factors

- 2.23 Taking a portfolio approach to allocation is key for government over the life of the RCM to reduce over-reliance on a single pathway and ensure different production technologies and feedstocks are supported.
- 2.24 In our previous consultation on the RCM iHoTs and approach to contract allocation, we proposed introducing portfolio factors that would consider technology and feedstock diversity, delivery timing, and project size and location.
- 2.25 Evaluation scores will remain the primary determinant of which projects are shortlisted following evaluation. However, in specific circumstances, such as portfolio imbalances, the government may select a lower-scoring project where this better supports the objectives of the allocation round. These considerations may apply at both the shortlisting and agreeing an offer stages.
- 2.26 Portfolio factors may be used, where necessary, to strengthen the collective deliverability of the portfolio, for example by avoiding undue concentration of delivery risk across projects with shared technology, feedstock or size characteristics. Government will ensure that it applies these in a transparent manner and will outline full details of how these will be applied in practice in the application guidance, which is expected to be published when the application window opens for SAF AR1.

## Power-to-Liquid SAF

- 2.27 A power-to-liquid (PtL) fuel is a type of fuel that derives its energy from input process energy (with no feedstock energy), and all process energy is from renewable or low carbon sources (other than bioenergy). Several pathways are available to produce

PtL SAF including PtL methanol-to-jet (MtJ), ethanol-to-jet (EtJ) and PtL Fischer-Tropsch (FT). PtL SAF may offer greater GHG emissions savings than other SAF production technologies and the hydrogen or its derivative feedstock (such as methanol or ethanol) can be produced domestically or imported providing several configuration options to potential producers. The current cost of PtL feedstock leads to higher production costs when compared with other non-HEFA pathways; this is particularly evident for PtL SAF with a purely domestic feedstock supply.

- 2.28 PtL SAF is important for government to achieve decarbonisation of the UK aviation industry. This has been demonstrated in the establishment of a dedicated PtL obligation under the UK SAF Mandate. Furthermore, 50% of the £63 million pot for the third window of the Advanced Fuels Fund competition was made available to projects producing PtL SAF.
- 2.29 Responses to the previous consultation on the RCM iHoTs and approach to contract allocation raised concerns that the proposed SAF AR1 evaluation of normalised strike price effectively excludes PtL projects from contract awards, thereby hindering industry's ability to meet the UK SAF Mandate PtL obligation.
- 2.30 We have listened carefully to these concerns of PtL stakeholders but have concluded that Government will not ringfence support for PtL technologies within SAF AR1. Both deliverability and value for money will be key priorities in this round, and we consider that there could be PtL projects that compete for contracts in SAF AR1 on this basis. As such, we do not consider that ringfenced support for PtL is necessary to ensure technology-diversity. Given the importance of value for money SAF AR1 will not award contracts to projects with strike prices beyond the maximum cost of compliance under the SAF Mandate at the time of evaluation.
- 2.31 Full details of the deliverability, normalised strike price and economic benefits assessment will be provided in the application guidance, which is expected to be published when the application window opens for SAF AR1. Prior engagement with industry will also be undertaken.
- 2.32 We will continue to monitor the supply and demand dynamics of non-HEFA SAF, in particular PtL. As part of a second contract allocation round, as outlined later on in this Strategy, we will reconsider the case for ringfenced PtL support based on how the market has developed to that point. Stakeholders will be engaged before any decisions are made.

## Carbon Capture, Usage & Storage Enabled SAF

- 2.33 Carbon Capture, Usage & storage (CCUS) will be essential to meeting the UK's 2050 net zero target. In the 2025 Spending Review, the government allocated £9.4 billion in capital budgets for CCUS over the Spending Review period. This funding will support deployment to fill the storage capacity of the East Coast Cluster and HyNet Cluster.
- 2.34 With concurrent government schemes enabling connection to these T&S networks, this provides an opportunity for upcoming SAF plants to produce CCUS enabled SAF. CCUS enabled SAF has the potential to produce SAF with substantial GHG emissions savings, achieved by capturing CO<sub>2</sub> during the production process for permanent storage, thereby reducing the carbon intensity of the final fuel produced.
- 2.35 Although we are aware of UK projects planning to implement CCUS, we are not able to determine the success of their RCM bids at this stage. Accordingly, the total number of GHG emissions savings to be supported in SAF AR1 has been estimated without accounting for the additional potential GHG emissions contribution of CCUS enabled SAF. However, this should not be perceived as a position that CCUS enabled SAF plants are ineligible for SAF AR1.
- 2.36 In the event that a CCUS enabled SAF plant is being considered for contract award, based on evaluation of their deliverability, normalised strike price and economic benefits, we may reconsider the total GHG emissions savings to be supported through SAF AR1.
- 2.37 Any delivery risks associated with the installation and systems integration of the carbon capture unit will also be reflected during the evaluation and due diligence stages.

## Feedstock Security of Supply

- 2.38 By enabling the domestic production of SAF and increasing UK fuel production capacity, the RCM inherently supports UK energy security alongside other objectives in the government's Plan for Change missions to Make Britain a Clean Energy Superpower and to Kickstart Economic Growth. The importance of the RCM in supporting this government objective has only been amplified by recent events in the Middle East, which have pressured global supply chains of crude oil and its derivatives.
- 2.39 To further anchor the energy security benefits of SAF AR1, projects will be expected to describe their feedstock supply strategy and how potential supply risks have been identified, considered and mitigated. As part of this, applicants will be required to outline relevant factors such as feedstock substitutability, optionality, supply chain resilience and contract security, recognising that evidence will vary by project maturity. Significant unmanaged feedstocks risks will be accounted for within the overall deliverability assessment.

- 2.40 The SAF AR1 application guidance, which is expected to be published when the application window opens for SAF AR1, will provide further clarity on how this will be addressed in eligibility, evaluation and due diligence.

## Multi-Fuel Type Plants

- 2.41 Through continued engagement with SAF producers, including responses to the January 2026 RCM consultation on the iHoTs and approach to contract allocation, government has been made aware of complexities surrounding multi-fuel type plants bidding for RCM support in SAF AR1.
- 2.42 Under the SAF Mandate, different fuel types can be produced depending on the feedstock used to produce that fuel. The three eligible fuel types are biofuel, PtL and Recycled Carbon Fuel (RCF), and some UK SAF projects are expected to produce multiple fuel types. For example, this could be the case for a MtJ plant using a combination of PtL and bio methanol feedstock resulting in the production of both PtL and bio-SAF, or a gasification to Fischer-Tropsch plant using municipal solid waste feedstock producing both bio and RCF SAF.
- 2.43 In some cases, the ratio of SAF types and/or their production cost will be relatively invariable and a single normalised strike price can be easily submitted, evaluated and negotiated under contract. Where projects have optionality on the ratio of SAF produced with variable throughput of lower and higher cost feedstock types, assessment and contracting based on a single normalised strike price is more complex.
- 2.44 Using a multi-fuel MtJ plant as an illustrative example, the production costs of bio or PtL SAF are expected to differ significantly. If an RCM contract is awarded with a single strike price, real variations in the fuel type produced could result in either excess profits or insufficient revenue to cover the increased operational costs.
- 2.45 For instance, a project may bid into SAF AR1 with a relatively low normalised strike price based on an assumption of higher throughput from a lower-cost feedstock (for example bio methanol). If, once operational, it is unable to secure sufficient volumes of that feedstock and must rely more heavily on a higher-cost alternative (for example PtL methanol), revenues may fall below the level required to recover production costs. Conversely, a project may bid on the basis of a higher proportion of higher-cost feedstocks, resulting in a higher agreed strike price. If it subsequently reduces its use of those feedstocks during operations, this could generate surplus profits.
- 2.46 We are progressing the detailed design for SAF AR1, and will share guidelines via the application guidance on how multi fuel type projects should bid and how they will be assessed. A range of options are being considered, including single or multiple normalised strike prices, constraints on fuel type ratios, and minimum and maximum fuel type thresholds. We will continue to engage with stakeholders, including potentially affected producers, prior to finalising the design of the allocation process and launching the round.

## ASTM Certification Progress

- 2.47 Projects that bid into SAF AR1 must demonstrate that the technologies used to produce SAF can meet the relevant international standards for aviation use, whether the fuel is used on its own or blended with fossil aviation fuel. These standards are the American Society for Testing and Materials (ASTM) International standard D1655/D7566, the Ministry of Defence standard 91-091 or an equivalent standard, aligned to SAF Mandate requirements.
- 2.48 We are cognisant that some technologies are undergoing ASTM D4054 evaluations at the time of publication. The consultation on the RCM iHoTs and approach to contract allocation showed a high level of consensus among the consultation responses that technologies currently undergoing the D4054 evaluation procedure should be conditionally eligible for SAF AR1. Projects without qualification under the required standards will be subject to rigorous due diligence on their status and the associated risks will be reflected in the evaluation of the project. The SAF AR1 application guidance will provide clarity on all eligibility criteria, including evidence and progress requirements for projects producing fuels still undergoing ASTM evaluations.

## Future Allocation Opportunities

*Summary: This section outlines considerations on future allocation opportunities, including timing, size and format of these.*

- 2.49 We are providing in this Strategy further details on our draft plans for future allocation rounds, beyond SAF AR1. Industry has called for greater clarity on the government's longer-term Strategy for allocating RCM contracts. It is important that SAF producers and investors understand that government intends for there to be future opportunities to access RCM support, at a likely larger and more diverse scale.
- 2.50 The government is minded to launch a second allocation round, SAF AR2, approximately one year after contracts are awarded through SAF AR1. This provides sufficient time to leverage and apply lessons learned from SAF AR1 to drive greater value for money.
- 2.51 There is significant technology and feedstock diversity in the UK SAF production pipeline, and government recognises the benefits of diversifying risk in the long term by supporting a broad portfolio. Therefore, it is envisioned that SAF AR2 will support a greater volume of SAF than in SAF AR1 and would take a greater focus on portfolio diversity, whilst still ensuring that projects supported are deliverable and represent value for money. This may include providing special considerations for PtL SAF projects, as outlined earlier in the document.
- 2.52 The LCFF seeks to align with this proposed cycle of RCM contract allocation, and will endeavour to continue providing support for less developed projects that would be better suited to apply for SAF AR2.
- 2.53 We do not deem pure price-based allocation models to be suitable for SAF AR1 as they are considered to present high levels of risk for an initial allocation round. With an expected limited pool of eligible bidders, auction allocation for SAF AR1 could struggle to support a range of technologies while maintaining competitive tension within each technology pot, placing an onus on government to design an auction framework and parameters that accurately reflect market conditions which are currently highly uncertain. In addition, setting appropriate Administrative Strike Prices, which act as auction strike price caps, would be challenging given current cost uncertainty, increasing the risk of allocation round failure.
- 2.54 However, we are considering a transition towards pure price-based mechanisms for future allocation rounds. This includes, but is not limited to, sealed bid auctions. Sealed bid auctions have been successfully run by DESNZ since 2014 to support low-carbon electricity generation, and if market conditions are suitable, can drive strong value for money.
- 2.55 The successful implementation of a sealed bid auction would be dependent on key indicators being met. Greater cost certainty on project Capital Expenditure (CAPEX), Operational Expenditure (OPEX), and Cost of Capital would be required to set Administrative Strike Prices effectively. Following open book due diligence in SAF AR1, we believe that this may be feasible. In addition to this, a larger project pipeline would be required to drive competitive tension, and any auction could be segregated

into “technology pots” to ensure portfolio diversity was achieved. Other price-based allocation options will also be considered in addition to sealed bid auctions.

- 2.56 The government will continue to monitor market developments over the course of SAF AR1 and will make a decision on the format of SAF AR2 during the design phase of that round, ensuring sufficient engagement with industry on the matter before taking a decision. All decisions will be subject to value for money and affordability considerations.

## 3. Next Steps

- 3.1 Following the successful passage of the SAF Act in March 2026, government is ensuring that the necessary legislation is secured at pace to support the successful implementation of the RCM.
- 3.2 Government will continue to engage with industry on key policy decisions across contract allocation, contract development, pricing considerations and the levy. We remain committed to ensuring that industry have ongoing opportunities to feed into wider design of the RCM.
- 3.3 Detailed design of the contract Terms & Conditions is progressing with stakeholder engagement and expert technical, operational and legal input. We expect to test a draft contract with stakeholders in advance of the launch of SAF AR1.
- 3.4 The government intends to publish application guidance for SAF AR1 alongside the opening of the application window. This guidance will provide bidders with comprehensive information on how to bid, the practical operation of the allocation framework, and the methodology by which bids will be assessed. In advance of launch, the government also intends to undertake engagement sessions with prospective bidders to provide further clarity on the proposed content and structure of the application guidance and allocation process respectively.
- 3.5 In addition to this, government intends to publish a formal response to the consultation on the RCM iHoTs and approach to contract allocation, in some format, by the time the application window opens for SAF AR1.

## 4. Analytical Annex

- 4.1 This annex sets out indicative analysis to illustrate the potential costs and impacts of the RCM. The results should be interpreted with caution, as they are sensitive to a range of assumptions and are intended to show the possible scale of impacts, rather than provide precise forecasts. There is significant uncertainty around future SAF prices, technology costs, reference prices and the final design of key contract parameters, including the strike price and any floor price. The analysis therefore presents a set of illustrative scenarios to reflect this uncertainty and should not be taken as a prediction of outturn costs.
- 4.2 The RCM is designed to support the establishment of First-Of-A-Kind (FOAK) non-HEFA SAF plants in the UK. For illustrative modelling purposes, the non-PtL technologies used in this analysis are: Gasification-FT (Fischer–Tropsch), Bio Methanol-to-Jet and Alcohol-to-Jet (Ethanol). The power-to-liquid (PtL) technologies are PtL FT and PtL Methanol-to-Jet. It should be noted that these are assumptions for modelling purposes and do not reflect any pre-determinations or decisions on contract award.
- 4.3 This analysis uses SAF production cost forecasts for a range of technologies provided by the Aviation Impact Accelerator (AIA) based in the University of Cambridge. The overall costs include a breakdown of relevant components including capital expenditure, operational expenditure, feedstock and hydrogen costs where relevant. AIA costs assume a hurdle rate of 15% and transition from high FOAK costs to lower Nth-Of-A-Kind (NOAK) costs over time. These costs were updated in 2025.
- 4.4 To estimate the strike prices for relevant SAF technologies, an average of the capital expenditure costs in the years of construction was used to represent the capital costs. This was combined with the average of the non-capital costs over the assumed 15-year contracts to get the strike price in real terms<sup>4</sup>.
- 4.5 To reflect uncertainty in future SAF market prices and quantify the possible size of the difference payments, this analysis considers two SAF reference price scenarios: “High” and “Low”. These are based on the SAF production cost data developed by

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<sup>4</sup> Each strike price is indexed to the OBR’s CPI forecast: [OBR Economic and fiscal Outlook – March 2026](#), [OBR Long-term economic determinants – March 2025 Economic and fiscal outlook](#). This is purely an analytical assumption based on a minded to position in the previous consultation and therefore subject to change.

the AIA and vary by electricity and feedstock costs. Our analysis makes the following assumptions:

- The “Low” reference price scenario effectively uses NOAK cost components in a scenario with the lowest estimated feedstock and electricity costs.
- The mid-point of the strike price and the respective buy-out price plus the jet fuel price is assumed for the “High” price scenario, with the exception of PtL (FT) and AtJ SAF where the buy-out prices per tonne for each of these fuels is assumed.

4.6 In addition to these two price scenarios, this analysis also models a scenario where SAF is sold at the floor price to illustrate the maximum size of the difference payments in case price discovery mechanisms are not effective. Decisions around the floor price are yet to be made, so this analysis assumes that the average price of HEFA or Jet A-1 over 2025 is the floor.

4.7 The estimated difference payments for the first allocation round, 230ktpa, are shown in the table below.

| <b>£m, 2023 Prices,</b><br><b>2023 Present Value</b> |  | <b>Volume covered: 230ktpa</b>                               |  |
|------------------------------------------------------|--|--------------------------------------------------------------|--|
| <b>Reference price scenario</b>                      |  | Annual average difference payments over 15 years (2032-2046) |  |
| <b>High SAF price</b>                                |  | (100) <sup>5</sup>                                           |  |
| <b>Low SAF price</b>                                 |  | 150                                                          |  |
| <b>Price floor of HEFA</b>                           |  | 450                                                          |  |
| <b>Price floor of Jet A-1</b>                        |  | 550                                                          |  |

<sup>5</sup> If the reference price is above the strike price as in the "High SAF price" scenario, the SAF producer makes payments to the counterparty.

## Key assumptions: SAF prices and technology mix for costings

4.8 The table below shows SAF prices 15-year average 2032 to 2046.

| £/tonne, nominal                | Low price | Strike price | High price |
|---------------------------------|-----------|--------------|------------|
| <b>Gasification-FT</b>          | 4,000     | 6,100        | 7,300      |
| <b>Bio Methanol-to-Jet</b>      | 4,000     | 6,100        | 7,300      |
| <b>Alcohol-to-Jet (Ethanol)</b> | 5,700     | 7,400        | 8,000      |
| <b>PtL FT</b>                   | 7,700     | 8,900        | 9,900      |
| <b>PtL Methanol-to-Jet</b>      | 5,800     | 6,700        | 7,600      |

4.9 The table below shows the technology mix used in this illustrative analysis.

| Ktpa                            | 230ktpa |
|---------------------------------|---------|
| <b>Gasification-FT</b>          | 67      |
| <b>Bio Methanol-to-Jet</b>      | 67      |
| <b>Alcohol-to-Jet (Ethanol)</b> | 67      |
| <b>PtL FT</b>                   | 15      |
| <b>PtL Methanol-to-Jet</b>      | 15      |