

20 June 2024

SAF Commercialisation Team,
Low Carbon Fuels,
Great Minster House,
33 Horseferry Road,
London,
SW1P 4DR

Dear SAF Commercialisation Team,

I am writing to you regarding your consultation on designing a revenue certainty mechanism for sustainable aviation fuels.

London Chamber of Commerce and Industry (LCCI) is London's largest independent business community, with a network of over 8500 businesses of all shapes and sizes. It is London's only business support organisation representing organisations across Greater London and entire supply chains.

We support members' businesses through a range of services, including a huge range of specialist interest groups, advocate in the most important forums of policy debate, and promote 'Global London' as the best city in the world to do business – whether that is to trade, invest, learn, or find new commercial partners. As an accredited chamber of the British Chambers of Commerce, LCCI plays a key role representing the capital's interests and providing integral links and connections to the rest of the UK.

We work tirelessly to connect our members to new business opportunities. We believe London should be an exemplar for inclusiveness and sustainability and we want to play our part. Fundamentally, our vision is to create an enticing environment for innovative businesses to accelerate their growth, harness innovation, invest and trade.

In September 2023, LCCI published its [Green Skies report](#), which outlines the significant contributions of the aviation sector to the UK economy, and need to support the industry in its efforts to decarbonise. This paper called on the Government to introduce a Contracts for Difference scheme to crowd in investment into sustainable aviation fuel (SAF), and develop a domestic SAF industry capable of supporting up to 10,000 jobs by 2030.

LCCI therefore welcomes the Department for Transport's (DfT) consultation on developing a revenue certainty mechanism for SAF. This is a necessary step to meet the Government's own targets, notably those set out in the SAF mandate and the commitment to have five SAF plants under construction by 2025.

A revenue certainty mechanism scheme for SAF

LCCI agrees with DfT's assessment of the proposed revenue certainty mechanisms, and recommends that the guaranteed strike price (GSP) scheme be taken forward. The GSP will provide the security and reassurance to investors that is needed to attract investment into a domestic UK SAF industry. The GSP mechanism ensures that the aviation industry will still bear the costs of reducing emissions through investment in SAF, a core principle within decarbonisation policy measures.

However, LCCI urges the next government not to delay in introducing the GSP mechanism. The timescales suggested by DfT – with the earliest suggested implementation being of Q4 2026 – are far too long and risk the UK falling further behind counterparts in the US and European Union.

These risks would derail the Government's commitment to having five SAF plants under construction by 2025, given SAF plants will reach final investment decision stage before Q4 2026. If a revenue certainty scheme is not in place when these final decisions are made, the risks of delays to construction amplify.

Rather than waiting to consult further on the design of the chosen revenue certainty mechanism before legislating, as is currently the DfT's plan, LCCI and its members suggest that the next government begins preparing the legislation for introducing a guaranteed strike price mechanism for SAF as soon as the decision is made on which scheme is to be taken forward. LCCI and its members also believe the consultation period for designing the chosen revenue certainty mechanism should be condensed. This would send a strong positive signal to investors, and help expedite the implementation of a revenue certainty mechanism.

LCCI's members felt that the GSP mechanism was the best option to support investment into SAF in the UK. The Buyer of Last Resort (BoLR) scheme was also considered, though it was felt that the BoLR does not adhere to the 'polluter pays' principle. The Mandate Floor Price (MFP) and Mandate Auto Ratchet (MAR) mechanisms were not found to be effective at supporting the aims of the SAF mandate, and would not support the UK's SAF industry.

Other points to consider

Even with an expediated timeline for implementation, LCCI's members felt that there were additional steps the next government could take to support the construction of SAF plants whilst the revenue certainty mechanism is designed. The Government could provide bridging finance to SAF producers to ensure that the plants are constructed, thereby avoiding delays and kickstarting a domestic SAF industry in the UK. This could be through grants or loans via the Advanced Fuels Fund.

LCCI and its members are pleased that the Government has heeded the industry's calls for introducing a revenue certainty mechanism for SAF. The Government should not delay in its implementation. As the supporting legislation for the GSP mechanism is implemented, LCCI will engage further with the Government, including on the potential reinvestment of Emissions Trading Scheme (ETS) revenues into SAF.

LCCI looks forward to working closely with your team on the development of the revenue certainty mechanism, and building a UK SAF industry. If you have any questions on our response, please do not hesitate to contact us.

Yours sincerely,

Karim Fatehi MBE

Chief Executive, London Chamber of Commerce and Industry

