

Fuel Planning and Management (Aviation)

Lead department	Department for Transport
Summary of proposal	The proposal is to amend existing Civil Aviation Authority (CAA) legislation to align with the latest International Civil Aviation Organisation's (ICAO) Standards and Recommended Practices (SARPs) concerning fuel planning and management. Commercial air transport (CAT) operators will potentially be able to adopt a fuel scheme suited to their specific operation.
Submission type	Impact assessment (IA) – 21 May 2024
Legislation type	Secondary legislation
Implementation date	Mid-July 2024
Policy stage	Final
RPC reference	RPC-DfT-5262(2)
Opinion type	Formal
Date of issue	26 June 2024

RPC opinion

Rating¹	RPC opinion
Fit for purpose	The IA provides a sufficient assessment of the direct impacts on business and impacts on small and micro businesses. The IA would benefit from strengthening the discussion in some areas, such as on safety impacts.

Business impact target assessment

	Department assessment	RPC validated
Classification	Qualifying regulatory provision (OUT)	Qualifying regulatory provision (OUT)
Equivalent annual net direct cost to business (EANDCB)	-£7.6 million	-£7.6 million <i>(2019 prices, 2020 pv)</i>
Business impact target (BIT) score	-£38.2 million	-£38.0 million <i>(2019 prices, 2020 pv)</i>
Business net present value	£65.8 million	
Overall net present value	£145.8 million	

¹ The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the [Better Regulation Framework](#). RPC ratings are fit for purpose or not fit for purpose.

RPC summary

Category	Quality²	RPC comments
EANDCB	Green	The IA correctly identifies and monetises direct impacts on business, and the estimates appear to be more robust than at consultation. The IA satisfactorily now explains why it is appropriate to classify the proposal as a qualifying regulatory provision, given the references to complying with international obligations.
Small and micro business assessment (SaMBA)	Green	The IA provides a breakdown of businesses affected by size. The proposal is a permissive measure and will benefit businesses in a position to take advantage of it. The IA identifies that larger operators are most likely to benefit but addresses why this is not expected to significantly disadvantage SMBs.
Rationale and options	Satisfactory	The IA explains that the proposal aligns with international standards and is a permissive measure, allowing CAT operators to achieve greater fuel efficiency without compromising safety. The IA would benefit from discussing whether there are other options that would be consistent with international alignment.
Cost-benefit analysis	Satisfactory	Despite lack of information from consultation, the Department appears to have improved the accuracy and robustness of the IA through further engagement with industry. The IA provides a discussion of risks, non-monetised impacts and conducts a useful sensitivity analysis. The discussion on safety risks could, however, be strengthened.
Wider impacts	Good	The IA usefully monetises impacts on the environment and the public sector. The IA provides a good assessment of impacts on competition and innovation.
Monitoring and evaluation plan	Satisfactory	The IA usefully sets out initial key objectives, research questions and evidence collection plans. The plan would be improved by providing more details, such as on how benefits will be measured.

² The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. The definitions of the RPC quality ratings can be accessed [here](#).

Summary of proposal

The proposal is to amend existing Civil Aviation Authority (CAA) legislation to align with the latest International Civil Aviation Organisation's (ICAO) Standards and Recommended Practices (SARPs) concerning fuel planning and management. Commercial air transport (CAT) operators will be free to determine if they wish to take advantage of the new regulations and adopt a fuel scheme suited to their specific operation. The Department anticipates that doing so will allow operators to benefit from carrying and burning less fuel, whilst maintaining safety. Ongoing fuel burn savings are the main driver of the estimated £65.8 million business net present value and -£7.6 million EANDCB, figures. The net present value is higher, at £145.8 million, reflecting carbon savings.

EANDCB

Evidence and data

The Department's EANDCB figure has reduced considerably in absolute value since consultation, from -£43.2 million to -£7.6 million. This revision reflects engagement with industry that has established that it will not be beneficial nor possible to use Individual Fuel Schemes (IFS) for the large majority of flight operations. The assumed uptake for IFS has, therefore, been sharply reduced since consultation. IFS has the potential for the largest fuel burn savings, and this means that estimated fuel burn savings are markedly lower, driving the change in the EANDCB figure. The Department's revised estimate of the net savings to business appears to be based upon more reliable information.

The Department has used the consultation to test its assumptions around operators having the technology, software, processes and systems in place and has now added a small cost of configuring specialist flight planning software.

Overall, the Department's EANDCB figure appears to be more robust than that provided at consultation and can be validated by the RPC.

Business impact target (BIT) classification

The IA states that the primary rationale for intervention is to align UK legislation with ICAO SARPs. The IA outlines implications for the UK if this did not happen, in particular reputational risk. The nature of the proposal, being beneficial to industry and the UK more generally (and not only through avoiding negative consequences), suggests this is a proposal that the UK may in any case wish to bring forward. The IA satisfactorily explains its classification of the proposal as 'qualifying' against the (now withdrawn) business impact target (paragraphs 20-21, page 8). On this basis, the RPC accepts the Department's BIT classification in this case.

Counterfactual/Baseline

The IA had previously used a pre-Covid baseline, but this has now been updated, using 2023 data.

Non-monetised impacts

The IA now includes further discussion of the proposal's role in addressing fuel issues specific to helicopters (paragraphs 17-18, page 8 and paragraph 29, page 9). The conclusion that it would not be proportionate to monetise these impacts appears to be reasonable.

SaMBA

The IA usefully provides a breakdown of organisations affected by number of employees. The IA identifies that, although the proposal will benefit business generally, it is expected that the largest operators, who are more likely to operate long haul flights and have the capability to utilise IFSs, will benefit most. The IA has usefully discussed this aspect further since consultation, explaining that this impact is mitigated by the aviation sector having a smaller degree of competition between the smallest and largest businesses as these businesses typically serve different segments of the market.

Medium-sized business considerations

The IA provides information on medium-sized business but would benefit from discussing impacts on these business specifically, in line with the Government's widening, to businesses with fewer than 500 employees, presumed exemptions on regulation.

Rationale and options

The IA presents two reasons for intervention. First, to align and ensure compliance with international obligations. Secondly, to remedy a 'government failure' preventing CAT operators from using fuel more efficiently without compromising safety. The IA would benefit from clarifying the former, in particular differentiating between the benefits of alignment and the nature of the international obligation, including whether any penalties would be imposed on the UK if it took no action. The IA would also benefit from explaining why the remedying of the 'government failure' appears to be of secondary importance, in particular addressing why the UK would not, in any case, wish to introduce these proposals regardless of the international obligation, given that the proposal is expected to be net beneficial to the UK.

The IA explains satisfactorily why regulatory changes are necessary to address the problems identified. The IA would benefit from discussing further whether there are different regulatory options available to address the issues and how far this might be constrained by international obligations. The IA could discuss what measures other countries have implemented or are planning to implement. The IA would benefit from a wider analysis of options within the overall option of complying with ICAO requirements, i.e. addressing whether there are different ways of meeting the international obligations.

Cost-benefit analysis

Evidence and data

The Department explains that it received no responses to its consultation questions on data and assumptions but to mitigate this it has engaged further with policy experts at the UK CAA and discussed key assumptions with industry stakeholders. The Department appears to have used this well to improve the accuracy and robustness of its estimates. As noted above, the IA has used information from industry to substantially reduce its assumed take-up of IFS.

Methodology

The IA would benefit from explaining why CAA and operator oversight costs are assumed to be flat over the appraisal period rather than rise in line with expected take-up of the IFS.

The IA notes that the design of the legislation mitigates the risk of fuel-related incidents. The IA has slightly expanded consideration of this area (paragraph 182, page 43) but would benefit from discussing safety further, in particular explaining in more detail how the design of the legislation and operator oversight etc processes in place around IFS would ensure no increase in safety risks. This is important in view of fuel-related incidents (see below) and as the additional monitoring would appear to mitigate potential additional safety issues rather than increase safety.

This could include addressing an apparent increased judgment risk faced by the CAA in making decisions on whether to approve an IFS. The discussion could also take account of highly publicised incidents under the current system, where it has been reported that planes have had to make emergency landings due to fuel shortages.

Carbon impacts

Although the net business benefits have been reduced around six-fold, the overall societal net benefit has fallen only by around three-fold (NPSV figure has reduced from £423 million to £146 million). This appears to be due to it no longer being assumed that long haul flights will carry more payload in response to a weight reduction, which would increase revenues but negate fuel burn savings and reduce carbon savings. The IA could, however, make this clearer and explain more generally why the assessment has changed since consultation in this regard. The IA would benefit from including more detail on how the carbon emission savings have been monetised.

Uncertainty, risks and assumptions

The IA provides a good discussion of non-monetised impacts (mainly at pages 36-37) and a useful sensitivity analysis (pages 37-40). The latter would be improved by considering operator size under 'benefits by operator type' (page 40). The IA also provides a useful discussion on risks and unintended consequences (pages 42-43). The section on 'agent behaviour' could usefully link to the SaMBA and 'innovation test' (page 44).

Wider impacts

The IA usefully includes sections on innovation, trade and competition. The IA has helpfully clarified the proposal's role in enabling the use of electric propulsion and hydrogen for future energy provision in aircraft, explaining how the proposal is a necessary but not sufficient measure for this (paragraphs 15-16, page 7). Further regulations would be necessary, with accompanying IAs (paragraph 28, page 9). This discussion could usefully be added to the 'innovation test' section (page 44). The section on competition impacts could usefully cross-refer to the SaMBA discussion.

The IA usefully discusses and monetises impacts on the CAA, although, as noted above, it could explain why these oversight costs are assumed to be constant over the appraisal period.

Monitoring and evaluation plan

The IA concludes that a medium-level of evidence and resourcing is appropriate for conducting the PIR. This seems appropriate and in line with RPC proportionality guidance. The IA usefully sets out initial key objectives, research questions and evidence collection plans. The plan would be improved by providing more details, such as on how benefits will be measured.

Regulatory Policy Committee

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A Committee member did not participate in the scrutiny of this case to avoid a potential conflict of interest.