# SAF revenue certainty mechanism: levy design

## Introduction

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| Thank you for responding to this consultation on specific design features of the aviation fuel supplier levy, which will fund the sustainable aviation fuel revenue certainty mechanism.Closing date is 8 January 2026.Accessibility statementRead our [accessibility statement for SmartSurvey forms [opens in a new window]](https://www.gov.uk/government/publications/dft-accessible-online-form-and-survey-statement/accessibility-statement-smartsurvey-forms).Data protection regulationsThe Department for Transport (DfT) is running this consultation on specific design features of the aviation fuel supplier levy, which will fund the sustainable aviation fuel revenue certainty mechanism.View our [DfT online form and survey privacy notice [opens in a new window]](https://www.gov.uk/government/publications/dft-online-form-and-survey-privacy-notice/dft-online-form-and-survey-privacy-notice) for more information on how your personal data is processed in relation to this survey.Although we are not asking for sensitive personal data, any that is provided in response to this consultation will be processed under article 9.2.g, substantial public interest, with reference to the Data Protection Act Schedule 1 Part 2 Section 8 for the purpose of equality of opportunity or treatment.Do not include personal information in your responses unless specifically requested. |

## Your information

### 1. What is your name?

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### 2. What is your email address?

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### 3. Are you responding on behalf of an organisation?

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| --- | --- |
|      | Yes |
|      | No (Go to ‘SAF revenue certainty mechanism: levy design’) |

## Organisation details

### 4. What is the name of your organisation?

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## SAF revenue certainty mechanism: levy design

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| This consultation seeks views on specific design features of the aviation fuel supplier levy, which will fund the sustainable aviation fuel revenue certainty mechanism.We have [previously confirmed that industry should fund the revenue certainty mechanism through a variable levy on aviation fuel suppliers [opens in a new window]](https://www.gov.uk/government/consultations/saf-revenue-certainty-mechanism-approach-to-industry-funding/sustainable-aviation-fuel-revenue-certainty-mechanism-approach-to-industry-funding). The consultation sets out specific design features of the levy, including:* how it could be calculated
* length, frequency and sequencing of when the levy is calculated, collected, and paid
* use of forecasts to provide certainty for industry
* actions to address over-collection, surpluses, and under-collection of the levy
* the administrative responsibilities of the counterparty

[Full information of our proposals is given in our consultation information [opens in a new window]](https://www.gov.uk/government/consultations/saf-revenue-certainty-mechanism-levy-design). |

## Use of SAF Mandate reporting data

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| We propose that the counterparty will be responsible for determining individual levy contributions using data that suppliers submit to the SAF Mandate reporting system (ROS). |

### 5. For the purposes of the levy, do you agree or disagree with suppliers submitting data to the SAF Mandate reporting system for determining relevant aviation fuel volumes?

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|      | Agree |
|      | Disagree |
|      | Don't know (Go to ‘Calculating individual contributions’) |

## SAF Mandate reporting data reasoning

### 6. Why?

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## Calculating individual contributions

### 7. In your view is the current level of assurance on SAF Mandate reporting data sufficient for accurately determining individual levy contributions?

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|      | Yes |
|      | No |
|      | Don't know (Go to ‘Minimum threshold’) |

## Reporting data is insufficient

### 8. Why?

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## Minimum threshold

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| This consultation proposes that the minimum threshold for the aviation fuel supplier levy is aligned with the SAF Mandate, which is any parties supplying fossil aviation fuel totalling 15.9 Terra Joules (equivalent to approximately 468,000 litres of fossil avtur) or more per year. |

### 9. Do you agree or disagree with the minimum threshold for the levy?

|  |  |
| --- | --- |
|      | Agree (Go to ‘Exemptions’) |
|      | Disagree |
|      | Don't know (Go to ‘Exemptions’) |

## Disagree with minimum threshold

### 10. Why?

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## Exemptions

### 11. In your view, should any other exemptions apply?

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|      | Yes |
|      | No (Go to ‘Length and frequency of the assessment period and collection period’) |
|      | Don't know (Go to ‘Length and frequency of the assessment period and collection period’) |

## Additional exemptions

### 12. In your view, what other exemptions should apply and why?

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## Length and frequency of the assessment period and collection period

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| This consultation provides 4 options for the frequency of the assessment and collection periods (collection cycles) of:* daily
* monthly
* quarterly
* annually

The table below shows an assessment of each option against the 4 criteria of forecast accuracy, cashflow management, default impact, and administrative burden.

| **Assessment criteria** | **Option A: Annual** | **Option B: Quarterly** | **Option C: Monthly** | **Option D: Daily** |
| --- | --- | --- | --- | --- |
| Forecast accuracy | High risk (forecast dependent) | Moderate (shorter forecasts) | Low (close to actuals) | Very low (real-time) |
| Cashflow management | Larger lump-sum payments | Spreads costs over the year | Easiest to manage | Strains process despite small amounts |
| Default impact | High (longer exposure) | Reduced exposure | Low impact | Very low impact |
| Administrative burden | Fewer payments and misaligned reporting | Fewer payments and reporting more aligned | More payments and reporting aligned | More payments and reporting |

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### 13. Do you agree or disagree with the options assessment?

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| --- | --- |
|      | Agree (Go to ‘Aligning frequency’) |
|      | Disagree |
|      | Don't know (Go to ‘Aligning frequency’) |

## Disagree with options assessment

### 14. What are your objections and why?

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## Aligning frequency

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| We propose that the most administratively simple approach would be to align the frequency of assessment periods and collection cycles. |

### 15. Do you agree or disagree with aligning the frequency of assessment periods and collection cycles?

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| --- | --- |
|      | Agree |
|      | Disagree (Go to ‘Disagree with alignment of assessment and collection period frequencies’) |
|      | Don't know (Go to ‘Frequency options’) |

## Agree with alignment of assessment and collection period frequencies

### 16. Why?

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[Now go to ‘Frequency options’]

## Disagree with alignment of assessment and collection period frequencies

### 17. Why?

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### 18. In your view what do you think is the most appropriate frequency for the:

|  | Daily | Monthly | Quarterly | Yearly | Another time period |
| --- | --- | --- | --- | --- | --- |
| assessment period |      |      |      |      |      |
| collection cycle  |      |      |      |      |      |

If another time what add what time amount:

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[No go to ‘Sequencing of assessment, collection and billing periods’]

## Frequency options

### 19. In your view which assessment period and collection cycle frequency do you think is the most appropriate for the aviation fuel supplier levy?

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| --- | --- |
|      | Daily |
|      | Monthly |
|      | Quarterly |
|      | Yearly |
|      | Another time period:

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## Frequency reasoning

### 20. Why?

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## Sequencing of assessment, collection and billing periods

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| This consultation provides 2 options for the sequencing of assessment, collection and billing periods. These are: * aligned approach, where the assessment period matches the billing period
* lagged approach, where the assessment period precedes the billing period
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### 21. Which approach would you prefer for the sequencing of the assessment, collection and billing periods?

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| --- | --- |
|      | Aligned approach |
|      | Lagged approach |
|      | Another approach:

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## Sequencing approach reasoning

### 22. Why?

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## Settlement period

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| In both the aligned and lagged approach options a reconciliation exercise would start at the end of the billing period, to ensure that any over or under-collection is corrected and that individual levy contributions are accurate and fair. This is the stage where actuals are compared against forecasts used to calculate the interim levy contributions. The counterparty will reconcile a single billing period on a set frequency until the final settlement date. Similar schemes have final settlement dates of 18 to 36 months after the relevant billing period.We are proposing that the final settlement date for this scheme should be set within this range and longer than the maximum timeframe for amending reported aviation fuel volumes under the SAF Mandate. |

### 23. What is your preferred position on the timeframe for the final settlement of a billing period reconciliation exercise and why?

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## Forecasting

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| We are seeking views on the proposed publication of a rolling 12-month forecast, including publication of a “forecast levy rate” (expressed as pounds per litre), total scheme cost, total volume supplied, and total reserve amount. |

### 24. What types of decisions would your organisation use the forecast to support?

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### 25. Do you agree or disagree with the proposal to publish a rolling 12-month forecast?

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|      | Agree (Go to ‘Content of forecasting’) |
|      | Disagree |
|      | Don't know (Go to ‘Content of forecasting’) |

## Against publication of rolling 12 month forecast

### 26. Why?

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## Content of forecasting

### 27. In your view how frequently should the forecast be updated to ensure it remains useful for your business planning needs?

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### 28. What vital information, if any, would you want to see in the forecast?

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## Managing uncertainty

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| This section of the consultation presents further design options to mitigate and manage risks of under-collection, over-collection and surpluses to provide a consistent source of funding for the scheme.To mitigate the risk of under-collection, an additional contingency amount will be collected with the levy. This would compensate for uncertainty in the scheme cost forecasts and help to cover any unforeseen costs. The calculation of individual supplier contributions will follow the same approach to the main levy, proportionate to their share of the volume fossil aviation fuel supplied in the UK over a period.There are 2 options for collecting this contingency amount (“reserve”). Threse are a:* single-period reserve, covering shortfalls within single assessment periods
* multi-period reserve, covering shortfalls across multiple assessment periods
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### 29. What is your preferred option as a means of mitigating under-collection risk?

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|      | Single-period reserve |
|      | Multiple-period reserve |
|      | Don't know (Go to ‘Over collection options’) |
|      | Another option

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## Mitigating under-collection risk option

### 30. Why?

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## Over-collection options

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| Over-collection occurs when the counterparty levies a greater amount from a supplier than required to cover their proportion of the total scheme costs. There are 3 options for managing instances of over-collection:* rolling over and netting off: rolling over funds is the process of carrying over unspent funds from one period to the next. Netting off would involve calculating the difference between the rolled over funds and the amount payable in the following period
* returning over-collected sums: counterparty returns over-collected sums to the respective aviation fuel suppliers as a reimbursement. There are several options for the frequency which over-collected sums could be returned
* hybrid approach: any surpluses are rolled over and offset against a supplier’s next levy payment by default, with reimbursements used in specific cases where there is a prolonged surplus or the amount is large enough to materially impact a supplier’s cashflow, or when a supplier is exiting the market and would not have a future levy payment
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### 31. In your view, which option do you prefer as a means of managing instances of over-collection?

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|      | Rolling over and netting off |
|      | Returning over-collected sums |
|      | A hybrid approach of rolling over and netting off plus returning over-collected sums |
|      | Don't know (Go to ‘Over-collection and surpluses’) |
|      | Another option:

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## Over-collection reasoning

### 32. Why?

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## Over-collection and surpluses

### 33. What, in your view, is the most efficient way to ensure that over-collected amounts and surpluses are passed through to end users?

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### 34. What, if any, other comments do you have on how over-collection and counterparty surpluses should be managed?

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## Credit cover

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| Credit cover refers to collateral, guarantees or insurance that are required to ensure that a supplier’s financial obligation will be met, even if they fail to pay. Collateral can take different forms including cash collateral and deposits, letters of credit, bank and parent company guarantees, surety bonds and insurance products. This consultation proposes that acceptable forms of credit cover to the counterparty would be cash, standby letters of credit or a mix of both.If an obligated party defaults on their payments, the credit cover is drawn down on by a levy administrator (“the counterparty” for this scheme) and the funds are used to offset the non-payment. This helps to reduce or eliminate shortfalls that would otherwise be redistributed to other obligated parties and maintain financial stability.We are proposing that the non-payment of credit cover would be managed by the counterparty similarly to that of non-payment of levy. |

### 35. Do you agree or disagree that credit cover should be the primary tool used to manage the risk of supplier default under the levy?

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| --- | --- |
|      | Agree (Go to ‘Acceptable forms of credit cover’) |
|      | Disagree |
|      | Don't know (Go to ‘Acceptable forms of credit cover’) |

## Against credit cover as primary tool to manage supplier default

### 36. Why?

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## Acceptable forms of credit cover

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| We are now asking you about your view towards the assumption that acceptable forms of credit cover should include cash and standby letters of credit or a mixture of both cash and standby letters. |

### 37. Do you agree or disagree with the stated assumption regarding acceptable forms of credit cover?

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|      | Agree (Go to ‘Credit cover frequency’) |
|      | Disagree |
|      | Don't know (Go to ‘Credit cover frequency’) |

## Against assumption

### 38. Why?

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## Credit cover frequency

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| We are now seeking views on how frequently credit cover is calculated by the counterparty and provided by suppliers. The consultation proposes 2 options:* monthly
* quarterly

This consultation does not consider longer credit cover periods appropriate because there is greater risk of significant changes to costs and market share over these periods. The counterparty must hold sufficient credit cover from a supplier at all times. |

### 39. How frequently should credit cover be updated?

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| --- | --- |
|      | Monthly |
|      | Quarterly |
|      | Don't know (Go to ‘Return of excess credit cover’) |
|      | Another frequency amount

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## Credit cover frequency reasoning

### 40. Why?

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## Return of excess credit cover

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| We are now seeking views on the return of excess credit cover. The [levy for the Green Gas Support Scheme [opens in a new window]](https://www.legislation.gov.uk/uksi/2021/1335/contents/made) returns excess credit cover to suppliers annually or, by request, quarterly, with returns taking up to three weeks. Suppliers can request returns at any time under the [supplier obligation for Contracts for Difference [opens in a new window]](https://www.legislation.gov.uk/uksi/2014/2014/contents/made) that then take up to two business days. The levy for the Green Gas Support Scheme pays interest back annually whilst the supplier obligation pays within 15 days of the administrator receiving the interest. |

### 41. In your view what approach, for the purposes of the aviation fuel supplier levy, should be taken to the return of:

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| excess credit cover to suppliers |

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| earned interest on cash credit cover to suppliers |

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## Mutualisation

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| Mutualisation in a levy scheme refers to the process of spreading the cost of a supplier default across the remaining participants of the scheme.We are proposing the use of mutualisation as a financial backstop for the counterparty to be used when credit cover held is insufficient to fully cover the outstanding liabilities of a supplier that fails to meet its levy obligations. |

### 42. Do you agree or disagree that mutualisation should be used as a backstop measure, to cover unpaid amounts, when a supplier defaults and their credit cover is insufficient?

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| --- | --- |
|      | Agree |
|      | Disagree (Go to ‘Against mutalisation’) |
|      | Don't know  |

## Additional proposals

### 43. What, if any, additional proposals do you have to manage supplier default risk under the scheme?

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[Go to ‘Implementation of mutualisation’]

## Against mutualisation

### 44. Why?

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### 45. What alternative proposals do you have to manage supplier default risk under the scheme?

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## Implementation of mutualisation

### 46. What, if any, suggestions do you have on how to ensure that mutualisation is implemented fairly and proportionately?

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## Compliance and notices

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| The counterparty is responsible for monitoring and taking action against non-compliance in its role as the levy administrator.We are proposing that, to assist with compliance, the counterparty has the power to take the following action of: * requesting relevant information
* issuing notices of non-compliance
* reporting on compliance and enforcement
* adding interest on late payments
* pursuing civil debts
* referring cases of non-compliance to the Secretary of State

The process for appealing financial penalties issued by the Secretary of State is already set out under the [Schedule of the Sustainable Aviation Fuel Bill [opens in a new window]](https://publications.parliament.uk/pa/bills/cbill/59-01/0286/240286.pdf#page=11). Similar appeals processes will be detailed in regulations for any compliance decisions made by the counterparty. |

### 47. Do you support or oppose the use of compliance notices as a formal mechanism to address supplier non-compliance?

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|      | Support (Go to ‘Compliance and enforcement’) |
|      | Oppose |
|      | Don't know (Go to ‘Compliance and enforcement’) |

## Compliance notices reasoning

### 48. Why?

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## Compliance and enforcement

### 49. Do you agree or disagree that the counterparty should report regularly on:

|  | Agree | Disagree | Don't know |
| --- | --- | --- | --- |
| compliance |      |      |      |
| enforcement actions |      |      |      |

If disagreeing, why?

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### 50. What, if any, further comments do you have on the proposed arrangements for:

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| administration |

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| compliance |

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| enforcement |

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| the appeals process |

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## Final comments

### 51. What, if any, further comments do you have regarding the design of the levy?

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