



Department
for Transport

Sustainable Aviation Fuel Revenue Certainty Mechanism - Levy Design Consultation

October 2025

Department for Transport
Great Minster House
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London
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Ministerial Foreword

This government is committed to delivering greener transport and securing the aviation industry's long-term future. Decarbonising aviation will play an important role in the growth of the sector with opportunities created for new industries and more jobs, as well as helping meet our net zero targets and Carbon Budgets.

The revenue certainty mechanism will help producers get the investment they need to ramp up the production of SAF in the UK. A UK SAF industry will support the delivery of emissions reductions through the SAF Mandate, help drive growth and can provide good green jobs across the whole of the UK.

Having previously set out our position that the revenue certainty mechanism should be funded by industry and that the preferred approach is to introduce a levy on suppliers of aviation fuel, this consultation now sets out options and considerations regarding the detailed design of the levy.

Aviation fuel suppliers play a critical role in the UK aviation fuel supply chain, acting as a key link between fuel production and delivery to aircraft. They are responsible for guaranteeing the safety, quality and availability of fuel by managing sourcing, storage, transportation and delivery. Government has worked with industry to inform the development of the levy design and remains fully committed to working with industry on further design and implementation.

This consultation marks another important step towards achieving the revenue certainty mechanism and complements a wider suite of policy measures including:

- the UK SAF Mandate
- work on airspace modernisation
- the third window of the Advanced Fuels Fund, where 17 SAF projects have been awarded a share of £63 million
- grant funding support for the production of SAF in the UK to 2029/30 through the Spending Review 2025

- the DfT-funded Clearing House, providing grants and advice to support testing and certification of SAF
- the SAF Bill, providing the legislative basis for the revenue certainty mechanism

The revenue certainty mechanism will help build a UK SAF industry supporting our mission to make Britain a clean energy superpower and to kickstart economic growth.

Executive summary

The government is committed to introducing the revenue certainty mechanism to support UK-based SAF projects to secure successful final investment decisions. The government has been clear that any costs of the scheme should be borne by industry through a new variable levy on aviation fuel suppliers.

The purpose of this consultation is to set out DfT's proposals and potential options regarding the design of the Aviation Fuel Supplier Levy and gather feedback from a range of stakeholders, including aviation fuel suppliers, airports, and airlines. We ask for feedback from respondents in respect of sections 2 and 3 of this consultation.

Section 1 sets out fundamental aspects of the levy, including scope, design principles, and potential impacts on consumers.

Section 2 discusses the operation of the levy. Section 2.2 sets out the government's preferred position to calculate supplier contributions based on their market share of fossil aviation fuel supplied in the UK over a defined period, based on volumes, as well as our proposed process for collecting data through existing reporting channels. Section 2.6 proposes alignment of the assessment and collection periods and seeks views on the preferred length and frequency of the assessment period and collection period. Section 2.15 seeks views on the sequencing of assessment, collection and billing periods. Section 2.22 sets out proposals to provide a rolling 12-month forecast, including a "forecast levy rate", to provide greater certainty on future levy costs, and support fairness and transparency. Section 2.28 sets out options for how uncertainty can be mitigated to minimise risks of under and over-collection, as well as how we address surpluses.

Section 3 concerns the administration of the levy. Section 3.1 explains the role of the administrator. Section 3.6 outlines proposals to manage supplier default. Section 3.22 sets out the proposed powers and responsibilities pertaining to compliance and enforcement.

How to respond

The consultation period began on 16 October and will run until 8 January. Please ensure that your response reaches us before the closing date. If you would like further copies of this consultation document, it can be found at <https://www.gov.uk/dft#consultations> or you can contact lowcarbonfuel.consultation@dft.gov.uk if you need alternative formats (Braille, audio CD, etc.).

Please send consultation responses to:

Name: Low Carbon Fuels DfT

Address: Great Minster House 33 Horseferry Road London, SW1P 4DR

Email address: lowcarbonfuel.consultation@dft.gov.uk

When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of a larger organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled.

Freedom of Information

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the Freedom of Information Act 2000 (FOIA) or the Environmental Information Regulations 2004.

If you want information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

Data Protection

This consultation is carried out by DfT, working with other government departments. In this consultation we are asking for:

- your name and email, in case we need to ask you follow-up questions about your responses (you do not have to give us this personal information, but if you do provide it, we will use it only for the purpose of asking follow-up questions)

If an organisation we are additionally asking for your organisation's:

- name, for identification

Your consultation response and the processing of personal data that it entails is necessary for the exercise of our functions as a government department. DfT will, under data protection law, be the controller for this information. DfT's privacy policy has more information about your rights in relation to your personal data, how to complain and how to contact the Data Protection Officer.

As sustainable aviation fuels policy has many interactions with other government policy and work, to ensure we develop effective policy, we may share your responses with other government departments, such as Department for Energy Security and Net Zero (DESNZ) and Department for Environment, Food and Rural Affairs (DEFRA). We will remove your personal details before we share your response with other government departments.

We will not use your name or other personal details that could identify you when we report the results of the consultation. Any information you provide will be kept securely and destroyed within 12 months of the closing date.

Consultation principles

This consultation is being conducted using the government's consultation principles. If you have any comments about the consultation process, contact:

Consultation Co-ordinator

Department for Transport

Zone 1/29 Great Minster House

London SW1P 4DR

Email: consultation@dft.gov.uk

Glossary

Appeals Process: Mechanism for suppliers to challenge decisions related to levy obligations or penalties.

Assessment Period: Timeframe used to determine suppliers' market share for levy calculations.

Avgas: Aviation gasoline used in piston-engine aircraft; excluded from the levy scope.

Aviation Fuel: Transport fuel used in all aircraft of end-use, or for use in testing engines for use in such aircraft. It does not include detergents, cetane improvers, lubricity improvers, viscosity improvers, oxidation inhibitors, gum inhibitors, anti-corrosive preparations and similar substances intended for fuel additives.

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

Avtur (Aviation Turbine Fuel): A type of aviation fuel used in turbine engines, typically fossil-based.

Billing Period: Period during which scheme costs are incurred and must be covered by the levy.

Civil Debt Recovery: Legal action taken through the civil courts to recover unpaid levy amounts.

Collection Period: Timeframe during which levy payments are invoiced and collected.

Compliance Notice: Formal notification issued to suppliers for non-compliance with any levy obligations.

Contingency Amount (or “reserve”): Additional funds collected to mitigate risks of under-collection due to forecast inaccuracies or defaults.

Counterparty: The designated government-owned entity responsible for administering the revenue certainty mechanism and the levy.

Credit Cover: Financial instruments (such as cash or letters of credit) provided by suppliers to secure their levy obligations.

Forecast Levy Rate: An estimated rate, expressed in pounds per litre, which could be used to help suppliers plan for future levy costs.

Fossil Aviation Fuel: For the purposes of the levy, includes fossil avtur, non-SAF portions of partial-SAF, and aviation fuels not meeting SAF sustainability criteria.

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

HO10 Reporting: HMRC form used to report excise duty on fuel; some suppliers voluntarily report aviation volumes this way.

Interest on Late Payments: Penalty interest applied to overdue payments or collateral.

Mutualisation: Redistribution of unpaid levy amounts among compliant suppliers when another supplier defaults and credit cover is insufficient.

Overcollection: When the counterparty levies a greater amount from a supplier than required to cover their proportion of the total scheme costs.

Partial-SAF: A blend of SAF and fossil fuel that does not meet full sustainability criteria under the SAF Mandate.

Rolling Over and Netting Off: The process of carrying over unspent funds from one period to the next and calculating the difference between rolled over funds and the amount payable in the following period.

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

ROS (Renewable Fuels Obligation System): The reporting system used under the SAF Mandate for fuel volume supply data submissions.

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

SAF Bill: Legislation enabling the implementation of the RCM and associated levy.

SAF Mandate: UK government regulatory obligation requiring fuel suppliers to supply a minimum proportion of SAF.

Standby Letters of Credit: A bank's guarantee of payment to a third party if its client fails to fulfill a contractual obligation.

Supplier Default: A situation where an aviation fuel supplier fails to meet a financial obligation under the scheme.

Third-party Verifier: An independent entity approved by government that validates fuel volume data submitted by suppliers.

Under-collection: When the counterparty levies a lesser amount from a supplier than required to cover their proportion of the total scheme costs.

1. Introduction

Background

- 1.1 Transport remains integral to our decarbonisation efforts, accounting for 36% of the UK's total greenhouse gas emissions in 2023, when including international aviation and shipping. Aviation is currently the second largest contributor to transport emissions, but by 2040, is set to overtake road vehicles as transport's largest emitter.
- 1.2 Government and industry are tackling aviation emissions through a variety of measures, although some technological solutions, such as zero emission aircraft, are at a relatively early stage of development and commercialisation. Sustainable aviation fuel (SAF) is one of the most effective ways to reduce aviation emissions right now, as it is available today as a 'drop-in-fuel' that does not require modifications to existing aircraft.
- 1.3 SAF is expected to play a critical role in decarbonising aviation up to and beyond 2050, and the government is clear that it wants to see the UK capture a share of the global market by playing a leading role in SAF development, production and use.
- 1.4 For production projects, making the leap from lab to commercial scale has been difficult as smaller demonstration facilities are capital intensive and often unprofitable. Plants at commercial scale can cost £600 million to £2 billion to reach a profitable size and usually run at a loss during their first years of deployment.
- 1.5 The government is currently supporting SAF through the introduction of the SAF Mandate at the beginning of 2025 and through grants awarded by the Advanced Fuels Fund and the UK SAF Clearing House. However, some risks to investors for first-of-a-kind production plants at commercial scale remain. These have been identified as:
 - no reliable UK or global market price for advanced, non-hydroprocessed esters and fatty acids (HEFA) SAF
 - policy and regulatory uncertainty
 - projects competing for finance with other low carbon technologies

- 1.6 The provision of a revenue certainty mechanism (RCM) will mitigate some of these risks to providers of finance, enabling a lower cost of capital and helping SAF projects reach final investment decisions in the UK. The scheme will kickstart economic growth and accelerate the mission to make Britain a clean energy superpower.

Progress to date

- 1.7 The government has already made strong progress on the rationale for and design of the RCM.
- 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: the consultation on funding the RCM was published proposing a variable levy on aviation fuel suppliers
 - May 2025: the government response to the March 2025 consultation confirmed that a variable levy on aviation fuel suppliers will fund the RCM and the SAF Bill was introduced in Parliament
- 1.8 The SAF Bill will introduce the necessary primary powers to implement the RCM and support SAF production in the UK. The SAF Bill will allow the Secretary of State for Transport to designate a government owned counterparty to administer the scheme and introduce a levy on suppliers of fossil aviation fuel based on market share, through regulations. Additional clauses include minimum thresholds for paying the levy, eligible costs that can be recovered, managing surpluses, the provision of information and advice and enforcement powers.
- 1.9 This consultation builds on this progress to date by presenting options for the detailed design of the levy – referred to as the Aviation Fuel Supplier Levy in this consultation. The remaining sections will set out the rationale for the approach and seek views on options available. Government remains fully committed to working with industry on the design of the RCM including how the Aviation Fuel Supplier Levy will work in practice.

Scope and design principles

Scope

- 1.10 The government is committed to introducing the RCM to support UK-based SAF projects secure successful final investment decisions. It has also been clear that any costs of the scheme should be borne by the sector through a new variable levy on aviation fuel suppliers that sits alongside existing obligations under the SAF

Mandate. The reasoning was set out in the previous consultation response in March 2025¹.

- 1.11 The costs that would be covered by a levy include payments to producers, the provision of reserves and collateral, and costs to administer the scheme. Government can manage the overall cost levied on the aviation fuel suppliers through the setting of strike prices, limiting the scale and number of contracts awarded and through the terms of contracts (for example, to ensure producer payments are only made when eligible fuel is produced and then sold). The RCM is also intended to be time-limited to only provide interim support, whilst the market price of non-HEFA SAF remains uncertain, and to help support first-of-a-kind plants in the UK.
- 1.12 The Sustainable Aviation Fuel Bill allows the Secretary of State to make provision within regulations for a levy on aviation fuel suppliers who supply fossil aviation fuel in the UK. The Bill and subsequent levy regulations will extend to England and Wales, Scotland and Northern Ireland. This consultation focusses on the design of the Aviation Fuel Supplier Levy, based on the parameters above and the design principles set out below.

Design principles

- 1.13 The previous consultation set out design principles that will be used, wherever possible, to design the levy:
- solvency – the funds raised by the levy should provide a robust funding stream to the scheme, allowing for long-term certainty on revenue support
 - simplicity – the levy must be simple to deliver to accelerate implementation and minimise the administrative burden
 - affordability and fairness – the levy should minimise the cost to end users and ensure transparency
 - policy coherence – the levy should align with wider government decarbonisation, fuel supply and affordability objectives
 - market stability – the levy should not create perverse incentives or destabilise the aviation fuel market
 - flexibility – the levy should be flexible to future changes in the UK aviation fuel supply market
 - compliance – the levy should minimise the likelihood of non-compliance

¹ SAF Revenue Certainty Mechanism: Approach to Industry Funding [here](#).

Impacts on consumers

Assumptions on pass-through of costs

- 1.14 The extent to which the costs of the levy are passed through the supply chain and onto consumers depends on several factors. These include the sensitivity of customers to price changes, the level of competition and the market structure, the scope and duration of costs, the types of contracting arrangements used and the regulatory environment.
- 1.15 It will be a commercial decision for aviation fuel suppliers whether they choose to pass on some or all cost to airlines. However, it is our assumption that aviation fuel suppliers will pass on 100% of costs to airlines. There is then significant variation in the potential for airlines to pass costs onto consumers. Research by ICF Consulting estimates the average pass-through rates of around 74% for intra-European Economic Area flights and 77% for other routes. Research on the impact of carbon pricing on aviation by Frontier Economics claims that 65-80% of airline operating costs tend to be passed onto passengers. Our modelling presented in the cost-benefit analysis² for the Sustainable Aviation Fuel Bill assumes a 75% pass-through rate of costs and benefits from airlines onto consumers.

Impact on consumers

- 1.16 Given the cost benefit analysis assumptions on pass-through rates and the mechanism covering 300,000 tonnes per year of non-HEFA SAF between 2030 and 2044, there is likely to be a small impact on passenger ticket prices, on average, between -£1.50 and £1.50 per year. This is less than the average annual variation in ticket prices. A more detailed explanation is available in the SAF Revenue Certainty Mechanism: Cost Benefit Analysis³.

² SAF Revenue Certainty Mechanism: Cost Benefit Analysis [here](#).

³ SAF Revenue Certainty Mechanism: Cost Benefit Analysis [here](#).

2. Operation of the Aviation Fuel Supplier Levy

Calculating individual contributions

- 2.1** The government response to the previous consultation⁴ confirmed that the RCM will be funded by a variable levy on aviation fuel suppliers, now referred to as the Aviation Fuel Supplier Levy in this consultation.
- 2.2** Supplier contributions will be relative to their market share of fossil aviation fuel that is supplied in the UK over a defined period. Market share will be based on volumes of fossil aviation fuel supplied. As noted in section 2.25, the counterparty could publish a forecast levy rate, expressed as a pound per litre rate, to support business planning and transparency. This would be reconciled, based on actuals, in a future levy period.

Figure 1: Calculation for determining the levy contribution of an individual supplier for a given levy period.

$$\begin{aligned} & \text{collection amount for individual supplier} \\ &= \left(\frac{\text{forecast individual supplier volume}}{\text{forecast total UK volume supplied}} \right) \times \text{forecast total scheme cost} \end{aligned}$$

Figure 2: Calculation for determining the "forecast levy rate", expressed as £/litre, which could be published by the counterparty to support business planning and transparency.

$$\text{forecast levy rate} = \frac{\text{forecast total scheme cost}}{\text{forecast total UK volume supplied}}$$

- 2.3** The counterparty will be responsible for determining market share and should do so by using data that suppliers submit to the SAF Mandate reporting system (ROS). The existing reporting data includes the quantities of fossil, renewable, and partially sustainable aviation fuels. Existing reporting should be done either on a calendar

⁴ SAF Revenue Certainty Mechanism: Approach to Industry Funding [here](#).

month basis or between the HMRC HO10⁵ reporting dates – 15th of the month to the 14th of the next. It is proposed that both the Secretary of State and the counterparty will have powers to request information from suppliers for the purposes of determining individual levy contributions. Section 2.15 of this consultation will set out when market share calculations should be made in relation to the relevant billing period. More detail on the role of the counterparty can be found in section 3.

- 2.4 The SAF Mandate Administrator requires suppliers to validate their fuel quantities to a reasonable level of assurance by using an approved third-party verifier. The SAF Mandate Administrator can also request information from suppliers to conduct further checks.
- 2.5 The minimum threshold for the Aviation Fuel Supplier Levy will be aligned with the SAF Mandate as any parties supplying fossil aviation fuel totalling 15.9TJ (equivalent to approximately 468,000 litres of fossil avtur) or more per year. The counterparty will use the SAF Mandate standard values to convert volumes from litres to energy. Any fuel suppliers supplying volumes below the stated amount are exempt and this is the only exemption currently proposed.

Q1 – Do you agree or disagree with suppliers submitting data to the SAF Mandate reporting system for determining relevant aviation fuel volumes for the purpose of the levy and why?

Q2 – In your view, is the current level of assurance on SAF Mandate reporting data sufficient for accurately determining individual levy contributions?

Q3 – Do you agree or disagree with the minimum threshold for the levy, and should any other exemptions apply?

Length & Frequency of the Assessment Period and Collection Period

- 2.6 There are multiple options for the frequency of the assessment and collection periods (collection cycles) – these periods are defined in the glossary. This consultation proposes that the most administratively simple approach would be to align the frequency of assessment periods and collection cycles. The suppliers would be required to pay the levy after every assessment period, rather than less frequent invoices covering multiple assessment periods or more frequent invoices charging instalments for a payment. Aligning periods ensures that data, invoicing and payments are all based on the same timeframe, reducing errors, manual adjustments and the need for complex proration or forecasting methods. It also gives suppliers a better understanding of what they owe and why, reducing disputes and raising compliance rates. More complex options offer little advantage to offset the loss of these benefits.
- 2.7 This consultation considers the options for the frequency of the assessment period and the collection cycle where they are aligned. Assessments for annual, quarterly,

⁵ HO10 reporting refers to the process whereby businesses report and pay excise duty on fuel removed from a warehouse using HMRC's HO10 form. Suppliers are not legally required to report aviation volumes to HMRC via HO10s, but many choose to do so voluntarily.

monthly and daily frequency are presented below. Any less or more frequent would be impractical due to data availability, the uncertainty of forecasts and the size of collection amounts.

Option A – Annual

- 2.8 Annual assessment periods and collection cycles can reduce the administrative burden by limiting the number of data requests, levy calculations and payment transactions. While this appears to ease the overall burden for the counterparty and suppliers, this simplicity is offset by several challenges. Levy calculations based on annual forecasts have greater risk of inaccuracy, requiring the counterparty to collect and hold larger contingencies to mitigate against under-collection. A longer settlement cycle can also worsen the impact of any supplier default, potentially resulting in larger funding shortfalls for the scheme. The result of fewer collections may reduce the number of transactions, but suppliers should still submit monthly data under the SAF Mandate, meaning the underlying reporting burden remains unchanged.

Option B – Quarterly

- 2.9 Quarterly assessment periods and collection cycles can create a more balanced approach between administrative efficiency and risk management. Levy calculations based on nearer-term forecasts would reduce the uncertainty in them, allowing the counterparty to hold smaller contingencies to mitigate against under-collection. A quarterly assessment period may also enable suppliers to manage their cashflow and budgeting by spreading collections more evenly across the year. Importantly, the financial impact of supplier default is reduced due to a shorter period of exposure. Suppliers should still submit monthly data under the SAF Mandate, so the underlying reporting burden remains unchanged.

Option C – Monthly

- 2.10 Monthly assessment periods and collection cycles can provide a lower risk approach, by closely tracking actual supplier activity and reducing the uncertainty in forecasts. This frequency enables more accurate levy calculations, reducing the amount of contingency required and allowing for timely adjustments when there are unexpected changes in supplier activity or scheme costs. Smaller, more regular payments may be easier for suppliers to manage and reduce the risk and impact of default. The frequency of the reporting is also aligned to the SAF Mandate, where suppliers should submit monthly data. This would greatly reduce the additional reporting burden.

Option D – Daily

- 2.11 Daily assessment periods and collection cycles can offer the highest responsiveness and precision, theoretically eliminating forecast risk altogether. However, the benefits would be outweighed by the operational complexity and reporting demands placed on both the counterparty and suppliers. Daily levy calculations would need suppliers to report data at a frequency well beyond what is required under the Mandate, which is likely to introduce disproportionate administrative burden. This could also stress the internal systems and processes of some suppliers and could increase

compliance risk and errors. Overall, a daily frequency is likely to be impractical for most participants and operationally difficult for the counterparty.

2.12 **Table 1** provides an assessment of the frequency options for assessment and collection periods below:

Table 1: Assessment and Collection Period Frequency Options

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

2.13 **Table 2** below presents examples of levy payments for different frequencies and market shares. This is based on the Revenue Certainty Mechanism Cost Benefit Analysis⁶ where the size of the levy has been quantified across different scenarios: these costs are based on the “Very Low” price path. This is the lower bound of our price ranges for non-HEFA SAF⁷ and therefore represents the scenario where the highest estimated levy payment would be required. In reality, levy payments can be smaller. To quantify the levy payments based on our lowest estimated prices, this analysis presents three indicative examples of a small, medium and large supplier. These are based off different market shares, reflecting the different sizes of suppliers in the market: small, medium and large suppliers are defined as 2%, 8% and 20% of market share respectively⁸.

⁶ Available [here](#).

⁷ The term ‘non-HEFA SAF’ is used to refer to pathways using non-oily feedstocks such as forest residues, agricultural residues and municipal solid waste (MSW).

⁸ Fuels suppliers in the UK have a wide range of sizes so these are only indicative examples based on market shares and do not reflect any specific supplier.

Table 2: Indicative Levy Payments by Frequency and Market Share

Market share	Levy payments by frequency (2024, present values) ⁹			
Category	Daily (£) ¹⁰	Monthly (£)	Quarterly (£)	Annual (£)
Small	15,000	460,000	1,380,000	5,530,000
Medium	61,000	1,840,000	5,530,000	22,140,000
Large	152,000	4,610,000	13,840,000	55,350,000

2.14 This consultation seeks views on these options and any response to the questions should consider the assessment criteria in **Table 1**.

Q4 – Do you agree or disagree with the options assessment summarised in Table 1?

Q5 – Do you agree or disagree with aligning the frequency of assessment periods and collection cycles?

Q6 – Which assessment period and collection cycle frequency do you think is the most appropriate for the Aviation Fuel Supplier Levy and why?

Sequencing of assessment, collection and billing periods

2.15 There are different options to sequence the assessment, collection and billing periods for the levy. A collection period typically takes a month to issue and for invoices to be paid, which must be completed before the end of the relevant billing period to keep the counterparty solvent. The sequencing of the assessment period can be done in two ways:

Option A – Aligned

2.16 The assessment period matches the billing period. The market share of a supplier is based on its position during that billing period. The collection period must still finish before the billing period ends so calculations rely on forecasted market share that is reconciled with actual data later. The reconciliation is in addition to the one already done for total scheme costs forecasted over the billing period.

⁹ Figures are based off an estimate of the total levy in the year 2030, assuming that this would be the first year that contract payments are made. These include administrative costs as calculated in the Revenue Certainty Mechanism Cost-Benefit Analysis. Figures are in 2024 prices and discounted. Reserve payments (discussed at Section 2.30) are not included in these figures.

¹⁰ Daily estimates assume payments are made over 365 working days – depending on how the levy is charged this can change. Daily estimates are rounded to the nearest £1,000. Monthly, quarterly and annual estimates are rounded to the nearest £10,000.

- 2.17 Once reconciled, individual levy contributions will reflect the position of suppliers in the billing period. This does rely on the use of forecasted market share in the interim that are at risk of error and create two layers of reconciliation – for market share forecasts and for total forecasted scheme costs within a billing period. This could make it more complex to administer.

Option B – Lagged

- 2.18 The assessment period is set earlier than the billing period. The market share of a supplier is based on its position before that billing period. This allows levy calculations to use the actual market share data before the collection period and billing period ends. The length of lag can vary but a shorter lag can reduce the risk that the market share of a supplier is significantly different between the assessment and billing period.
- 2.19 Actual market share data is used to calculate individual contributions, removing the need to forecast it. This could make billing calculations simple, but it could mean that they are based on a market position that a supplier no longer holds within the billing period. A lag that is longer risks significant mismatch and this approach may be considered less fair in volatile markets.
- 2.20 Any response to the questions in this section should consider the administrative burden, the accuracy of calculations, operational simplicity, and transparency and fairness.
- 2.21 In both options a reconciliation exercise would start at the end of the billing period. This is the stage where actuals are compared against forecasts used to calculate the interim levy contributions. The reconciliation exercise ensures that any over or under-collection is corrected (see section 2.28) but it is not a one-off event. The counterparty will reconcile a single billing period on a set frequency until the final settlement date – the first will use the earliest available actual data with later revisions accounting for any changes. Similar schemes have final settlement dates of 18 to 36 months after the relevant billing period. This consultation proposes 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.

Q7 – Which approach would you prefer for the sequencing of the assessment, collection and billing periods and why?

Q8 – Are there any other alternative approaches that should be considered?

Q9 – What is your preferred position on the timeframe for the final settlement of a billing period reconciliation exercise and why?

Forecasting

- 2.22 A robust and transparent forecast is essential for the effective operation of a levy. It provides suppliers with the information to assist them in managing their related cashflows and setting prices with customers. It is understood that supply contracts are often agreed 12 months in advance for the next year. Without a forecast, suppliers face uncertainty on future levy costs, which could lead to pricing volatility and the potential for suppliers to include a contingency in their fuel prices to cover any possible shortfall. This could damage customer relationships and reduce market competitiveness.
- 2.23 Forecasts also play a critical role in supporting fairness and accountability for the RCM by clearly outlining how levy rates are determined and how those costs are expected to evolve over time. They also allow suppliers and the counterparty to proactively manage risk by anticipating market shifts and taking corrective action early to plug any shortfall or surplus. This reduces the risk of cost shocks or the need for significant adjustments at short notice.
- 2.24 A well-designed forecast should provide both a short and longer-term outlook so that a supplier can plan effectively and make decisions across different time horizons – short-term forecasts offer clear expectations of imminent levy payments (for example, the quarter or month before) whilst longer-term forecasts help suppliers understand the levy trajectory over time (for example, a year or more before), supporting strategic planning.
- 2.25 As set out in section 2.2, supplier contributions will be calculated relative to their market share of fossil aviation fuel that is supplied in the UK over a defined period. To support business planning and transparency, the counterparty could publish total scheme costs forecasts, total supply forecasts, ‘forecast levy rate’, and total reserve amount. The ‘forecast levy rate’ would be a forecast, with the amount only confirmed as actual after the relevant period.
- 2.26 When determining the longest forecast period, there is trade-off between the needs of suppliers to get more visibility and the decreasing accuracy of forecasts further into the future. Following stakeholder feedback, this consultation proposes that forecast periods will be 12 months, with longer forecasts risking too much inaccuracy to prove useful, mainly due to the nascent nature of the SAF market and unknown SAF price. The forecast could also show a monthly breakdown of costs that could be updated on a rolling monthly basis. As the scheme matures and the SAF market develops, the forecasting periods could be reviewed and amended by the counterparty who will produce forecasts and publish them on their website.
- 2.27 This consultation seeks views on the proposals for forecasting above. Any response to the questions in this section should consider the administrative burden, the accuracy and usefulness of forecasts, and the links to questions on the duration and frequency for assessment and collection periods (section 2.6).

Q10 – What types of decisions would your organisation use the forecast to support?

Q11 – Do you agree or disagree with the proposal to publish a rolling 12-month forecast?

Q12 – In your view, how frequently should the forecast be updated to ensure it remains useful for your business planning needs?

Q13 – What vital information, if any, would you want to see in the forecast?

Managing uncertainty

2.28 The counterparty must recover the costs of the scheme before they are incurred to stay solvent. To do this, the levy must be calculated and collected based on forecasts of the scheme costs and reconciled when actuals become available. Forecasts are uncertain and can be impacted by unexpected changes to the reference price (within RCM contracts), volumes of eligible SAF sold by contracted producers and the volumes of fossil aviation fuel supplied. This increases the risk of both under-collection (not collecting sufficient funds to cover the costs of the scheme) and over-collection (collecting more funds than needed).

2.29 Section 2.6 considered how some options for collection frequency could mitigate risk around under and over-collection. In this section, further design options are presented to mitigate and manage these risks and provide a consistent source of funding for the scheme. Section 3.6 also considers risk mitigation for under-collection as a result of defaults.

Under-collection

2.30 Under-collection occurs when the counterparty levies a lesser amount from a supplier than required to cover their proportion of the total scheme costs. This must be avoided because the counterparty must remain solvent and cannot access alternative funding sources. The credibility of the scheme and investors' confidence relies on the ability of the counterparty to pay what it owes under the RCM contracts with SAF producers. It is also important that all levy collections are as smooth and predictable as possible for aviation fuel suppliers.

2.31 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 (section 2.2), proportionate to their market share of fossil aviation fuel supplied in the UK over a period. The following options are being considered for collecting contingency amounts on this basis. Both options would require cash reserves.

Option A – Single-period reserve

2.32 A single-period reserve is a contingency amount that is designed to cover unexpected shortfalls or cost variability within single assessment periods (for example, a month or quarter). It provides a focused, time-bound buffer that helps ensure the counterparty can make any producer payments without emergency collections. This approach could be simpler to operate if it reduces the need to manage accumulating reserves and requires fewer complex rules. It also ensures that surplus funds are not held by the counterparty for longer than necessary.

However, it offers less protection against longer-term risks and may require frequent recalculation when new assessment periods begin.

Option B – Multi-period reserve

2.33 A multi-period reserve is a longer-term contingency amount that is designed to cover shortfalls or cost variability across multiple assessment periods (for example, annual). It acts as a buffer for protecting against longer-term fluctuations in costs. This approach could promote levy stability and predictability, reducing the risk of significant swings in supplier payments over time. However, it would require a larger upfront payment and the counterparty to hold larger reserves.

2.34 This consultation seeks views on these options noting that the approach is also subject to the counterparty's processes for managing funds, including legislative considerations on ringfencing of funds. Any response to the questions in this section should consider the administrative burden, impact on cashflow, transparency and efficiency.

Q14 – What is your preferred option as a means of mitigating under-collection risk and why?

Q15 – Should other approaches to mitigating under-collection be considered?

Over-collection

2.35 Over-collection occurs when the counterparty levies a greater amount from a supplier than required to cover their proportion of the total scheme costs. This is likely the case for most periods because levy contributions are calculated using forecasts and there is a need for additional contingency to mitigate against under-collection (discussed above).

2.36 After every billing period, there will be a reconciliation of the forecasted scheme costs for that period against the actual spend. Over-collected amounts shall be attributable to aviation fuel suppliers by the same proportion as the collection amount during the relevant assessment period.

2.37 Where the counterparty receives payments from producers through RCM contracts, this consultation proposes that funds are returned to aviation fuel suppliers in the same way as over-collected sums.

2.38 The following options are being considered for managing instances of over-collection and surpluses.

Option A – Rolling over and netting off

2.39 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. This can simplify the wider settlement process by consolidating multiple transactions into a single net invoice.

The netting off can be done against the future contributions to the main levy but also the reserve, to top up reserve funds that have previously been used. By rolling over and netting off it could also help manage variability between assessment periods. To forecast the levy for the next period, the netting off may need to occur in the following charging period. For example, unspent funds in month 1 would be offset against forecast levy costs for month 3.

Option B – Returning over-collected sums

- 2.40 Another option would be to return 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. For example, more frequent reimbursements could help suppliers to manage their short-term cashflow and prevent the counterparty from holding larger surpluses for longer periods. Less frequent reimbursements could lower the administrative burden and under-collection risk.
- 2.41 A key consideration for both options is the extent to which customers of aviation fuel suppliers (and ultimately passengers) would receive the benefits from any returned funds. Option A could allow surpluses to be passed through in a more accurate and timely manner. This is because it immediately reduces the future payments that a supplier must make, and they can then reflect those lower costs more quickly in future pricing structures.
- 2.42 Option B could result in delays or reductions to benefits passed through because when a supplier receives a cash reimbursement that is separate from future levy payments, they have more discretion over how and when to use that money. It may not feed into future pricing structures or be delayed rather than making immediate adjustments.

Option C – Hybrid approach

- 2.43 It is possible to use a hybrid approach of both options. Any surpluses are rolled over and offset against a supplier's next levy payment by default. This ensures a timely pass-through of benefits and reduces unnecessary cash movements. Reimbursements could then be 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.
- 2.44 This consultation seeks views on these options noting that the approach is also subject to government accounting decisions and the counterparty's management of funds. Any response to the questions in this section should consider the administrative burden, impact on cashflow and pass-through of benefits along the supply chain.

Q16 – In your view, which option do you prefer as a means of managing instances of over-collection and why?

Q17 – What, in your view, is the most efficient way to ensure that over-collected amounts and surpluses are passed through to end users?

Q18 – What, if any, other comments do you have on how over-collection and counterparty surpluses should be managed?

3. Administration of the Aviation Fuel Supplier Levy

Administration

- 3.1 The Secretary of State for the Department for Transport will designate a counterparty for the RCM to administer revenue certainty contracts with SAF producers and the Aviation Fuel Supplier Levy that funds it.
- 3.2 As the administrator of the Aviation Fuel Supplier Levy, the counterparty is required to calculate, manage and enforce the collection of the levy payments from suppliers. To this effect, the administrator and the Secretary of State may also request information from suppliers, as well as for monitoring and evaluation purposes. The costs incurred by the counterparty to administer the scheme will be included in the levy.
- 3.3 This consultation proposes that the counterparty should provide a separate calculation and distinct line item in invoices for administrative costs. This best practice should help to promote transparency, accountability and stakeholder trust. Rather than bundling all scheme costs into a general total, it helps suppliers understand where their contribution is going and supports informed engagement. This approach also helps to ensure that the counterparty is held accountable due to stakeholders being able to monitor changes over time, benchmark against other schemes and have healthy dialogue if costs rise. A similar approach has been taken for the Supplier Obligation (Contracts for Difference), and the proposals here are consistent with the market share-based calculations that are set out in earlier sections.
- 3.4 Aviation fuel suppliers will also incur administrative costs to comply with the Aviation Fuel Supplier Levy. It is expected that these costs will be passed through to customers and then passengers.
- 3.5 The administrative costs incurred by aviation fuel suppliers are expected to be small in comparison to the main levy amounts. If they are passed through the supply chain, there would be minimal impact on end passengers.

Managing supplier default

- 3.6 Supplier default refers to a situation where an aviation fuel supplier fails to meet a financial obligation under the scheme. This typically means they do not make a payment by a due date requested by the counterparty.
- 3.7 There are two proposed mechanisms to collect alternative funding and avoid insufficient funds to make payments out to SAF producers, discussed below. Enforcement and recovery action (discussed in section 3.22) would also be carried out simultaneously over a longer timeframe.

Credit Cover

- 3.8 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. 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. This consultation proposes that the non-payment of credit cover would be managed by the counterparty in a similar way to that of non-payment of levy.
- 3.9 This consultation proposes that acceptable forms of credit cover to the counterparty would be cash, standby letters of credit or a mix of both. This aligns to existing schemes including the Supplier Obligation (Contracts for Difference) and the Green Gas Levy. It is proposed that credit cover is used as the primary tool to manage defaults because of the following reasons:
- a robust credit cover mechanism will, as far as practicable, reduce the likelihood that the counterparty must consider a mutualisation exercise (see section 3.16)
 - without credit cover, other mitigation for under-collection would be necessary in the form of increased contingency payments (see section 2.30) that can only be provided in cash. Credit cover is targeted at addressing defaults whereas a reserve is used to mitigate all under-collection scenarios. This would mean that any burden of defaulted costs would fall on the entire levy base rather than the defaulting supplier
 - allowing suppliers to provide letters of credit as credit cover, in addition to cash, provides greater flexibility in managing their cash reserves and could reduce the need for a higher cash reserve
 - credit cover is used in existing schemes and has operated well
- 3.10 The benefits of credit cover must be balanced against the potential administrative burden on suppliers to comply with requirements. It is also proposed that the counterparty must enforce arrangements for credit cover in the same way as other payments. This includes interest on defaulted credit cover sums (see section 3.29). The counterparty must set out the terms that letters of credit should be issued on, for

example, how payments and any payment demands are made. Banks issuing a letter of credit must also hold a minimum credit rating that has been assessed by:

- Fitch Ratings as having a short-term debt rating of “F1” or better
- Moody’s as having a short-term debt rating of “P-1” or better
- Standard and Poor’s as having a short-term debt rating of “A-1” or better

3.11 There are different options for how the credit cover levels are set. On similar schemes for the Capacity Market and the Green Gas Levy, the amount is set by reference to the costs of that scheme over the next billing period – forecasted amount plus a buffer to account for uncertainties. On the Capacity Market the buffer is 10% and the Green Gas Levy 15%. This consultation proposes that a similar method will be used for this levy but there must be further consideration on how frequently credit cover is calculated by the counterparty and provided by suppliers. The following options are being considered.

Option A – Monthly credit cover period

3.12 A monthly credit cover period offers enhanced protection against any supplier default by limiting exposure to a shorter timeframe. The impact of default is lower because the levy and credit cover are calculated more frequently at lesser amounts. This also helps make credit cover levels more reflective of supplier activities and scheme costs, as short-term forecasts (which they are based on) are more accurate, reducing the chance of under or over-estimating the amount needed. There would also be more administrative burden on the counterparty and suppliers, and it may not be compatible with the time it takes to get letters of credit amended.

Option B – Quarterly

3.13 A quarterly credit cover period would reduce administrative burden as credit cover would be calculated and provided less frequently. This would also allow more time to amend a letter of credit where needed and reduce the associated transaction costs.

3.14 This consultation does not consider longer credit cover periods (for example, annually) appropriate because there is greater risk of significant changes to costs and market share over these periods, making forecasting the appropriate credit cover levels more difficult. Suppliers may be providing too much credit cover or not enough, which could leave the counterparty short in cases of default. The Capacity Market currently operates on a monthly credit cover period and the Green Gas Levy quarterly. Further consideration is also needed on how the return of excess credit cover and earned interest on credit cover held by the counterparty would work. The Green Gas Levy 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 (Contracts for Difference) that then take up to two business days. The Green Gas Levy pays interest back annually whilst the Supplier Obligation pays within fifteen days of the administrator receiving the interest.

3.15 This consultation seeks views on these options and any response to the questions in this section should consider the administrative burden, impact on cashflow, feasibility of the options and impact of defaults.

Q19 – Do you agree or disagree that credit cover should be the primary tool used to manage the risk of supplier default under the levy and why?

Q20 – Do you agree or disagree with the stated assumption regarding acceptable forms of credit cover and why?

Q21 – How frequently should credit cover be updated and why?

Q22 – In your view, what approach should be taken to the return of excess credit cover and earned interest on cash credit cover to suppliers?

Mutualisation

3.16 Mutualisation in a levy scheme refers to the process of spreading the cost of a supplier default across the remaining participants of the scheme. It is a financial backstop for the counterparty that would be used when credit cover held is insufficient to fully cover the outstanding liabilities of a supplier which fails to meet its levy obligations. This ensures the scheme remains fully funded, for example when a supplier defaults.

3.17 The credit cover of the supplier is first drawn upon to recover any unpaid amounts. If that is insufficient, the counterparty can trigger a mutualisation exercise to recover the amount outstanding after credit cover draw-down at its discretion. A notice would be issued to suppliers stating the reasoning, followed by individual mutualisation invoices stating the charges – this would be proportionate to market share of fossil aviation fuel in the relevant period, excluding the fossil fuel of the party which has failed to meet its obligation (as how the main levy contribution is determined).

3.18 The tables below present mutualisation costs to aviation fuel suppliers when one fails to make their levy payments. Each table shows this for a different size of defaulting supplier over different payment frequencies. Based on the values given in **Table 2** in section 2.13¹¹, **Tables 3, 4, and 5** show the mutualisation costs, estimated based off levy payments in a scenario where the price of non-HEFA SAF is “Very Low”. This is the lower bound of our price ranges for non-HEFA SAF and therefore represents our most pessimistic estimate for the levy payments. In reality, mutualisation can be smaller if levy payments are smaller. A supplier’s mutualisation cost as a percentage of the original levy is c.2%, c.9% and c.25% if a small, medium and large size supplier fails respectively¹².

¹¹ This analysis is based off the figures in Table 2. These are based entirely on the Revenue Certainty Mechanism Cost-Benefit Analysis where the size of the difference payments was calculated looking at the lowest estimated SAF price. Figures include administrative costs.

¹² All values in the tables below are shown in 2024 prices and discounted. Daily estimates are rounded to the nearest £1,000. Monthly, quarterly and annual estimates are rounded to the nearest

Table 3: Indicative Mutualisation Costs for Failure of Small Supplier

	Mutualisation cost by frequency – small supplier fails (2024, present values)			
Category	Daily (£)	Monthly (£)	Quarterly (£)	Annual (£)
Small	300	10,000	30,000	110,000
Medium	1,000	40,000	110,000	450,000
Large	3,000	90,000	280,000	1,130,000

Table 4: Indicative Mutualisation Costs for Failure of Medium Supplier

	Mutualisation cost by frequency – medium supplier fails (2024, present values)			
Category	Daily (£)	Monthly (£)	Quarterly (£)	Annual (£)
Small	1,000	40,000	120,000	480,000
Medium	5,000	160,000	480,000	1,930,000
Large	13,000	400,000	1,200,000	4,810,000

Table 5: Indicative Mutualisation Costs for Failure of Large Supplier

	Mutualisation cost by frequency – large supplier fails (2024, present values)			
Category	Daily (£)	Monthly (£)	Quarterly (£)	Annual (£)
Small	4,000	120,000	350,000	1,380,000
Medium	15,000	460,000	1,380,000	5,530,000
Large	38,000	1,150,000	3,460,000	13,840,000

3.19 Where the counterparty recovers costs from defaulting suppliers after the mutualisation exercise, non-defaulting suppliers will be reimbursed to the extent possible. This would mean reallocating these funds based on market share of fossil aviation fuel in the period that the default occurred. Further consideration is being

£10,000. Daily estimates assume payments are made over 365 working days – depending on how the levy is charged this can change.

given to the timeframes for any reimbursements once payments for defaulting suppliers are received.

- 3.20 The counterparty must decide when it uses mutualisation so long as it has exhausted the credit cover from the defaulting supplier beforehand. It may also consider using the other compliance and enforcement levers (see section 3.22) first to recover unpaid amounts. The approach is consistent with similar schemes.
- 3.21 This consultation seeks views on using mutualisation and any response to the questions should consider the impact on non-defaulting suppliers, transparency and fairness, and the need to keep the scheme fully funded.

Q23 – 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 and why?

Q24 – What, if any, additional proposals do you have to manage supplier default risk under the scheme?

Q25 – What, if any, suggestions do you have on how to ensure that mutualisation is implemented fairly and proportionately?

Compliance and enforcement

- 3.22 Future regulations to implement the Aviation Fuel Supplier Levy are expected to place various requirements on suppliers, including the requirement to make regular payments to the counterparty. To secure a consistent and durable funding stream to deliver the RCM, it is critical that the design of the levy promotes a high level of compliance and responds to instances of non-compliance effectively.
- 3.23 The counterparty is responsible for monitoring and taking action against non-compliance in its role as the levy administrator. The Sustainable Aviation Fuel Bill allows subsequent levy regulations to confer functions on the counterparty and the Secretary of State for the purpose of administration and enforcement – this includes powers to require the provision of information.
- 3.24 This consultation proposes that the counterparty may take the following actions to assist with compliance. These levers are similar to those used in existing schemes which have had minimal compliance issues.

Requesting relevant information

- 3.25 The counterparty may request relevant information required to carry out its functions and to support enforcement decisions. This will ensure that all participants are meeting their requirements fairly, transparently and in line with the rules of the scheme.

Issuing notices of non-compliance

3.26 In cases of non-compliance, the counterparty will issue a notice to formally identify how a supplier has failed to meet one or more of its requirements. The notice will include the consequences, any required remedial actions as well as further enforcement action that could follow. The counterparty must also provide a copy of any notice to the Secretary of State. The counterparty could make information regarding non-compliance in relation to payment obligations publicly available.

Reporting compliance and enforcement

3.27 Regular, public reporting provides visibility to government and compliant suppliers about the extent and nature of non-compliance and the actions taken in response. This matters for:

- transparency and accountability – demonstrates that the counterparty is monitoring and enforcing the scheme and reassures parties that non-compliance is not ignored or tolerated
- supporting proportionate enforcement – helps ensure that enforcement actions stay consistent and fair across all suppliers and builds a record of persistent offenders or systemic issues
- reputational deterrence – publishing non-compliance data can act as a reputational deterrent for suppliers, encouraging better behaviour
- informing future policy – information from non-compliance reports may inform future changes to the scheme design by highlighting gaps or weaknesses

3.28 Further consideration is needed as to whether the counterparty should make information on compliance and enforcement publicly available

Interest on late payments

3.29 The purpose of the counterparty adding interest to outstanding payments, including late lodging of collateral and any other financial obligations under the scheme, is to encourage timely compliance, compensate for financial loss and promote fairness. Interest serves as both a deterrent and a remedial function. This matters for:

- incentivising timely payment – discourages late payments by creating a financial cost for delay and removes an unfair liquidity advantage that late payers would gain
- compensating the counterparty – when payments are delayed it causes shortfalls for the scheme funding and delays payments to producers
- supporting enforcement – accruing interest makes non-compliance more expensive over time, which encourages faster resolution and reduces the likelihood of lengthier defaults

3.30 This consultation proposes that charging interest would begin to apply the day after a late or incomplete payment was due. Any interest would then continue to accrue until

the full payment has been made. It is proposed that the annualised interest rate is in the range of 5% to 8% above the Bank of England Base Rate, in line with other government energy levy schemes and the SAF Mandate.

Pursuing civil debts

- 3.31 The counterparty can pursue debts through the civil courts when other resolution means have been exhausted or are unavailable. When deciding whether to take this action, the counterparty must consider the size of the debt, the availability of other options, the likelihood of recovery, and future compliance to ensure scheme stability.

Referring cases of non-compliance to the Secretary of State

- 3.32 The counterparty must provide a copy of any non-compliance notice to the Secretary of State and can also refer cases of non-compliance at any time. The counterparty will have discretion over whether to refer cases, but it is likely that this will be reserved for cases of serious or repeated non-compliance.
- 3.33 It is important that the scheme is supported by a suite of enforcement measures. When a case is referred to the Secretary of State, they have the power to issue a supplier with a financial penalty. The Sustainable Aviation Fuel Bill states the amount can be up to the lesser of £100,000 or 10% of annual turnover of the non-compliant party. The Secretary of State may amend the stated amount in light of inflation and detail how turnover is to be calculated by regulations.

Appeals process

- 3.34 An appeals process is an important component of any levy scheme. It ensures decisions that are made by the counterparty and the Secretary of State (for example, compliance notices, calculating levy amounts, issuing penalties) can be formally challenged. This is essential to the transparency, accountability and fairness of the scheme. 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. Similar appeals processes will be detailed in regulations for any compliance decisions made by the counterparty.
- 3.35 Obligated parties would still be liable for ongoing levy payments whilst an appeal is ongoing.
- 3.36 This consultation seeks views on these options for enforcement, including timings, process and right to make representations. Any response to the questions in this section should consider the administrative burden, feasibility, fairness and transparency, and proportionality.

Q26 – Do you support or oppose the use of compliance notices as a formal mechanism to address supplier non-compliance?

Q27 – Do you agree or disagree that the counterparty should report regularly on compliance and enforcement actions?

Q28 – What, if any, further comments do you have on the proposed arrangements for administration, compliance, enforcement, and appeals for the levy?

Q29 – What, if any, further comments do you have regarding the design of the levy?

What will happen next

This consultation will close on 8 January, after which responses will be analysed and it is expected that the government response will be published in 2026. The government is committed to ensuring that all necessary legislation for the RCM is in place by the end of 2026.

If you have any questions about this consultation, email:
lowcarbonfuel.consultation@dft.gov.uk

Annex A: Full list of consultation questions

Question 1

Do you agree or disagree with suppliers submitting data to the SAF Mandate reporting system for determining relevant aviation fuel volumes for the purpose of the levy and why?

Question 2

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

Question 3

Do you agree with the minimum threshold for the levy, and should any other exemptions apply?

Question 4

Do you agree or disagree with the options assessment summarised in Table 1?

Question 5

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

Question 6

Which assessment period and collection cycle frequency do you think is the most appropriate for the Aviation Fuel Supplier Levy and why?

Question 7

Which approach would you prefer for the sequencing of the assessment, collection and billing periods and why?

Question 8

Are there any other alternative approaches that should be considered?

Question 9

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

Question 10

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

Question 11

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

Question 12

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

Question 13

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

Question 14

What is your preferred option as a means of mitigating under-collection risk and why?

Question 15

Should other approaches to mitigating under-collection be considered?

Question 16

In your view, which option do you prefer as a means of managing instances of over-collection and why?

Question 17

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

Question 18

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

Question 19

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

Question 20

Do you agree or disagree with the stated assumption regarding acceptable forms of credit cover and why?

Question 21

How frequently should credit cover be updated and why?

Question 22

In your view, what approach should be taken to the return of excess credit cover and earned interest on cash credit cover to suppliers?

Question 23

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 and why?

Question 24

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

Question 25

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

Question 26

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

Question 27

Do you agree or disagree that the counterparty should report regularly on compliance and enforcement actions?

Question 28

What, if any, further comments do you have on the proposed arrangements for administration, compliance, enforcement, and appeals for the levy?

Question 29

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