



Department
for Transport

AGREEMENT FOR THE SAF REVENUE CERTAINTY MECHANISM INDICATIVE HEADS OF TERMS

Note: these draft indicative Heads of Terms are subject to the "Disclaimer" section at the front of the Government response to the consultation on a sustainable aviation fuel revenue certainty mechanism to which they are related.

Introductory Notes

These Heads of Terms are preliminary and indicative draft terms for the agreement for the SAF Revenue Certainty Mechanism (the "**RCM**"). They provide a framework for the principal terms and conditions that may be included in an agreement for initial projects (the "**RCM Agreement**"). The draft terms present some 'minded to' positions, do not constitute definitive drafting and are subject to change as a result of consultation, further policy development, or otherwise.

These Heads of Terms should be read in conjunction with the [SAF revenue certainty mechanism: indicative heads of terms and contract allocation - GOV.UK](#) document (the "**Consultation Document**").

These Heads of Terms comprise:

- Section A: Front End Agreement
- Section B: Standard Terms and Conditions
- Section C: Definitions

These Heads of Terms are broken down into columns by subject matter, the intended terms for the RCM Agreement and commentary.

SECTION A – FRONT END AGREEMENT

No.	Subject	Terms
1.	Overview	The contract structure of the RCM Agreement will likely follow the LCHA, low carbon electricity CfD, DPA and ICC (as such terms are defined in the Definitions), where each agreement comprises two instruments: (i) the Front End agreement and (ii) the standard terms and conditions. The Front End agreement will be a bespoke document that contains project-specific information relating to each Producer, including pricing components, capacity, and particulars of the Facility and the Producer to which the RCM Agreement applies. The standard terms and conditions will be a set of contractual terms governing matters which will be applicable to all RCM Agreements unless otherwise specified in the Front End agreement (e.g. certain provisions may only apply to specific technology types). Producers who are allocated an RCM Agreement will sign the Front End agreement, which will then incorporate the standard terms and conditions in force at the time.

SECTION B – STANDARD TERMS AND CONDITIONS

No.	Subject	Terms	Comments / discussion points
1.	Parties	The parties to the RCM Agreement will be (the " Counterparty ") and the Producer (each, a " Party " and together the " Parties "). The Parties intend to be legally bound by the RCM Agreement which will be a private law, commercial contract.	
2.	Term, Milestone Requirement and Conditions Precedent		

No.	Subject	Terms	Comments / discussion points
2.1.	Term	The RCM Agreement is entered into by the Parties on the Agreement Date. The RCM Agreement will have a contract term of fifteen (15) years after commencement (see below).	This aims to ensure that any debt is serviced and repaid during the contract and that minimum required returns to equity providers are also covered.
2.2.	Commencement	<p>The fifteen (15) year term of the RCM Agreement will commence on the earlier of the date on which the Operational Conditions Precedent are met (see below) inside of a specified Target Commissioning Window of twelve (12) months, and the last day of the Target Commissioning Window.</p> <p>The "Longstop Period" applicable to the RCM Agreement will be twelve (12) months following the final day of the Target Commissioning Window or such longer period that results from an extension of the Longstop Date as described below.</p> <p>After the Target Commissioning Window has passed the Longstop Period will commence whereby the RCM Agreement term will begin to erode.</p> <p>The "Longstop Date" will be at the end of the Longstop Period.</p> <p>The Counterparty will have the right to terminate the RCM Agreement if the Operational Conditions Precedent have not been achieved by the Longstop Date.</p> <p>The last day of the Target Commissioning Window and the Longstop Date may be adjusted day-for-day for any delays that occur due to:</p> <p>(a) Force Majeure where the Producer is the impacted party (discussed in further detail below);</p>	<p>This follows the approach in the LCHA and low carbon electricity CfDs.</p> <p>The Target Commissioning Window will be specified in the Front End Agreement. The term of the RCM Agreement will not commence prior to the Target Commissioning Window. Therefore, the earliest the RCM Agreement term can start is the first date in the Target Commissioning Window (if the Operational Conditions Precedent are met).</p> <p>If the Producer fails to commission the Facility by the end of the Target Commissioning Window, the term of the RCM Agreement will commence and the fifteen (15) year term will start to erode.</p> <p>However, payments under the RCM Agreement will not commence unless and until the Start Date occurs. This incentivises the Producer to commission the Facility as soon as reasonably practicable following the execution of the RCM Agreement.</p> <p>DfT is obtaining technical advice regarding construction timelines, including risk/uncertainty associated with construction activity to confirm decisions on Target Commissioning Windows and Longstop Dates</p> <p>DfT is considering whether there are other events which are beyond the control of the Producer, the occurrence of which may provide time relief under the RCM Agreement.</p>

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		<p>(b) delay in completing certain electricity, water, or gas utility network or connection works (where the Producer does not contribute to the delay themselves); and</p> <p>(c) where applicable, a failure by the CO2 T&S Network operator to complete any connection works or other required works to receive, transport and store captured CO2.</p>	
2.3.	Initial Conditions Precedent	<p>There will be two sets of conditions precedent, the "Initial Conditions Precedent" and the Operational Conditions Precedent (see item 2.5 (Operational Conditions Precedent)).</p> <p>The "Initial Conditions Precedent" will be designed to ensure that the Producer meets certain legal/regulatory/contractual requirements and conditions immediately following the Agreement Date. The satisfaction of these conditions will need to be evidenced in a form and content satisfactory to the Counterparty, and may include: (a) the Producer's entry into certain key project documents; (b) submission of the facility description (including process flow diagram and location of metering equipment and supply points); (c) land planning strategy / approval; (d) the Producer's entry into SAF offtake agreements and any requirements in relation to those agreements having been met; and (e) corporate approvals.</p>	This follows the approach in the LCHA and low carbon electricity CfDs.
2.4.	Milestone Requirement	<p>The Producer will be required to demonstrate by a specified "Milestone Delivery Date" (a certain period of time from the Agreement Date) that it is committed to the Project by evidencing either: (a) actual spend of at least a specified percentage of total project commissioning costs; or (b)</p>	<p>This follows the approach in the LCHA and low carbon electricity CfDs.</p> <p>This will (i) provide further protection against speculative or underdeveloped projects applying for an RCM Agreement (over and above any primary checks prior to this point), (ii) ensure that budget remains committed only to projects that</p>

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		<p>fulfilment of specified "Project Commitments" (the "Milestone Requirement").</p> <p>The time by which the Milestone Requirement must be met may be adjusted day-for-day for any delays that occur, similar to the extension of periods relating to the Target Commissioning Window and the Longstop Date (see item 2.2 (Commencement)).</p>	<p>demonstrate sufficient progress,(iii) assist with planning; (iv) reduce risk of non-delivery; and (v) provide an early trigger for termination ahead of support payments where sufficient progress is not made. The Counterparty will determine the robustness of the evidence submitted by the Producer.</p> <p>DfT is considering construction timelines and cost profile to determine the appropriate evidence of commitment and the time at which it is assessed.</p> <p>Any project costs related to SAF storage and transportation or the production of co-products will not be considered within the percentage of total project commissioning costs.</p>
2.5.	Operational Conditions Precedent	<p>For the Start Date to occur, the Producer will be required to satisfy a number of "Operational Conditions Precedent". These may include evidence in form and content satisfactory to the Counterparty:</p> <ul style="list-style-type: none"> <li data-bbox="658 847 1263 1118">(a) that the Producer has commissioned an Installed Capacity of not less than a specified percentage of the Installed Capacity Estimate and has evidenced that the Facility has been commissioned, e.g. proof that industry standard commissioning tests have been carried out and that (if applicable) the Facility is connected to the CO2 T&S Network; <li data-bbox="658 1158 1263 1278">(b) that the Facility will produce SAF that is compliant with the SAF Sustainability Criteria in the RCM Agreement (as discussed in item 7 (Sustainability)); 	<p>This follows the approach in the LCHA and low carbon electricity CfDs.</p> <p>With respect to limb (d), DfT is considering what the technology baseline for SAF production technologies will be from a compliance perspective. DfT is minded to: (i) ensure that the original agreed upon method for SAF production is being adhered to; (ii) not stifle minor technological differences where the Facility is capable of producing fuel that meets the Sustainability Criteria; and (iii) not limit improvements or enhancements to, or the production of secondary products (e.g. co-products) by, the facility.</p> <p>DfT is considering whether any further Operational Conditions Precedents may be required.</p>

No.	Subject	Terms	Comments / discussion points
		<ul style="list-style-type: none"> (c) that the Facility complies with specified metering requirements; (d) that the SAF production technology deployed by the Facility is the agreed SAF production technology; and (e) subsidy control declaration. 	
2.6.	Expiry Date	The " Expiry Date " will be the 15th anniversary of the earlier of the Start Date (as discussed in item 2.2 (Commencement)) and the last day of the Target Commissioning Window. The RCM Agreement will expire on the Expiry Date unless it is terminated earlier in accordance with its terms.	
3. Termination and Consequences of Termination			
3.1.	Pre-Start Date Termination	<p>The RCM Agreement will contain various rights for the Counterparty to terminate the RCM Agreement prior to the occurrence of the Start Date where the Producer fails to make sufficient progress in developing the Facility.</p> <p>These may include the right (but not the obligation) for the Counterparty to terminate the RCM Agreement where:</p> <ul style="list-style-type: none"> (a) Milestone Requirement: the Producer fails to fulfil the Milestone Requirement before the Milestone Delivery Date; (b) Producer Default Termination: a Producer default event (as detailed in item 3.3 (Producer Default Termination)) occurs and is continuing; 	<p>This follows the approach in the LCHA and low carbon electricity CfDs.</p> <p>Such rights will ensure that RCM Agreement funding that has been committed to support the deployment of SAF production facilities is not tied up indefinitely in a project that has no realistic prospect of being commissioned.</p> <p>DfT is considering whether any further Pre-Start Date Termination Events may be required.</p>

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		<ul style="list-style-type: none"> (c) Initial Conditions Precedent: the Producer fails to fulfil the Initial Conditions Precedent within the specified time after the date of the RCM Agreement; (d) Any Directors' Certificate provided is not true, complete or accurate in any material respect or is misleading; or (e) Operations Conditions Precedent: the Producer fails to satisfy the Operational Conditions Precedent by the Longstop Date. 	
3.2.	Consequence of Pre-Start Date Termination	A pre-start date termination will be on a no-liability basis and therefore no compensation will be payable by either party.	This follows the approach in the LCHA and low carbon electricity CfDs.
3.3.	Producer Default Termination	<p>The RCM Agreement will give the Counterparty the right but not the obligation to terminate the RCM Agreement for Producer events of default which may include:</p> <ul style="list-style-type: none"> (a) insolvency; (b) non-payment which is not rectified within a specified cure period; (c) breach of key obligations relating to ownership of the Facility, restricted share transfers, and fraud; (d) credit support default; (e) breach of key obligations relating to metering; 	<p>This follows the approach in the LCHA and low carbon electricity CfDs.</p> <p>DfT is also considering whether there are other SAF specific termination events that should be included in the RCM Agreement.</p>

No.	Subject	Terms	Comments / discussion points
		<ul style="list-style-type: none"> <li data-bbox="660 260 1288 352">(f) breach of key obligations in relation to monitoring and reporting, or submission of payment information; <li data-bbox="660 384 1288 477">(g) the SAF production technology deployed by the Facility is not or ceases to be the agreed SAF production technology; <li data-bbox="660 509 1288 628">(h) loss of, or failure to maintain, binding and enforceable rights of access to essential storage and transport infrastructure required for SAF delivery under the RCM Agreement; <li data-bbox="660 660 1288 719">(i) failure to comply with any audit rights within the RCM Agreement; and <li data-bbox="660 751 1288 810">(j) breaches of any requirements in relation to affiliate offtakers. 	
3.4.	Consequences of Producer Default Termination	<p data-bbox="562 850 1288 1034">If a Producer Default Termination event occurs after the Start Date and the Counterparty terminates the RCM Agreement, the Producer will be obliged to pay the Counterparty a Default Termination payment. The "Default Termination Payment" will be volumetric and reflect the remaining period of the term.</p> <p data-bbox="562 1066 1288 1094">The termination fee rate will be indexed to CPI.</p>	<p data-bbox="1301 850 2040 970">This follows the approach in the LCHA and low carbon electricity CfDs. DfT is considering the appropriate termination payment calculation for a Producer Default Termination event.</p> <p data-bbox="1301 1002 2040 1185">The termination fee rate will be indexed to CPI to ensure that over the course of the term of the RCM Agreement, the termination fee rate remains proportionate to the total subsidy received by the Producer and the Producer remains incentivised to comply with the provisions of the RCM Agreement.</p>
3.5.	No Producer termination right	<p data-bbox="562 1217 1288 1279">The Producer will not be able to terminate the RCM Agreement unilaterally.</p>	<p data-bbox="1301 1217 2040 1279">This follows the approach in the LCHA and low carbon electricity CfDs.</p>

No.	Subject	Terms	Comments / discussion points
3.6.	Termination for Prolonged Force Majeure	There will be a right for the Counterparty to terminate the RCM Agreement where, prior to the Milestone Satisfaction Date, the Producer is significantly delayed in achieving the Start Date due to a continuing, unresolved Force Majeure. Such termination will be on a no liability basis.	This is similar to what is contained in the LCHA and low carbon electricity CfDs. Such right ensures that committed funding is not tied up indefinitely in a project that has no realistic prospect of being commissioned.
3.7.	Termination for Qualifying Change in Law	There will be a right for the Counterparty to terminate the RCM Agreement under certain conditions where there is a Qualifying Change in Law (including where the Qualifying Change in Law permanently prevents the facility from being constructed and commissioned, or from operating).	This follows the approach in the LCHA and low carbon electricity CfDs.
4. Payments and Billing			
4.1.	Difference Amount	<p>The "Difference Amount" will be calculated as the difference (whether positive or negative) between the Strike Price and the Reference Price (see below).</p> <p>The Difference Amount will be payable, for each Qualifying Volume unit of SAF sold by the Producer:</p> <ul style="list-style-type: none"> <li data-bbox="658 914 1263 1002">(a) by the Counterparty to the Producer, where the Strike Price exceeds the Reference Price; or <li data-bbox="658 1038 1263 1126">(b) by the Producer to the Counterparty, where the Reference Price exceeds the Strike Price. 	The £ per litre basis has been selected so that the Strike Price, the Jet Fuel Price and the Achieved Sales Price for SAF can be compared on a like-for-like basis.
4.2.	Qualifying Volumes	In order for the Producer to receive a Difference Amount payment from the Counterparty, the Producer must have produced and sold Qualifying Volumes in the relevant Billing Period.	
Payments will be made on a £ per litre basis.			

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		<p>Payments under the RCM Agreement will be conditional on the sale of SAF and not the production of SAF.</p> <p>"Qualifying Volumes" are the metered SAF volumes (expressed in litres) produced by the Facility which:</p> <p>(a) are purchased by a Qualifying Offtaker; and</p> <p>(b) comply with the SAF Sustainability Criteria described in item 7.1 below or, for CCUS-enabled Facilities only, in the event of a CO2 T&S Network outage relief event, receive a waiver of the requirement to comply with the Sustainability Criteria where certain conditions are met.</p>	
4.3.	Volume Determination	<p>The RCM Agreement will require Producers to provide sales information regarding price and volume, with supporting evidence demonstrating that the volumes are 'Qualifying Volumes'. Metering will be used to verify volumes. Reporting of sales of Non-Qualifying Volumes will also be required.</p>	<p>DfT notes that the final RCM Agreement terms and conditions will provide more information on monthly reporting requirements and audit rights.</p>
4.4.	Strike Price	<p>The "Strike Price" (expressed in £ per litre) will be specified in the Front End Agreement.</p>	<p>See further information on potential strike price adjustments in item 4.12.</p> <p>Specified elements of a SAF project will be ineligible for the purposes of calculating the Strike Price; these may include:</p> <p>(a) SAF storage and transportation costs; and</p> <p>(b) the cost of producing co-products.</p> <p>As discussed below at item 4.6, this necessitates separation of any charges to offtakers for those elements in determining Achieved Sales Price.</p>
4.5.	Reference Price	<p>The "Reference Price" (expressed in £ per litre) is the benchmark price against which the Strike Price is compared</p>	<p>The Reference Price will act as the appropriate proxy for market price, in the absence of (and pending evolution of) a</p>

No.	Subject	Terms	Comments / discussion points
		to determine the size and direction of the Difference Amount. For initial projects, this will be the higher of the Producer's Achieved Sales Price and the Price Floor.	robust and reliable market benchmark price for non-HEFA SAF. Alternative options for Reference Price are set out in the Consultation Document.
4.6.	Achieved Sales Price	The " Achieved Sales Price " will be the price achieved by the Producer for the sale of SAF. It will be calculated as the volume-weighted average price for SAF for the relevant Billing Period. Where elements of a SAF project are excluded in setting the Strike Price (see comment on item 4.4 above) the Achieved Sales Price will not include charges made by the Producer to offtakers in respect of the costs of those elements.	DfT is considering what audit rights are needed for the Counterparty to verify the Achieved Sales Price data provided. Note that Achieved Sales Price is determined for Qualifying Volumes and Non-Qualifying Volumes (see item 4.14 below).
4.7.	Price Floor	The " Price Floor " will be the Jet Fuel Price (see item 4.8 below).	The LCHA also provides for the application of a price floor. If the Producer were to sell a unit of SAF at a price below the Price Floor, the difference between the Achieved Sales Price and the Price Floor would not be subsidised. Alternative options for the Price Floor are set out in the Consultation Document.
4.8.	Jet Fuel Price	The jet fuel price from a repeatable market index published by a reputable commodity price benchmarking assessor.	
4.9.	Price Discovery Mechanism	The RCM Agreement will include a mechanism(s) that will be designed to aid discovery of a market price for non-HEFA SAF.	This incentivises the Producer to seek higher prices for its SAF, reducing the Difference Amounts payable by the Counterparty to the Producer (or increasing those payable by the Producer to the Counterparty) and improving the efficiency of the levy. It also promotes the discovery of a market price for non-HEFA SAF, which could stimulate further investment in the SAF sector. Options for a Price

No.	Subject	Terms	Comments / discussion points
4.10.	Contract Sales Cap and Annual Sales Cap	<p>There will be a "Contract Sales Cap" (expressed in litres).</p> <p>This will represent the Facility's forecast total SAF production of Qualifying Volumes during the whole of the fifteen (15) year term of the RCM Agreement.</p> <p>Each Billing Period, the Qualifying Volumes of SAF produced and sold by the Facility from the Start Date will be aggregated into an "Aggregate Sales Volume" figure (expressed in litres), which will then be compared against the Contract Sales Cap. When the Aggregate Sales Volume exceeds the Contract Sales Cap the RCM Agreement terminates, even if this is before the Expiry Date.</p> <p>There will also be an "Annual Sales Cap" for each year. The Annual Sales Cap will be calculated pro-rata from the Contract Sales Cap, but higher (by a specified percentage) than 100% of 1/15 of the Contract Sales Cap.</p> <p>Difference Payments will not be payable in respect of Qualifying Volumes of SAF produced and sold by the Facility in any year which exceed the Annual Sales Cap.</p> <p>There will be an "Annual Sales Floor" representing the minimum Qualifying Volumes of SAF that must be sold in a year.</p> <p>In the event that the Qualifying Volumes of SAF produced and sold by the Facility in a year are lower than the Annual Sales Floor, the Qualifying Volumes of SAF produced by the Facility in the year shall be deemed to be equal to the</p>	<p>Discovery Mechanism are set out in the Consultation Document.</p> <p>There will be no payments on volumes above the agreed caps.</p> <p>DfT is considering further consequences for failing to meet the Annual Sales Floor, such as shortfall payments.</p>

No.	Subject	Terms	Comments / discussion points
4.11.	Strike Price Indexation	Annual Sales Floor for the purposes of calculating the Aggregate Sales Volume. The full Strike Price will be indexed to changes in CPI.	DfT's position is that while certain cost categories like electricity may need separate protection mechanisms, general CPI-linked protection would safeguard a significant portion of the cost base. CPI-linked inflation protection is provided in multiple other low carbon business models, such as low carbon electricity CfDs and LCHA.
4.12.	Adjustment for GHG savings		The objective of the SAF Mandate is to reduce the UK aviation sector's total GHG emissions, through the redemption of certificates by suppliers. This supports producers which aren't supported by an RCM Agreement, as suppliers will be willing to pay more for SAF with greater GHG savings as they will receive more certificates. Under the RCM, the Producer will effectively receive a fixed price for their Qualifying Volumes sold. DfT are minded to maintain the incentive for Producers to achieve higher GHG reductions, therefore are considering if / how the strike price should be adjusted based on GHG savings.
4.13.	Qualifying Offtakers	<p>In order to receive support under the RCM Agreement for volumes of SAF produced and sold (i.e. to be Qualifying Volumes, see item 4.2 above), those volumes must be sold to Qualifying Offtakers.</p> <p>A "Qualifying Offtaker" is an oftaker which is not a Non-Qualifying Offtaker.</p> <p>A list of classes of Non-Qualifying Offtakers will be detailed in the full contract. This may include provisions designed to prevent SAF under the RCM being exported outside of the UK. The RCM Agreement may also contain provisions to restrict the circumstances in which the Producer can sell</p>	These provisions are to ensure that the RCM Agreement directly supports the Government's objectives and delivers value for money for Government.

No.	Subject	Terms	Comments / discussion points
		<p>SAF to an affiliated offtaker, in order to prevent pricing manipulation.</p>	
4.14.	Non-Qualifying Volumes	<p>"Non-Qualifying Volumes" are metered SAF volumes which are not Qualifying Volumes.</p> <p>Difference Amounts are not payable to the Producer for Non-Qualifying Volumes. But if for Non-Qualifying Volumes the Reference Price exceeds the Strike Price, the Producer must pay the Difference Amount to the Counterparty in respect of the Non-Qualifying Volumes.</p>	
4.15.	Refinancing / Gain-share mechanism		<p>DfT will continue to assess whether any refinancing or other gain-share mechanisms are appropriate to ensure value for money and fair allocation of risk.</p>
4.16.	Billing and Payment	<p>Once the Start Date has been achieved, payments will be made by the Counterparty to the Producer (or Producer to the Counterparty), subject to the application of the relevant formulae that will be set out in the RCM Agreement.</p> <p>The Counterparty will deliver a billing statement to the Producer for each "Billing Period" within a specified period after the end of each Billing Period. Payments will be due within a specified period after the billing statement is delivered.</p>	
<p>5. Change in Laws</p>			
5.1.	Qualifying Change in Law	<p>The RCM Agreement will replicate the Qualifying Change in Law ("QCiL") provisions of precedent schemes, providing a level of cost and revenue protection for Producers in respect of QCiLs that constitute "discriminatory changes in law" (i.e. that discriminate against the Producer/a Project/Facility), "specific changes in law" (i.e. that specifically apply to</p>	

No.	Subject	Terms	Comments / discussion points
		facilities with an RCM Agreement/utilising a particular SAF production technology) and "other changes in law" (i.e. that have an undue and discriminatory effect on a Producer's out-of-pocket costs in comparison with certain UK comparator groups).	
5.2.	QCiL Compensation	The form of the QCiL Compensation provisions in the RCM Agreement will be based on the LCHA and will follow the "no better, no worse" principles of the LCHA (i.e. to place the parties in the position they would have been in had the QCiL not occurred).	
5.3.	Qualifying Shutdown Events	The RCM Agreement will provide a level of compensation for the Producer if a " QCIL Construction Event " (i.e. a change in law which prevents a Project which is still in construction from reaching the Start Date) or a " QCIL Operations Cessation Event " (i.e. a change in law which renders it illegal for a Project to continue operating) occurs.	<p>This follows the approach in the LCHA and low carbon electricity CfDs.</p> <p>DfT is considering (i) specific exceptions to the definition of qualifying shutdown event and (ii) how any such compensation should be calculated.</p>
5.4.	Change in Applicable Law	The Counterparty would be entitled to propose amendments to the RCM Agreement where any new law, or a change to the manner in which an existing law is interpreted or applied, renders the RCM Agreement illegal, invalid, unenforceable or inoperable.	This follows the approach in the LCHA and low carbon electricity CfDs.
6. Representations, Warranties and Undertakings			
6.1.	Representations, Warranties and Undertakings	<p>Producer representations and warranties may include:</p> <ul style="list-style-type: none"> (a) corporate status; (b) power and authority; (c) enforceability; 	<p>This follows the approach in the LCHA and low carbon electricity CfDs.</p> <p>DfT is considering whether bespoke representations, warranties and undertakings that are unique to the RCM business model will be required in the RCM Agreement.</p>

No.	Subject	Terms	Comments / discussion points
		<ul style="list-style-type: none"> (d) non-conflict; (e) required authorisations; (f) no default; (g) no litigation; (h) no requirement to deduct or withhold; and (i) other project specific representations and warranties. <p>These representations will be deemed to be repeated by the Producer on the Start Date in each case by reference to the facts and circumstances then existing, excluding (g) above.</p>	
6.2.	Producer's General Undertakings	<p>Producer undertakings may include:</p> <ul style="list-style-type: none"> (a) compliance with laws; (b) required authorisations; (c) industry documents; (d) no insolvency action; (e) ownership; (f) the SAF production technology deployed by the Facility is the agreed SAF production technology; (g) Facility meets the Sustainability Criteria; 	<p>This follows the approach in the LCHA and low carbon electricity CfDs. DfT is also considering what SAF specific undertakings regarding feedstock for the Facility should be included.</p>

No.	Subject	Terms	Comments / discussion points
		<ul style="list-style-type: none"> (h) data collection and monitoring procedures; (i) UK ETS Greenhouse Gas Emissions Permit. 	
6.3.	Producer's Metering Undertakings	<p>The RCM Agreement will include metering requirements such as:</p> <ul style="list-style-type: none"> (a) The Producer should ensure that appropriate meters are installed, maintained and in operation at each relevant output stream to measure all volumes of SAF and co-products, and thermal energy content accurately; (b) Rectification: any metering issues must be resolved promptly; (c) Access: grant access to meters for testing and verification; and (d) Risk-mitigation: the SAF producer should put in place appropriate measures to mitigate the risk of omission, misrepresentation or error in all metering and other data flows. 	DfT is considering the SAF metering requirements and associated undertakings for the RCM Agreement.
6.4.	Producer's Monitoring, Reporting and Verification (MRV) Undertakings	The RCM Agreement will include certain undertakings relating to the monitoring, reporting and verification framework for the RCM Agreement, including the framework that will apply in relation to the determination of Qualifying Volumes and Non-Qualifying Volumes.	DfT will draw on provisions that have been included in precedent business models to develop an MRV framework, and where possible will draw on reporting and verification that already occurs through the SAF Mandate.

No.	Subject	Terms	Comments / discussion points
6.5.	Collateral Requirement		DfT is considering whether to follow the LCHA and low carbon electricity CfD in requiring a Producer who fails to pay on time a 'net payable amount' (i.e. where the Reference Price exceeds the Strike Price) to the Counterparty on a number of occasions to provide a specified amount of collateral.
7. Sustainability			
7.1.	SAF Sustainability Criteria	<p>The RCM Agreement will provide the same sustainability (including carbon intensity) criteria as those under the SAF Mandate (the "SAF Sustainability Criteria").</p> <p>As described in item 4.1 above, Difference Payments to the Producer are paid only in respect of Qualifying Volumes, which must meet the SAF Sustainability Criteria.</p>	<p>This ensures that SAF produced under the RCM Agreement is eligible for certificates and contributes to GHG savings from the SAF Mandate.</p> <p>There will also be eligibility criteria for contract allocation which will prevent projects with misaligned sustainability credentials progressing through the allocation process. These criteria will likely include evidence that Producers can produce SAF that is compliant with the SAF mandate with respect to minimum lifecycle GHG emissions reduction.</p> <p>Payment only for SAF that meets the SAF Sustainability Criteria is to ensure that the business model delivers carbon savings and that investment in SAF projects is consistent with the Government's net zero commitments.</p>
7.2.	Compliance		<p>DfT is considering appropriate methods of evidencing compliance with the SAF Sustainability Criteria.</p> <p>The mechanics of evidencing compliance with the SAF Mandate is subject to DfT's decision on the relevant option contained in 7.3.</p>
7.3.	Changes in SAF Mandate Criteria	Option 1: The SAF Sustainability Criteria for the purpose of the RCM Agreement will be fixed at the SAF Mandate standards in force at the Agreement Date and will not require the Producer to comply with any future amendments	If Option 1 is adopted DfT is minded to consider a contract reopener provision to enable the Parties to renegotiate an updated Strike Price if the Producer chooses to adapt its

No.	Subject	Terms	Comments / discussion points
		<p>to the SAF Mandate after the Agreement Date, in order to produce Qualifying Volumes.</p> <p>OR</p> <p>Option 2: The SAF Sustainability Criteria for the purpose of the RCM Agreement will automatically adjust to follow any changes in the SAF Mandate standards.</p>	<p>production to produce SAF which does comply with future updates to SAF Mandate sustainability criteria.</p> <p>If Option 2 is adopted DfT is minded to replicate relevant elements of the Qualifying Change in Law provisions from precedent schemes with regards to compensation for the incremental costs of compliance with changes to the SAF Mandate.</p>
	7.4. Certification		<p>DfT are considering how SAF certification under the RCM can align with certification under the SAF Mandate.</p>
8.	Force Majeure		
	8.1. Force Majeure Relief	<p>The RCM Agreement will provide for the Producer to be entitled to day-for-day extensions of time (pre-Start Date) and relief from performance of its RCM Agreement obligations where a Force Majeure event occurs which is beyond the Producer's control, and which could not have been reasonably avoided or overcome by the Producer ("Force Majeure").</p>	<p>This follows precedent in the LCHA.</p> <p>DfT are open to views from industry regarding any SAF specific considerations.</p>
9.	Other		
	9.1. Reporting	<p>The reporting and confidentiality provisions in the RCM Agreement will likely be based on the LCHA and low-carbon electricity CfDs.</p> <p>The Producer will be required to keep the Counterparty fully informed of its progress during the construction, completion,</p>	

No.	Subject	Terms	Comments / discussion points
9.2.	Supply Chain Reporting	<p>testing and commissioning of the Facility and in satisfying the Operational Conditions Precedent.</p> <p>Additional reporting obligations will be included in the RCM Agreement in order to (i) determine the Achieved Sales Price by reference to offtake agreements and invoices; (ii) establish that the sustainability criteria are met; and (iii) verify RCM Agreement compliance more widely.</p> <p>These will require the Producer to provide to the Counterparty a report on economic benefits and its supply chain at the following stages/deadlines:</p> <ul style="list-style-type: none"> (a) 1st report by the Milestone Delivery Date; (b) 2nd report by the 3rd anniversary of the Start Date (i.e. after the Project becomes operational); and (c) 3rd report by the 7th anniversary of the Start Date. <p>A breach of this reporting obligation may result in a fee being levied against the Producer, which may be deducted from future payments made to the Producer by the Counterparty.</p>	DfT is considering the procedure for metering disputes.
9.3.	Dispute Resolution Procedure	<p>The RCM Agreement will follow the dispute resolution procedure detailed in the LCHA and low carbon electricity CfDs, with disputes escalated to a meeting of senior representatives followed by final resolution by expert determination or arbitration.</p>	DfT is considering the procedure for metering disputes.

No.	Subject	Terms	Comments / discussion points
9.4.	Change Control Procedure	<p>The Counterparty can propose amendments, classifying them as either material or technical.</p> <p>For material amendments, the Producer has a specified period to agree or object, followed by good faith negotiations.</p> <p>For technical amendments, the Producer has a specified period to respond or object (including to the classification). If no response is received, the amendment is binding. Classification disputes go to dispute resolution.</p> <p>For general technical amendments, the amendment is accepted unless a set percentage of affected producers object, in which case dispute resolution applies.</p>	<p>DfT is considering the general amendments threshold that must be reached to implement the change. This follows the approach in precedent schemes.</p>
9.5.	Subsidy Control / Other Incentives	<p>The RCM Agreement will include undertakings to ensure no additional subsidies are received and ensure the repayment of any subsidies received in breach of the RCM Agreement.</p>	<p>DfT is considering subsidy control and state aid whilst progressing with design of the pricing mechanism, to ensure the RCM's alignment with the 2022 Subsidy Control Act and the Windsor Framework.</p>
9.6.	Boilerplate Provisions	<p>The RCM Agreement will contain standard and miscellaneous provisions, largely following the LCHA and low carbon electricity CfDs, including provisions relating to:</p> <ul style="list-style-type: none"> <li data-bbox="658 1035 1066 1062">(a) intellectual property rights; <li data-bbox="658 1099 898 1126">(b) assignment; <li data-bbox="658 1163 1207 1190">(c) marketing, publicity or communication; <li data-bbox="658 1227 898 1254">(d) notices; and <li data-bbox="658 1291 927 1318">(e) governing law. 	

SECTION C – DEFINITIONS

In this document capitalised terms not otherwise defined shall have the following meanings:

Term	Definition
Achieved Sales Price	has the meaning given to that term in item 4.6 (Achieved Sales Price).
Aggregate Sales Volume	has the meaning given to that term in item 4.10 (Contract Sales Cap and Annual Sales Cap).
Agreement Date	means the date of the RCM Agreement.
Annual Sales Cap	has the meaning given to that term in item 4.10 (Contract Sales Cap and Annual Sales Cap).
Annual Sales Floor	has the meaning given to that term in item 4.10 (Contract Sales Cap and Annual Sales Cap).
Billing Period	has the meaning given to that term in item 4.16 (Billing and Payment).
Business Day(s)	means a day (other than a Saturday or a Sunday) on which banks are open for general business in London.
CfD	means the UK's Contracts for Difference revenue support scheme.
CO2 T&S Network	means a CO2 transmission and storage network.
Conditions Precedent	has the meaning given to that term in 2.3 (Initial Conditions Precedent).
Consultation Document	means the DfT consultation dated [XX].
Contract Sales Cap	has the meaning given to that term in 4.10 (Contract Sales Cap and Annual Sales Cap).
Counterparty	means the designated government-owned entity responsible for administering the RCM and the levy.
CPI	means: <ul style="list-style-type: none"> (a) the all items index of consumer price inflation published each month by the Office for National Statistics; or (b) if that index is no longer being published, such index as the Counterparty may reasonably determine to be appropriate in the circumstances; or (c) if there is a material change to the basis of that index, such other index as the Counterparty may from time to time reasonably determine to be appropriate in the circumstances.
Default Termination Payment	has the meaning given to that term in item 3.4 (Consequences of Producer Default Termination).

DfT	means the Department for Transport.
Difference Amount	has the meaning given to that term in item 4.1 (Difference Amount).
DPA	means the dispatchable power agreement for the UK's carbon capture revenue support scheme.
Expiry Date	has the meaning given to that term in item 2.6 (Expiry Date).
Facility	means the SAF production plant and all necessary interfaces and any other facilities or equipment for the safe, efficient, timely and economical operation of the SAF production plant in a manner to satisfy fully the requirements under the RCM Agreement.
Force Majeure	has the meaning given to that term in item 8.1 (Force Majeure).
Front End Agreement	means the SAF revenue certainty mechanism agreement entered into following the applicable contract allocation or negotiation process and attaching the Standard Terms and Conditions to form the RCM Agreement .
GHG	"GHG" or "Greenhouse Gas" means any gaseous constituent of the atmosphere, whether natural or anthropogenic, that absorbs and re-emits infrared radiation and contributes to the greenhouse effect.
Greenhouse Gas Emissions Trading Scheme Order	means The Greenhouse Gas Emissions Trading Scheme Order 2020.
Heads of Terms	"Heads of Terms" or "HoT" means these heads of terms.
ICC	means the industrial carbon capture revenue support scheme.
Initial Conditions Precedent	means the conditions precedent set out in item 2.3 (Initial Conditions Precedent).
Installed Capacity	means the capacity of the Facility (expressed in kilo-litres per specified period) were it to be operated at optimal operating conditions on a continual basis for a sustained period at the maximum capacity possible.
Installed Capacity Estimate	is the expected Facility capacity determined at the Agreement Date.
Jet Fuel Price	has the meaning given to that term in item 4.7 (Jet Fuel Price).
Longstop Date	means the last day of the Longstop Period (see item 2.2 (Commencement)).
Longstop Period	has the meaning given to that term in item 2.2 (Commencement).
Low Carbon Hydrogen Agreement (LCHA)	means the Low Carbon Hydrogen Agreement for the UK's hydrogen production business model.
Milestone Delivery Date	means a to be determined date after the Agreement Date.

Milestone Requirement	has the meaning given to that term in item 2.4 (Milestone Requirement).
Milestone Satisfaction Date	means the date of the notice from the Counterparty to the Producer specifying that the Producer has complied with and fulfilled a Milestone Requirement.
MRV	means Monitoring, Reporting and Verification.
Non-Qualifying Volumes	has the meaning given to that term in item 4.14 (Non-Qualifying Volumes).
Operational Conditions Precedent	means the conditions precedent set out in item 2.5 (Operational Conditions Precedent).
Party / Parties	has the meaning given to that term in item 1 (Parties).
Price Floor	has the meaning given to that term in item 4.7 (Price Floor).
Producer	means a person who intends to carry out SAF production activities in relation to a SAF production facility.
Producer Default Termination	has the meaning given to that term in 3.1 (Pre-Start Date Termination).
Project	means the design, development, construction, completion, testing, commissioning, operation, maintenance and decommissioning of the Facility.
Project Commitments	has the meaning given to that term in item 2.4 (Milestone Requirement).
QCIL Compensation	has the meaning given to that term in item 5.2 (QCIL Compensation).
QCIL Construction Event	has the meaning given to that term in item 5.3 (Qualifying Shutdown Events).
QCIL Operations Cessation Event	has the meaning given to that term in item 5.3 (Qualifying Shutdown Events).
Qualifying Change in Law (QCIL)	has the meaning given to that term in item 5.1 (Qualifying Change in Law).
Qualifying Offtaker	has the meaning given to that term in item 4.13 (Qualifying Offtakers)
Qualifying Volumes	has the meaning given to that term in item 4.2 (Qualifying Volumes).
RCM	means revenue certainty mechanism.
Reference Price	has the meaning given to that term in item 4.5 (Reference Price).
SAF	means sustainable aviation fuel.
SAF Mandate	Means DfT's policy of the same name to decarbonise aviation fuel by encouraging the supply of sustainable aviation fuels.

SAF Sustainability Criteria	has the meaning given to that term in item 7.1 (SAF Sustainability Criteria).
Start Date	means the date on which the Operational Conditions Precedent have been fulfilled (or waived by the Counterparty).
Strike Price	has the meaning given to that term in item 4.4 (Strike Price).
Target Commissioning Window	means a period of 12 months around the target commissioning date as notified by the Producer to the relevant authority in its application for the RCM Agreement.
UK ETS	means the emissions trading scheme in the UK established pursuant to The Greenhouse Gas Emissions Trading Scheme Order 2020.