

Report on the Legislative Consent Memoranda for the Sustainable Aviation Fuel Bill

1. The Sustainable Aviation Fuel Bill (the Bill) was introduced to the House of Commons on 15 May 2025. It is sponsored by the Department for Transport.
2. The Welsh Government laid a Legislative Consent Memorandum (LCM) on the Bill before the Senedd on 9 June 2025. It also laid two Supplementary Legislative Consent Memorandum (SLCM) (Memorandum No. 2 and Memorandum No. 3) before the Senedd on 4 November 2025 and 7 January 2026 respectively. The Memoranda were referred by the Business Committee to the Climate Change, Environment, and Infrastructure Committee and the Legislation, Justice and Constitution Committee for scrutiny with a final reporting deadline of 20 January 2026.
3. The Climate Change, Environment and Infrastructure Committee considered the Memoranda at its meetings on 9 July 2025, 26 November 2025 and 14 January 2026 respectively.

Policy objectives

4. The long title of the Bill states that it makes provision for sustainable aviation fuel (SAF). SAF is a broad term for lower-carbon alternatives to conventional aviation kerosene. The policy objective of the Bill is to reduce environmentally harmful aviation emissions by supporting the production of SAF. Greenhouse gas emissions from SAF are, on average, 70 per cent less than those from fossil jet fuel. SAF is described as a “drop-in fuel”, meaning it is designed to be used with existing aircraft without modification of the aircraft.
5. The UK Government has already introduced the “SAF mandate”, which requires that a minimum proportion of SAF is blended into conventional aviation fuel. Currently, 2 per cent of



the total aviation fuel mix must be SAF, rising to 10 per cent by 2030 and 22 per cent by 2040. This will drive demand for SAF.

6. However, the UK and global supply of SAF is limited because SAF production requires significant capital investment and is high-risk. The aviation industry says that it will be difficult to meet the SAF mandate requirements without support for investment in increased SAF production.

7. The Bill introduces a revenue certainty mechanism which will support production of SAF by providing SAF producers with a guaranteed fixed price for SAF ("the strike price"). This is intended to provide potential investors with confidence in future income. It will be funded by industry, which will be required to pay a levy provided for in the Bill. This means the cost of the scheme could be passed on to air passengers, or it could be absorbed by airlines.

Provisions in the Bill for which consent is sought in the LCM

Clause 1 - Direction to offer revenue certainty contract

8. The clause provides that the Secretary of State may direct a government-owned company (called the "designated counterparty" in the Bill) to offer a SAF producer a revenue certainty contract. The contract will specify a "strike price" for SAF for a set period. Then, in the event that the SAF sold by the producer during that period is sold for less than the strike price, the designated counterparty pays the difference to the SAF producer. Conversely, if the SAF producer sells SAF for a price that is higher than the strike price during the period, the producer pays the amount above the strike price to the designated counterparty. The Secretary of State's direction-making power is time-limited and exercisable for 10 years after the passing of the Act. That period can, though, be extended by regulations made by the Secretary of State.

Clause 2 - Notice of directions and revocation

9. This clause provides that a Secretary of State direction made under clause 1 must be sent to the producer named in it. It also enables the Secretary of State to revoke a direction by written notice to the designated counterparty and the producer.

Clause 3 - Registration and publication of contracts

10. This clause provides the Secretary of State with a regulation-making power to require the designated counterparty to maintain a register of information in relation to revenue certainty contracts and require publication of contract details.

Clause 4 - Designation of counterparty

11. This clause provides that the Secretary of State may, by notice, designate a company as the counterparty for revenue certainty contracts. The company must be limited by shares and those shares must be held by a minister of the Crown. The Secretary of State can revoke a designation by notice.

Clause 5 - Transfer schemes

12. This clause enables the Secretary of State, in the event that a designated counterparty's designation is revoked, to make a scheme for the transfer of the company's property rights and liabilities to a new designated counterparty. A scheme may include compensation for any person adversely affected by the transfer.

Clause 6 – levy on suppliers

13. Clause 6 enables the Secretary of State to make regulations requiring suppliers of aviation fuel to pay a levy that may be used by the counterparty to fund costs incurred under the Bill, including payments made under the revenue certainty mechanism.

Clause 7 – Collateral for levy

14. Clause 7 enables regulations made by the Secretary of State under clause 6 to require a person to pay financial collateral to the designated counterparty in respect of their liability to pay the levy.

Clause 8 – Administration etc of levy and disputes

15. This clause provides that regulations made under clause 6 may confer functions on the designated counterparty in connection with the administration and enforcement of the regulations.

Clause 9 – Calculation or determination of matters under levy regulations

16. This clause provides that regulations made under clause 7 may delegate certain decisions, such as calculations or determinations under the regulations, to another person.

Clause 10 - Payment of surpluses to levy payers

17. This clause enables the Secretary of State to make regulations to require the designated counterparty to pay any financial surplus it has to the suppliers of aviation fuel who had

previously paid the levy. Regulations can also require that any surplus payment made to a SAF producer is used to benefit the producer's customers. If proposed regulations contain provisions which would be within the legislative competence of the Senedd, the Secretary of State must consult the Welsh Ministers before making regulations.

Clause 11 - Financial penalties

18. This clause enables the Secretary of State to impose a financial penalty of up to £100,000.00 on a person who breaches the levy regulations. Schedule 1 makes further provision for financial penalties. It requires the Secretary of State, before imposing a financial penalty on a person, to serve written notice of that intention on the person. The notice must set out the amount of the proposed penalty, the reasons for it and the person's right to make representations against the proposed penalty to the Secretary of State. Paragraph 5 of Schedule 1 provides that a person served with a financial penalty notice may also appeal against it to the High Court.

Clause 12 - Power to direct designated counterparty

19. This clause enables the Secretary of State to issue a direction to the designated counterparty as to the exercise of any of the designated counterparty's functions.

Clause 13 - Information and advice

20. This clause requires the designated counterparty to provide the Secretary of State with any information and assistance that the Secretary of State requires from them.

Clause 14 - Financial assistance for designated counterparty

21. This clause provides that the Secretary of State may provide the designated counterparty with financial assistance and may impose conditions upon the grant of such assistance.

Clause 15 – Regulations

22. This clause provides that all regulation-making powers in the bill include the power to make consequential, supplementary, incidental, transitional, or saving provisions.

Provisions in the Bill for which consent is sought in the SLCM (Memorandum No. 2)

23. The SLCM (Memorandum No. 2) sets out amendments made at Commons Report Stage for which consent is required.

Clause 1 - Direction to offer revenue certainty contract

24. Clause 1 is amended to allow the Secretary of State to direct a government-owned company to provide assistance in identifying producers of sustainable aviation fuel to whom revenue certainty contracts should be allocated.

Clause 6 - levy on suppliers

25. Clause 6 is amended to provide that the levy on suppliers will not fund any costs incurred in complying with a direction under new clause 1(5).

Clause 8 - Administration etc of levy and disputes

26. Clause 8 is amended to allow levy regulations to require the Secretary of State to assist in the collection and provision of information and impose requirements on people to provide that information.

Provisions in the Bill for which consent is sought in the SLCM (Memorandum No. 3)

27. The SLCM (Memorandum No. 3) sets out amendments made at Lords Committee Stage for which consent is required.

Clause 10 - Payment of surpluses to levy payers

28. Clause 10 is amended to remove the requirement on the Secretary of State to consult the Welsh Ministers if regulations made under this clause contain provision which would be within the legislative competence of the Senedd (if contained in an Act of the Senedd).

New clause 15 – Duty to consult about regulations

29. New clause 15 inserted by amendment requires that before making any regulations under clauses 1, 3, 10 or 11 of the Bill the Secretary of State must consult the Welsh Ministers.

Views on the need for consent

30. The LCM confirms the Welsh Government considers that consent is required for clauses 1 to 15 (in the Bill as introduced). The LCM notes that the UK Government takes a different view and considers that clauses 1 to 5 and 10 to 19 (in the Bill as introduced) are within the Senedd's competence.

31. The SLCM (Memorandum No. 2) sets out the UK Government's position is that the amendments are "purely technical and do not require an SLCM". However, the Welsh Government asserts that:

"the stronger argument is that the amendments...make provision for the first time in relation to Wales which has regard to devolved matters. It is therefore considered that an SLCM is required in relation to those amendments".

32. The SLCM (Memorandum No. 3) sets out that the UK Government's position is that the amendments "are minor amendments which do not impact delivery and so do not require an SLCM". However, the Welsh Government asserts that:

"the stronger argument is that the amendments...make provision for the first time, in relation to Wales which has regard to devolved matters, in that they confer or modify functions of the Welsh Ministers. It is therefore considered that an SLCM is required in relation to those two amendments."

The Welsh Government's reasons for making provision in the Bill

33. The Memoranda set out the Cabinet Secretary's reasons for making these provisions in this Bill:

"In my view it is appropriate to deal with these provisions in this UK Bill as the Welsh Government is committed to working with other governments in the UK to deliver coordinated policy action that will deliver our respective emissions reduction targets. Decarbonising aviation is one of our biggest global challenges and this requires a UK-wide approach through a UK Bill. The SAF revenue certainty mechanism introduced as part of the Bill is intended to be a time-limited measure to stimulate an early market for SAF. It will no longer be needed once investors have confidence in the market price and the first-of-a-kind technology has proved itself at commercial scale. We see SAF as an intermediate carbon reduction solution, as the industry looks to the development of new zero-emission aircraft, such as hydrogen-fuelled and electric powered aircraft."

Our view

We have considered clauses 1-16 (of the Bill as amended at Lords Committee Stage), for which the Welsh Government is seeking the Senedd's consent. We welcome new clause 15

(inserted by amendment at the Lords Committee Stage), which will require the Secretary of State to consult the Welsh Ministers before making regulations.

In terms of the policy intention of the provisions, we see no reason why the Senedd should not give consent.

On a wider matter, we had less than a week to consider and report on Memorandum No.3, which was far from satisfactory. We have previously made clear our view on the need for sufficient time to be made available to committees to scrutinise and report on Memoranda. We reiterate that view.