

Sustainable Aviation Fuel Act 2026

CHAPTER 9

Explanatory Notes have been produced to assist in the understanding of this Act and are available separately

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CHAPTER 9

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Sustainable Aviation Fuel Act 2026

2026 CHAPTER 9

An Act to make provision about sustainable aviation fuel.

[5th March 2026]

BE IT ENACTED by the King's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

Revenue certainty contracts

1 Direction to offer revenue certainty contract

(1) The Secretary of State may direct the designated counterparty (see section 4) to offer to enter into a revenue certainty contract with a producer of sustainable aviation fuel.

(2) In this Act "revenue certainty contract" means a contract which provides for—

(a) the designated counterparty to make payments to the producer in respect of UK-produced sustainable aviation fuel sold by the producer during a period for which the strike price is higher than the market reference price,

(b) the producer to make payments to the designated counterparty in respect of UK-produced sustainable aviation fuel sold by the producer during a period for which the market reference price is higher than the strike price, and

(c) the payments referred to in paragraphs (a) and (b) to be calculated by reference to the difference between the strike price and the market reference price.

(3) In subsection (2)—

"market reference price" means an amount that is determined in accordance with the contract as the reference price for sustainable aviation fuel sold during a period specified in, or determined under, the contract;

"strike price" means an amount that is determined in accordance with the contract as the strike price for sustainable aviation fuel sold during that period;

"UK-produced sustainable aviation fuel": sustainable aviation fuel is "UK-produced sustainable aviation fuel" if any part of the process for converting any feedstock into the fuel takes place in the United Kingdom.

(4) A direction under subsection (1) must be in writing and must specify—

(a) the name of the producer to which the offer is to be made,

(b) the period within which the designated counterparty must comply with the direction,

(c) the terms on which the offer is to be made, and

(d) the period for which the offer is to be open for acceptance.

(5) The Secretary of State may—

(a) direct a relevant company to provide any assistance the Secretary of State may require for the purpose of identifying producers in respect of which to make a direction under subsection (1), and

(b) make payments to the relevant company in respect of that assistance.

(6) In subsection (5) "relevant company" means a company that is limited by shares each of which is held by a Minister of the Crown.

(7) No direction may be given under subsection (1) after the end of the period of 10 years beginning with the day on which this Act is passed.

(8) The Secretary of State may by regulations amend subsection (7) so as to extend the period during which a direction may be given by up to 5 years at a time.

2 Notice of directions and revocation

(1) The Secretary of State must send a copy of a direction under section 1(1) to the producer named in the direction.

(2) The Secretary of State may revoke a direction under section 1(1) by giving written notice to the designated counterparty and the producer.

(3) If a direction is revoked, any offer made in pursuance of the direction but not yet accepted lapses.

3 Registration and publication of contracts

(1) The Secretary of State may make regulations requiring the designated counterparty to—

(a) maintain a register of information in relation to revenue certainty contracts;

(b) publish revenue certainty contracts or details about them.

(2) Regulations under subsection (1)(a) may, in particular, make provision about—

(a) the information to be contained in the register;

(b) publication of the register.

(3) Regulations under subsection (1)(b) may require revenue certainty contracts to be published subject to redactions made in accordance with provision made by the regulations.

(4) The provision that may be made about the redaction of material in a revenue certainty contract includes provision authorising or requiring redactions to be made—

(a) in accordance with a provision of the contract;

(b) in accordance with a decision made by the Secretary of State.

Designated counterparty

4 Designation of counterparty

(1) The Secretary of State may designate a company as the counterparty for revenue certainty contracts by giving it a notice under this subsection.

(2) The company so designated is referred to in this Act as "the designated counterparty".

(3) A company may be designated under this section only if—

(a) it is limited by shares, and

(b) each share in the company is held by a Minister of the Crown.

(4) A company may be designated under this section only if it consents to the designation.

(5) The Secretary of State may revoke a designation under this section by giving a notice to the company designated.

(6) If the designated counterparty gives the Secretary of State written notice withdrawing its consent to the designation, the Secretary of State must designate a replacement (but it remains the designated counterparty until replaced).

(7) A notice under subsection (1) or (5)—

(a) must specify when the designation or revocation takes effect, and

(b) must be published by the Secretary of State.

(8) The Secretary of State must ensure that, at all times after the first designation under this section takes effect, there is a designation that has effect.

5 Transfer schemes

(1) Where a company's designation under section 4 is revoked, the Secretary of State may make one or more schemes for the transfer of the company's property, rights and liabilities to the new designated counterparty.

(2) The things that may be transferred under a transfer scheme include—

(a) rights and liabilities relating to a contract of employment;

(b) property, rights and liabilities that could not otherwise be transferred;

(c) property acquired, and rights and liabilities arising, after the making of the scheme but before it takes effect.

(3) A transfer scheme may—

(a) create rights, or impose liabilities, in relation to property, rights or liabilities transferred;

(b) make provision about the continuing effect of things done by the transferor in respect of anything transferred;

(c) make provision about the continuation of things (including legal proceedings) in the process of being done by, on behalf of or in relation to the transferor in respect of anything transferred;

(d) make provision for references to the transferor in an instrument or other document in respect of anything transferred to be treated as references to the transferee;

(e) make provision for apportioning property, rights or liabilities;

(f) make provision which is the same as or similar to the TUPE regulations;

(g) make other consequential, supplementary, incidental or transitional provision.

(4) In subsection (3)(f), "the TUPE regulations" means the Transfer of Undertakings (Protection of Employment) Regulations 2006 (S.I. 2006/246).

(5) A transfer scheme may include provision for compensation by the Secretary of State to any person whose interests are adversely affected by it.

(6) The Secretary of State may modify a transfer scheme.

Levy funding

6 Levy on suppliers

(1) The Secretary of State may make regulations ("levy regulations") requiring relevant suppliers of aviation fuel to pay a levy to the designated counterparty for the purpose of enabling the counterparty to meet—

(a) the cost of payments under revenue certainty contracts, and

(b) other costs incurred under or by virtue of this Act (apart from costs incurred in complying with a direction under section 1(5)).

(2) Levy regulations may include provision for the purpose of setting the levy at a level that enables the designated counterparty to hold sums in reserve.

(3) Levy regulations may require relevant suppliers of aviation fuel to pay different amounts based on criteria relating to their relative market share (and may include provision about how their market share is to be determined for these purposes).

(4) Levy regulations may create exemptions from the requirement to pay the levy.

(5) Levy regulations may—

(a) require a person to make payments on account of any liability of the person to pay the levy;

(b) include provision about the repayment of sums paid on account.

(6) Levy regulations may make provision about—

(a) the method by which sums payable under the regulations are to be determined;

(b) the payment of interest on late payments.

(7) In this section "relevant supplier of aviation fuel" means a person who is or becomes subject to a renewable transport fuel obligation by virtue of supplying aviation fuel during the period specified in levy regulations.

(8) In subsection (7) "renewable transport fuel obligation" has the meaning given by section 124(1) of the Energy Act 2004.

7 Collateral for levy

(1) Levy regulations may require a person to provide financial collateral to the designated counterparty (whether in cash, securities or any other form) in respect of any liability of the person to pay the levy.

(2) The provision that may be made under subsection (1) includes provision for the designated counterparty to determine the form and terms of any financial collateral.

8 Administration etc of levy and disputes

(1) Levy regulations may—

(a) confer functions on the designated counterparty in connection with the administration and enforcement of the levy;

(b) require the Secretary of State to assist the designated counterparty in connection with those functions by collecting information and providing it to the designated counterparty.

(2) Levy regulations may require a person to provide information to the designated counterparty or the Secretary of State (on request or otherwise) for purposes connected with the administration and enforcement of the levy.

(3) Levy regulations may make provision about the resolution of disputes, including provision about arbitration and appeals.

9 Calculation or determination of matters under levy regulations

Levy regulations may provide for anything which is to be calculated or determined under the regulations to be calculated or determined—

(a) by such persons,

(b) in accordance with such procedure, and

(c) by reference to such matters and to the opinion of such persons,

as may be specified in the regulations.

Surpluses

10 Payment of surpluses to levy payers

(1) The Secretary of State may by regulations—

(a) require the designated counterparty, in the event that it has a surplus (whether derived from payments made to it under revenue certainty contracts (see section 1(2)(b)) or otherwise), to make payments to persons who have had to pay the levy;

(b) require a person who receives such a payment to ensure that its customers receive such benefits from the payment as may be specified in or determined in accordance with the regulations.

(2) The regulations may, in particular, make provision about—

(a) what amounts to a surplus, including provision about the method by which the surplus is to be determined and the period by reference to which it is to be determined whether there is a surplus;

(b) the method by which the amount of a payment to a person is to be determined.

(3) The regulations may make provision for payments to be provided subject to conditions as to repayment in the event that the recipient fails to comply with a requirement imposed under subsection (1)(b).

Financial penalties

11 Financial penalties

(1) The Secretary of State may impose a financial penalty on a person other than the designated counterparty if—

(a) the Secretary of State is satisfied that the person has breached a requirement imposed by levy regulations, and

(b) the requirement was, at the time of the breach, specified in the levy regulations as a requirement in respect of the breach of which a financial penalty may be imposed.

(2) The Secretary of State may impose a financial penalty on a person if the Secretary of State is satisfied that the person has breached a requirement imposed by regulations under section 10(1)(b).

(3) The amount of the financial penalty imposed under this section must not exceed the lesser of—

(a) £100,000, and

(b) an amount equal to 10% of turnover of the person on whom it is imposed.

(4) The Secretary of State may by regulations—

(a) amend the amount specified in subsection (3)(a) in light of inflation;

(b) make provision as to how a person's turnover is to be determined for the purposes of subsection (3)(b).

(5) The Schedule makes further provision about financial penalties under this section.

Directions, information and advice

12 Power to direct designated counterparty

(1) The Secretary of State may give the designated counterparty directions as to the exercise of any of the functions conferred on it under or by virtue of this Act.

(2) The Secretary of State must publish any direction given under subsection (1).

13 Information and advice

(1) The designated counterparty must comply with any requirement imposed by the Secretary of State to provide the Secretary of State with information or advice in connection with the exercise of the counterparty's functions.

(2) A requirement may include provision about how or when information or advice is to be provided.

Financial assistance

14 Financial assistance for designated counterparty

(1) The Secretary of State may provide financial assistance to the designated counterparty.

(2) The financial assistance may be provided in any form and in particular may be provided—

(a) by way of grant, loan, guarantee or indemnity or the provision of insurance, or

(b) by incurring expenditure for the benefit of the designated counterparty.

(3) Financial assistance under this section may be provided subject to such conditions as the Secretary of State considers appropriate, which may include conditions about repayment with or without interest or other return.

(4) The power to provide financial assistance under this section is in addition to (and does not limit or replace) any other power of a Minister of the Crown to provide financial assistance.

General

15 Duty to consult about regulations

(1) Before making regulations under this Act the Secretary of State must consult any persons the Secretary of State considers appropriate.

(2) In the case of regulations under section 1, 3, 10 or 11, that must include—

(a) the Welsh Ministers,
(b) the Scottish Ministers, and
(c) the Department for the Economy in Northern Ireland.

16 Regulations

(1) A power to make regulations under any provision of this Act includes power to make—
(a) consequential, supplementary, incidental, transitional or saving provision;
(b) different provision for different purposes.

(2) Regulations under this Act are to be made by statutory instrument.

(3) A statutory instrument containing regulations under any of the following provisions (whether alone or with other provision) may not be made unless a draft of the instrument has been laid before and approved by a resolution of each House of Parliament—
(a) section 1(8) (extension of period within which direction may be given);
(b) section 6(1) (levy regulations);
(c) section 10 (payment of surpluses to levy payers);
(d) section 11(4)(a) (power to amend maximum financial penalty).

(4) Any other statutory instrument containing regulations under this Act is subject to annulment in pursuance of a resolution of either House of Parliament.

17 Interpretation

In this Act—

"aviation fuel" means fuel for—
(a) use in aircraft, or
(b) use in testing engines for use in aircraft;

"company" means a company registered under the Companies Act 2006;

"the designated counterparty" has the meaning given by section 4(2);

"the levy" means a levy imposed by regulations under section 6(1);

"levy regulations" has the meaning given by section 6(1);

"liability" includes contingent liability;

"Minister of the Crown" has the same meaning as in the Ministers of the Crown Act 1975 (see section 8(1) of that Act);

"renewable transport fuel" means anything that is (or is treated as) renewable transport fuel for the purposes of Chapter 5 of Part 2 of the Energy Act 2004 (see sections 131D(2) and 132(1) of that Act);

"revenue certainty contract" has the meaning given by section 1(2);

"sustainable aviation fuel" means aviation fuel that is renewable transport fuel.

18 Extent

This Act extends to England and Wales, Scotland and Northern Ireland.

19 Commencement

(1) This Act, apart from section 1, comes into force on the day on which it is passed.

(2) Section 1 comes into force at the end of the period of two months beginning with the day on which this Act is passed.

20 Short title

This Act may be cited as the Sustainable Aviation Fuel Act 2026.

SCHEDULE

Section 11

FINANCIAL PENALTIES FOR FAILURE TO COMPLY WITH LEVY REGULATIONS

Introduction

1 This Schedule makes further provision in connection with financial penalties under section 11.

Notices of intent

2 (1) The Secretary of State must, before imposing a financial penalty on a person, give the person a written notice (a "notice of intent") of the proposed financial penalty.

(2) A notice of intent must specify—

(a) the amount of the proposed financial penalty,

(b) the reasons for proposing to impose the penalty,

(c) information about the right to make representations under paragraph 3, and

(d) the date by which any representations must be made.

(3) The date specified under sub-paragraph (2)(d) must be a date more than 28 days after the day on which the notice of intent is given to the person.

(4) The Secretary of State may at any time withdraw the notice of intent, or amend it to reduce the amount of the proposed financial penalty, by giving written notice to the person.

Right to make representations

3 (1) A person who is given a notice of intent under paragraph 2 may make written representations to the Secretary of State about the proposal to impose a financial penalty.

(2) Any representations must be made within the period ("the period for representations") ending with the date specified under paragraph 2(2)(d).

Final notices

4 (1) After the end of the period for representations the Secretary of State must decide whether to impose a financial penalty on the person.

(2) If the Secretary of State decides to impose a financial penalty on the person, the Secretary of State must give the person a written notice (a "final notice") imposing the penalty.

(3) A final notice must specify—

(a) the amount of the financial penalty (which may be less than the amount specified in the notice of intent, but cannot be more),

(b) the reasons for imposing the penalty,

(c) the date by which the penalty must be paid,

(d) information about the right of appeal under paragraph 5, and

(e) the consequences of failure to comply with the final notice.

(4) The date specified under sub-paragraph (3)(c) must be a date more than 28 days after the day on which the final notice is given to the person.

(5) The Secretary of State may at any time withdraw a final notice, or amend it to reduce the amount of the financial penalty, by giving written notice to the person.

(6) A final notice may not be given more than 28 days after the last day of the period for representations.

Appeals

5 (1) A person on whom a financial penalty is imposed under section 11 may appeal to the court against—

(a) the decision to impose the penalty, or

(b) the amount of the penalty.

(2) An appeal under this paragraph must be brought before the end of the period of 28 days beginning with the day after the day on which the final notice is given to the person in accordance with paragraph 4.

(3) On an appeal under this paragraph the court may confirm, reduce or cancel the penalty.

(4) If a person appeals under this paragraph, the final notice is suspended until the appeal is finally determined, withdrawn or abandoned.

(5) In this section "the court" means—

(a) in England and Wales or Northern Ireland, the High Court;

(b) in Scotland, the Court of Session.

Recovery

6 (1) This paragraph applies if a person fails to pay the whole or part of a financial penalty before the end of the period within which the person is required to pay the penalty.

(2) In England and Wales or Northern Ireland the unpaid amount is recoverable by the Secretary of State as if it were payable under an order of the county court.

(3) In Scotland, the unpaid amount may be enforced in the same manner as an extract registered decree arbitral bearing a warrant for execution issued by the sheriff of any sheriffdom.

Payment of proceeds into Consolidated Fund

7 Any sums received in pursuance of final notices given under paragraph 4 must be paid into the Consolidated Fund.

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Published by TSO (The Stationery Office), part of Williams Lea, and available from:

Online
www.tsoshop.co.uk

Mail, Telephone & E-mail
TSO
PO Box 29, Norwich, NR3 1GN
Telephone orders/General enquiries: 0333 202 5070
E-mail: customer.services@tso.co.uk
Textphone: 0333 202 5077

ISBN 978-0-10-570313-6

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