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POSITION PAPER

EBB position

Strengthening EU industrial leadership in bioSAF: policy priorities to accelerate investments, scaling up and competitiveness

Introduction

The EBB strongly supports the long-term policy framework and ambition embedded in ReFuelEU Aviation through 2050, as well as in the EU ETS for aviation. We believe that **maintaining the overall ambition of EU aviation decarbonisation policies is essential to ensure investment certainty and deliver emissions reductions**. In particular, the ReFuelEU's **headline targets should remain intact and be complemented with a trajectory of annual linear growth between milestones** that better reflects industrial ramp up realities for SAF production.

To accelerate investments in Sustainable Aviation Fuels (SAF) and remain on track towards the EU's long-term targets and support early-movers, we also propose a targeted package that strengthens enabling conditions for airlines and **stimulates SAF demand, including voluntary demand beyond mandated shares.** Lastly, we propose measures to **expand the eligible feedstock basis for bioSAF production,** ensuring that it matches the ambition of the EU's aviation decarbonisation policies, while being fully consistent with the Renewable Energy Directive (RED).

This is necessary to support early investments, ensure that capacity and demand grow hand-in-hand, and strengthen Europe's industrial leadership, while maintaining environmental objectives and cost effectiveness.

1. ReFuelEU SAF mandates trajectory: preserving the current 5-year milestone targets while introducing yearly incremental targets to ensure investment certainty for EU SAF manufacturing capacity

The current design of the Regulation – its ambition, its overall long-term trajectory to 2050, and the milestone years set out – is fundamental for ensuring investment certainty and reducing GHG emissions in line with the EU's climate targets.

SAF production requires substantial upfront capital, long lead times and a stable framework to reach final investment decisions. SAF projects are highly capital-intensive industrial undertakings. Building or converting a biorefinery requires hundreds of millions of euros, with payback horizons of more than a decade. Without a stable regulatory environment, financing such projects remains extremely challenging.

The dominant type of SAF in the market is produced through the Hydrotreated Esters and Fatty Acids (HEFA) pathway – a sustainable technology that refines (waste) vegetable oils and animal fats. European HEFA producers have invested in bringing capacity online and the supply of SAF already exceeds the current 2% target in ReFuelEU. The industry is on track to meet and likely exceed the bio-SAF capacity needed for the 6% SAF target in ReFuelEU from 2030.[1]

Any reduction in the level of ambition would undermine Europe's industrial competitiveness in SAF, put at risk ongoing and planned investments in the EU and fail to deliver GHG emission reductions needed to reach the EU's climate targets. For these reasons, the headline 5-year targets in ReFuelEU should remain unchanged.

At the same time, we see real challenges in the current "stepwise" increases between milestone years (i.e., every 5 years). Large jumps in the SAF mandate trajectory (such as from 6% in 2030-2034 to 20% in 2035) do not reflect the industrial reality of how SAF capacity is planned and developed. Biorefinery projects require several years to design, finance and construct. Therefore, the current five-year steps risk creating periods of temporary misaligning between capacity and mandated demand, followed by abrupt compliance pressure. This severely complicates offtake planning.

For this reason, **we propose complementing the existing milestone 5-year targets with a predictable and incremental annual trajectory.** This would not alter the overall ambition of the Regulation, but would create a smoother and more investable curve for both producers and airlines. Such an incremental approach, with binding, annually increasing targets, would significantly reduce the risk of mismatches between supply and demand and more accurately reflect how capacity ramps up in practice. It would also ensure that early investments are fully utilised and that production grows consistently. International practice shows the value of smoother trajectories: a linear approach with annually increasing obligations, as already adopted in other jurisdictions (e.g. UK SAF mandate), provides the predictability needed by capital markets and supply chains.

2. New flexibility and enabling conditions to support SAF demand and distribution going beyond the minimum targets in ReFuelEU

The ReFuelEU Regulation could further be strengthened by enabling greater flexibility in fulfilling SAF targets while maintaining the same level of ambition. We propose to introduce a **'SAF surplus and pre-fulfilment' mechanism** within ReFuelEU **in addition to an annual incremental increase of SAF targets**. Under this mechanism, additional SAF shares supplied at Union airports could be converted to units that can be 'banked' and used towards ReFuelEU SAF targets in the following year. To maintain market stability and

[1] *FuelsEurope, European Union Aviation Safety Agency (EASA) and ICF/SkyNRG*

investment signals, **the amount of the annual SAF target that can be met by carrying-over compliance units would be capped**, e.g. 'x' percentage points of the annual SAF target can be met by surplus units. A carry-over mechanism already exists within the FuelEU Maritime (see Art. 20) to provide additional flexibility and was recently a part of the proposal to revise the EU CO2 standards for vehicles.

Moreover, to close the current policy gap – where capacity can outpace mandated uptake – we propose EU level measures to **stimulate demand for SAF volumes** through a coordinated EU approach that avoids distortions between Member States and market operators. Such measures may include:

- **Maintain ambition and scope of the ETS aviation**. The EU ETS must remain a central and effective instrument of the EU framework to decarbonise the aviation sector. Therefore, in the forthcoming revision, the ETS aviation architecture and ambition should be maintained. At the same time, the ETS support for SAF must be significantly increased. Specific proposals for measures to ramp up ETS support are provided below.
- **Optimise EU ETS support for SAF to ensure that the benefits of SAF are fully recognised for users while ReFuelEU provides flexibility to suppliers**
  The revision of EU ETS is also an opportunity to optimise the framework to benefit both SAF producers and users. The focus should be to reinforce and extend the ETS mechanism for supporting uplift of SAF: the **support mechanism for Fuels Eligible under EU ETS (FEETS mechanism**) **should be extended** in volume (increasing the amount of allowances in the mechanism) and time (beyond 2030) to ensure that it has sufficient capacity to effectively support **EU-produced SAF uptake** (of **all** types, and not limited to eSAF) *beyond* ReFuelEU mandated volumes. The enhanced ETS support mechanism should thus grant allowances for airlines using **SAF produced in the EU** to cover the **price differential between SAF and fossil kerosene** at a level that is sufficient to **stimulate voluntary demand beyond ReFuelEU targets**.
  An additional measure should be to **ensure coherence between EU ETS and ReFuelEU Aviation concerning flexibility on SAF supply and use**. Under the ReFuelEU flexibility mechanism (Art.15), fuel suppliers may comply with SAF blending obligations on an averaged basis across Union airports until 2035, allowing for differentiated physical supply across locations (i.e. physical blends of SAF may be higher in some locations and lower - or even zero - in others). On the other hand, EU ETS requires that airlines physically uplift and use SAF to benefit from its zero-rating and financial support (FEETS mechanism). While fuel suppliers are already scaling up physical SAF delivery and investing in logistics and infrastructure to ensure increasing availability across Union airports, such a misalignment remains between ReFuelEU flexibility and ETS physical requirements. The Commission Reporton the ReFuelEU Aviation SAF Flexibility Mechanism

highlights some challenges and risks that this situation raises[2]. To address this, the ETS revision should introduce targeted adjustments to mirror the ReFuelEU flexibility, for example by **creating a time-limited derogation from the physical uplift requirements under ETS until the end of the ReFuelEU flexibility period. Such alignment should remain limited in scope and avoid further virtualisation (e.g. book & claim**), which would run counter to the ReFuelEU's objective of ensuring physical SAF availability across all Union airports by 2035.

- A requirement could be introduced in EU law to ensure **that national ETS revenues from aviation are reinvested within the same sector**, maintaining consistency between the source of the allowances (airlines) and the destination of the support. This could be achieved, for example, by prioritising investments that benefit the logistics systems of operators (such as fuel suppliers and airport hubs), airport infrastructure, and any other initiatives that deliver value back to the originating sector (airlines).
- The potential future **risk of "carbon leakage" should be proactively addressed** by the EU with regards to SAF. While it is unlikely to be a significant risk in the short-term, carbon leakage may occur in the future if airlines operating from hubs near the EU gain a competitive advantage by not facing equivalent SAF rules. Proposals have been put forward by the airline industry on how to tackle this risk[3], including via possible SAF border mechanisms, and we call on the Commission to consider them as a starting point to address this risk.

- **Recognise the co-production of eSAF** (RFNBOs or low-carbon, non-fossil SAF**) with HEFA SAF when non-fossil hydrogen (RFNBO or low-carbon) is effectively incorporated in the output streams of a HEFA process (that is, bound in the physical produced kerosene).** Considering process limitations of HEFA plants, this amount of co-produced eSAF could represent a limited share of ~6-10% (depending on the calculation method) of total HEFA plant production. Enabling this route would work **in complementarity with the scale-up of dedicated eSAF technologies and help ensure that volumes are available by 2030 when the eSAF sub-target starts.** This is relevant due to the shortfall foreseen by 2030 and beyond because of the very limited progress in scaling up dedicated eSAF productions, and in order to prevent fossil kerosene from filling this gap.

Furthermore, we call for the introduction of mechanisms to **stimulate voluntary demand for SAF volumes additional to the mandated SAF shares** to be made available at Union

[2] European Commission, *The ReFuelEU Aviation SAF flexibility mechanism notes (pages 17-18) that aviation fuel suppliers' pricing policies may differ, between suppliers and between airports. It has been observed in past SAF mandates (e.g. in France), before ReFuelEU Aviation entered into force, that aviation fuel suppliers sometimes charge the same average SAF premium fee to all aircraft operators, regardless of where the blended SAF is physically supplied and of which aircraft operator will actually receive it. Such a distribution of additional SAF costs among all aircraft operators is expected to create competitive distortions– especially when one considers that the benefits of using SAF can only be claimed by those to whom SAF is physically delivered.*

[3] German Aviation Association *and* Airlines for Europe

airports under ReFuelEU Aviation, thereby supporting early movers and high-ambition initiatives. Such a measure may include:

- Introduction of a **new EU SAF market intermediary mechanisms** to support the uplift of SAF that is additional to the minimum SAF shares under ReFuelEU Aviation. The mechanism could be backed by ETS aviation revenues and replicate the model developed under the EU Hydrogen Bank (e.g. H2Global mechanism). Such mechanisms should cover **all eligible SAFs** (i.e. not limited to eSAF), as mentioned in the EU Sustainable Transport Investment Plan[4].
- Setting minimum **targets for SAF in public procurement of flights** (e.g. Public Service Obligation routes), leveraging on synergies with the Industrial Accelerator Act (IAA). New requirements to use additional SAF could be introduced in tenders for public procurement of air transport and public service obligation routes.

3. Eligible feedstocks: regulatory coherence and clarification

It is EBB's long-standing position that the **EU's feedstock policy should match the ambition of the EU's climate and energy targets**. On the contrary, we regrettably observe a growing *feedstock paradox*: while the targets keep increasing (and rightly so), the EU's feedstock eligibility rules have become a patchwork. Instead, the Renewable Energy Directive (including its sustainability and GHG emission saving criteria) should be *the only* regulatory reference for feedstock eligibility, and other pieces of legislation (notably the ReFuelEU Regulation) should be consistent with its scope: **all feedstocks that are eligible under the RED, should also be eligible under ReFuelEU.**
Moreover, additional clarity (certification rules) is needed as soon as possible on feedstocks newly added to the RED Annex IX.

[4] *STIP, page 12: "Working towards an EU-wide double-side auction. Building on the pilot action, the Commission will launch preparations, in early 2026, for setting-up an EU-wide mechanism for an EU-wide double-sided auction for SAF [no specifications on the type of SAF] and SMF production".*

Conclusions

As the association representing **EU HEFA SAF producers**, the EBB strongly believes that the current and upcoming years will be key to determine the decarbonisation path of the aviation sector, and that the EU can lead global efforts by setting the right regulatory framework for the full uptake of Sustainable Aviation Fuels.

To this end, we propose a number of policy measures: to a large extent, they concern the future review of the ReFuelEU Aviation Regulation, but partly touch upon other pieces of legislation, also under imminent review (most notably the EU ETS).

Our proposals aim, on the one hand, to **keep the ambition of the current EU aviation decarbonisation policies**, and on the other hand, to put in place mechanisms to **facilitate investments, production and regulatory compliance**, namely by:

- Introducing a linear trajectory with binding, annually increasing targets in the ReFuelEU Aviation Regulation;
- Including ad-hoc flexibility measures and enabling conditions to support SAF demand, including beyond the targets. Such measures should also include maintaining the ambition and scope of the ETS aviation;
- Expanding the ReFuelEU feedstock eligibility basis, by making it consistent with the Renewable Energy Directive.

The overall priority should be to ensure that physical SAF deployment, demand and investment signals remain aligned across the regulatory framework.

We remain available for any request for clarification, and look forward to contributing to this crucial policy debate.

About EBB:

The European Biodiesel Board (EBB) is a non-profit organisation established in January 1997. Today, the EBB gathers 34 members across 21 Member-States, which represents around 75% of the European output. Biodiesel (FAME and HVO) and bio-based aviation fuel (HEFA) are the main European solutions to reduce emissions from transport and dependence on imported oil. EBB aims to promote the use of FAME, HVO and HEFA in the European Union and is committed to fulfil international standards for sustainability in GHG emissions and sustainable feedstock. The EBB is constantly working towards the development of improved and greener technologies.

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