

# IATA's Response to German eSAF Funding Scheme Consultation

"The German Federal Ministry of Transport (BMV) invites interested associations, companies, and other affected organizations and individuals to **submit their comments on the questions [in the form](#) by 30.06.2026 at the latest.**

E-SAF is a key priority within the European Green Deal and the EU's clean energy transition. As part of the Fit for 55 package, the European Union adopted the ReFuelEU Aviation Regulation. This regulation intends to promote sustainable commercial air transport in the EU by setting mandatory blending quotas for SAF. Within the regulation, the EU sets requirements for aviation fuel suppliers to gradually increase the share of biogenic and synthetic SAF blended into the conventional aviation fuel supplied at EU airports.

**Despite the mandates set by the European Union, there is still a lack of Final Investment Decisions (FIDs) among e-SAF projects. The key feature of the scheme is that the producers receive planning and investment security for a period of 10 years through an intermediary,** irrespective of the developments on the buyer side. Such planning security for the cost-intensive production of e-SAF cannot be offered by the market alone yet.

To address this gap, **the proposed e-SAF funding scheme is based on a double-sided auction mechanism.** Through an intermediary entity acting on behalf of the German government, long-term off-take contracts for e-SAF are awarded to producers via a competitive auction, targeting the lowest possible production price.

**The public consultation aims to gather feedback on the relevance, necessity, and potential market effects of state aid for e-SAF in order to ensure an effective and competition-compliant market uptake support mechanism."**

## 3.1 State aid and possible market distortion

### 1. Do you have any concerns regarding the relevance of the eSAF support scheme for the decarbonization of the EU aviation sector?

IATA appreciates Germany's commitment to establishing an e-SAF sector and encouraging its scale-up, recognizing the wide-reaching approach taken by the German Government that includes their e-SAF mandate, their funding of specific German projects through the Brandenburg e-SAF, and their commitment to introducing a double-sided auction mechanism (DSA).

IATA recognizes the important role that e-SAF can play in the long-term decarbonization of aviation, particularly for achieving net-zero carbon emissions by 2050. In that regard, IATA welcomes support schemes that can accelerate the commercialization and scale-up of e-SAF production and can therefore make a meaningful contribution to the global aviation industry.

Supply is needed in 2030 to comply with the e-SAF mandate in Germany, so the fastest, short-term solution would be to deploy the EUR 2 billion through a direct subsidy fund in which producers submit project blueprints and funds are awarded based on technical merit. And in the meantime, as a longer-term solution, the design of the DSA can progress. At present, there remains significant uncertainty regarding its practical design and implementation, making it difficult to fully assess its effectiveness and potential market impacts.

Any single policy measure in the context of creating new energy markets should not be analyzed in isolation, but as part of the overall energy transition strategy. DSAs are not just a pricing mechanism, it is a market creation instrument. The design choices must be made with an eye on what the market should look like mid-century, not just what clears today. This argues for deliberate sequencing of several proven policy tools. DSAs are a promising **component** of an e-SAF market architecture, but they are not a standalone solution at this early stage. The most credible designs combine them with long-term offtake guarantees or Contracts for Difference (CfDs) to solve the investment horizon problem, as in the case of Germany's Carbon Contracts for Difference program. It is instructive to consider the experience with offshore wind CfD auctions which were successful because there were already meaningful industrial capacity and a clear commodity. E-SAF is far from such a level of maturity.

Concerns regarding the current proposal and its implications for aviation decarbonization:

- a. **Market thinness** – e-SAF production is virtually non-existent today. A DSA needs sufficient participants on both sides to function. With only a handful of participants, there is a risk of strategic bidding, concentrated market power, or simply no clearing price.
- b. **Technology lock-in** – If contract terms do not include performance improvement obligations or absent any mechanism to introduce new entrants as technology matures, there is a risk of locking in first-mover pathways that might not be the best options in the long run. A form of re-opener clause or competitive review at mid-contract is worth building in.
- c. **Product heterogeneity** – e-SAF from different pathways have different cost profiles, carbon intensities, and other properties. Treating them as a single commodity in an auction is a simplification that might distort outcomes.
- d. **Limited incentives for long-term cost reduction** – The proposed mechanism may provide insufficient incentives for producers to continuously reduce production costs over time. Since auction prices would be established in a highly nascent market and secured by early market participants, there is a risk that support levels become locked in at relatively high cost levels. As a result, the mechanism may not sufficiently encourage ongoing efficiency improvements, innovation, and cost reductions that are critical to achieving a competitive and economically sustainable e-SAF market in the long term.
- e. **Limited price certainty** – DSA mechanisms improve price discovery but do not by themselves provide strong long-term price certainty. DSAs are a market clearing mechanism at the (discovered) spot or short-term price. Hence, DSAs provide a price at a given time, but do not provide guaranteed future revenues or costs. To achieve price certainty, DSAs can be combined with a contract-for-difference (CfDs), which is an instrument used in the revenue certainty mechanisms (RCM). The auctions provide efficient price formation, and the CfDs convert volatile market revenues into stable, predictable cash flows. Such a combination achieves revenue certainty for investors, lower financing costs, and price discovery is promoted at auction. This is critical for capital-intensive e-SAF projects to become bankable and reach FID .
- f. **Gaming risk** – If auction results feed into mandate compliance or subsidy calculations, participants have strong incentives to game bid timing, volume, or price, as highlighted above.
- g. **Uneven distribution of benefits across the value chain** – The proposed mechanism may not ensure that the price benefits of public support are passed through to airlines, which remain the final consumers of e-SAF. Airlines are likely to continue paying a substantial premium for e-SAF despite the provision of state aid intended to bridge the price gap between e-SAF and conventional aviation fuel. Fuel suppliers are likely to incorporate additional mandate-related fees and premiums

into their pricing strategies. As obligated parties under the EU e-SAF mandates from 2030 onwards, suppliers will bear compliance risks and may seek to pass them on to airlines to transfer these risks downstream through fees. Evidence from the EU market suggests

[<https://www.iata.org/en/publications/economics/chart-week/chart-of-the-week-30-may-2025/>], that the average level of charges imposed on fuel bills for airlines in relation to suppliers' compliance with ReFuelEU Aviation requirements is much higher than the SAF market price indicated by price reporting agencies such as S&P Global Energy Platts or Argus. The penalty level serves as a guideline for suppliers to set compliance-related charges as they transfer the risks of non-compliance with the mandate to airlines. Consequently, these factors contribute to highlighting the risk that the DSA mechanism might cause airlines not to see any meaningful reductions in the e-SAF costs.

- h. Clear failure and termination rules:** The auction needs to design explicit provisions for partial delivery, force majeure, step-in rights, and liquidated damages that are calibrated to be deterrent but not so punitive they make the risk uninsurable.

## 2. Do you have any concerns regarding the necessity of state aid to support the market ramp-up of eSAF in the EU?

State aid is absolutely necessary to support the market ramp-up of e-SAF in the EU, given the high production costs of e-SAF, the lack of supply, the current cost gap relative to conventional aviation fuels, and the technology's early-stage nature.

Without public support for the first wave of commercial-scale plants, the risk profile is simply unbankable. Past the first wave potentially having demonstrated declining technology risk, state aid becomes helpful but less essential. State aid can be counterproductive in the long run by suppressing price signals to drive further cost reduction and crowding out private capital. State aid should be explicitly designed to decrease over time. Overall, state aid is a key enabler of e-SAF scale-up, provided it is designed and sequenced in a way that complements other policy tools, remains flexible, supports fair competition across technologies, and contributes to real price reduction.

The form of state aid matters as much as the quantum. Different instruments have very different properties, and they can affect each other in ways that need to be considered ex ante. In the context of DSAs, these can be considered necessary but not sufficient for well-functioning markets, as they provide price discovery but not price certainty on their own. Combined with CfDs or similar contracts, the joint solution can deliver secure revenue streams needed for investors to engage with confidence.

### Further considerations:

- **Technology-neutral design:** Policy frameworks and state aid schemes should remain technology-agnostic and avoid favoring specific production pathways or feedstocks. Rather than favoring specific technologies, they should foster competition and innovation across all scalable SAF and e-SAF solutions that meet internationally recognized standards, including, but not limited to, the sustainability criteria of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA) and the EU RED. A level playing field is essential to foster innovation, allow the most efficient solutions to emerge, and support the development of a diverse and resilient e-SAF market.

Since the EU has introduced an improperly sequenced dedicated e-SAF sub-mandate before the technology and supply are ready, support for e-SAF scale-up is both utterly urgent and absolutely necessary. However, such support should be designed in the most technology- and feedstock-neutral way possible, accepting all eligible e-SAF production routes that meet the applicable sustainability requirements, including technologies such as Fischer-Tropsch and recently ASTM-approved Methanol-to-Jet. The scheme should also remain open to emerging hybrid routes,

including renewable hydrogen-based eHEFA production. The logic of this method is comparable to SAF co-processing and could enable more cost-efficient e-SAF supply, at least during a transition period.

- **Policy stackability:** State aid should not operate in isolation but rather as part of a broader, coherent policy framework. Support frameworks should enable the combination (“stacking”) of multiple policy instruments to accelerate market development. Drawing on best practices from emerging energy markets, a well-designed policy mix can provide long-term certainty, improve project bankability, and support scale-up across the value chain. International experience, including from the US, shows that SAF project economics and production can become bankable when federal, state, and market-based incentives are designed to work together rather than forcing developers to choose between mutually exclusive schemes. Where incentives are not stackable, project developers may face additional complexity, delays, and administrative burdens in assessing trade-offs between different schemes. This can weaken investment certainty and slow down project development, particularly for capital-intensive e-SAF projects that require multiple layers of risk transfer.
- **Efficient use of public support:** While state aid is necessary to support the market ramp-up of e-SAF, the scheme should be carefully calibrated to address key market failures, including high investment and production costs, limited revenue certainty, and the gap between production costs and a competitive price. Allocating a disproportionately large share of funding to a single project may be risky and may not represent the most effective use of public resources, particularly if broader participation could foster greater competition and support a more diversified project pipeline across feedstock and technology combinations.
- **Balanced cost distribution:** The financial burden should not fall disproportionately on any part of the value chain, including end-users, i.e., airlines. In the current market context, production costs would price e-SAF at 12 times the price of conventional aviation fuel. Support schemes should focus on public funding and energy transition measures that create a competitive, cost-effective energy market for consumers, instead of adding further costs to airlines that are already heavily burdened under existing policies.
- **Harmonization and market coherence:** Policy frameworks should promote regulatory alignment and avoid market fragmentation. A consistent and internationally coordinated approach is essential to prevent competitive distortions, inefficient allocation of SAF supply, and unnecessary administrative burdens and complexity.
- **Scalability and emissions impacts:** The support scheme should encourage the rapid scale-up of production volumes and the delivery of verifiable lifecycle greenhouse gas emissions reductions. The primary objective of the support scheme should be to maximize aviation decarbonization outcomes while ensuring the long-term availability of affordable e-SAF.
- **Public procurement and demand creation:** Public support should not be limited to supply-side mechanisms. Governments can deliver a strong demand signal and boost early demand by using SAF/e-SAF for public-sector air travel, including civil servants and defense-related air transport. This would provide unquestionable demand and demonstrate public-sector commitment, which would far exceed the signaling value and bankability of airline offtake agreements.

Provided these considerations are incorporated into the support scheme design, the proposed support mechanism can play an important role in advancing the decarbonization of the aviation industry.

### 3. **Do you have any concerns that the eSAF funding scheme could have significant market-distorting effects within the EU?**

Market distortions often stem from policies being implemented without sufficient regard to their interactions with other policies and the resulting impacts on relative prices in adjacent markets. We highlight the following risks:

- **Limited pass-through of support benefits to airlines:** As noted in Question 1, there is no guarantee that the benefits of the support mechanism will be passed through to airlines. Airlines, despite ultimately bearing the costs of e-SAF procurement and mandate compliance, and despite being the primary users of the fuels, have limited ability to influence the development of production capacity or production economics. As a result, airlines may continue to face high e-SAF costs, limiting the overall effectiveness of the mechanism in accelerating aviation decarbonization.
- **Risk of market fragmentation and insufficient harmonization:** While initiatives such as the Early Movers Coalition can play an important role in supporting the scale-up of e-SAF production in Europe, there is a risk that participating countries develop separate national support schemes with differing designs, eligibility criteria, and policy objectives. Such divergence could create inconsistent incentives across the EU market, leading to market fragmentation rather than fostering a coherent investment environment. This may distort competition and undermine the efficiency of the EU internal market, as investment and purchasing decisions become driven by differing national support frameworks rather than underlying market fundamentals and demand signals. Given the existing complexity of the regulatory landscape for aviation decarbonization, greater harmonization and coordination of support measures at the European level would be highly preferable, and the introduction of multiple uncoordinated national schemes is likely to be detrimental and condemn the market to remaining local and bespoke.
- **Technology distortion:** Any support that focuses on a single technology, such as e-SAF, will skew long-term investments toward that pathway. This risks crowding out other essential solutions, particularly bio-based SAF, which is expected to deliver a significant share of early emissions reductions. Over-concentration on e-SAF too early will slow overall decarbonization and make the transition more costly than necessary. The low global production volume of SAF today, at a mere 2.4 million tonnes, strongly suggests that this phenomenon is already most regrettably at play. There is a major opportunity cost involved in overlooking the solutions at hand in favor of those that might emerge. A balanced approach that seeks to develop all possible solutions as rapidly as possible should be the overarching objective.
- **Ensuring the most effective use of public funding:** Consideration should be given to whether public resources allocated through the proposed mechanism are being directed to the areas where they can deliver the greatest emissions reductions and market impact. Given the early stage of development of the e-SAF market and the significant technological, commercial, and regulatory uncertainties that remain, committing substantial public funding too early could result in high public support costs for limited near-term emissions reductions.

At the same time, technologies that are already closer to commercial deployment may offer opportunities to achieve greater near- and medium-term emissions reductions per euro of public support. This includes maximizing the sustainable potential of HEFA and HEFA co-processing, which remains the most mature and cost-efficient SAF pathway today, by enabling the widest possible pool of eligible sustainable feedstocks and supporting the scale-up of novel, scalable feedstocks such as energy crops. It also includes supporting the development of advanced bio-based pathways such as Alcohol-to-Jet and Gasification plus Fischer-Tropsch. Policymakers should therefore carefully assess how limited public funds can best support aviation decarbonization while maximizing climate benefits and ensuring value for money.

It will not be possible to reach the production volumes required for net zero CO<sub>2</sub> emissions from air transport by 2050 without maximizing the output potential of each production pathway. State support must not pick only selected technologies but ensure that all solutions can progress in tandem.

- **Risk of project delivery and market concentration:** Awarding support to a single project involves concentrating both financial and delivery risks. Should the project fail to scale or commercialize successfully in the absence of a sufficiently developed e-SAF market, a substantial share of funding could be at risk. Furthermore, it may raise concerns about market concentration by providing a significant advantage to a single market participant, and a single technology.
- **Inefficient supply chains:** Point-of-sale obligations tied to Germany can fail to match demand and production. For example, requiring physical sales in Germany while production is located in another Member State creates unnecessary additional costs and administrative complexity across the value chain. Such outcomes may increase lifecycle emissions, add logistical costs, and reduce the overall effectiveness of the policy. If similar national schemes were implemented across multiple countries with differing eligibility requirements and geographical constraints, this could distort intra-EEA trade flows and lead to suboptimal allocation of production and supply. A more coordinated approach would help preserve market efficiency, support the development of optimized supply chains, and ensure that decarbonization objectives are achieved at the lowest possible cost.
- **Future-proofing to accommodate the EU policies:** The mechanism should be designed to remain compatible with future developments in relevant EU policies and regulations, in particular the flexibility mechanism in the ReFuelEU Aviation Regulation and the SAF accounting methodology under the EU ETS. As discussions continue regarding the potential introduction of a Book-and-Claim system, support schemes should avoid requiring the physical delivery of fuel to a specific location. Promoting e-SAF production anywhere within the EEA, while accommodating future Book-and-Claim approaches, would allow the SAF market to scale while mature and efficient supply chains emerge, enable instant access to a wider market, and promote the efficient allocation of resources in a competitive market. Without such an approach, the SAF market will not scale, and it will remain local and bespoke.
- **Need for neutral, stackable design:** State aid should be technology-agnostic and complement other tools. This ensures investment flows to the most efficient solutions, avoids locking in suboptimal pathways, and improves project bankability across the full SAF value chain.
- **Resilience requirements may be premature for a nascent market:** While resilience considerations are important, introducing restrictive sourcing, technology, and implementation requirements at this early stage of market development may inadvertently slow market development and create unintended market distortions. In a nascent e-SAF market, greater flexibility is needed to support investment, scale-up, and market liquidity. Further comments are provided under Question 6.

State aid is necessary, but if poorly designed, it can distort markets, reduce competition, and slow rather than accelerate a cost-efficient scale-up of e-SAF.

## 3.2 Auction design, timing and eligibility

### 4. Do you have any concerns regarding the envisaged general auction design of the eSAF funding scheme, including the aid allocation process?

As noted in response to Questions 1 and 2, the effectiveness of the scheme will depend on whether its design enables competition and flexibility, and on supporting the e-SAF projects with the lowest production costs.

However, even if the HPA auction succeeds in identifying a lower-cost e-SAF supply, there remains a separate concern that these benefits may not be passed through to airlines as end users. A key concern is that the mechanism may bridge the price gap between producers and intermediate off-takers, such as fuel suppliers or traders, rather than necessarily bridging the gap between production costs and the final price paid by airlines. Under the proposed structure, producers sell through HPAs, and the product is then resold through HSAs to fuel suppliers or other eligible buyers. In practice, this reflects the fact that e-SAF must be blended with conventional aviation fuel and supplied through existing fuel supply chains, capabilities that most airlines do not have. However, airlines are ultimately the end-users, bearing the cost of SAF and e-SAF under mandate-driven market conditions.

There is therefore a risk that public support lowers the acquisition cost for intermediate buyers without ensuring that the benefit is passed through to airlines. Fuel suppliers may still impose excessive charges and even price e-SAF against penalty levels within the mandate framework. In addition, any costs or complexities introduced by the auction design itself may ultimately be passed through to airlines. As a result, airlines may continue to face high e-SAF costs even where public funding has been used to bridge part of the upstream price gap.

To improve the effectiveness of the scheme, the design should include mechanisms to ensure transparency and appropriate pass-through of support benefits across the value chain. Without such safeguards, the mechanism may not sufficiently reduce the cost burden on airlines and may therefore have limited impact in improving the affordability of e-SAF for the sector ultimately expected to purchase and use it.

## 5. Do you have any concerns regarding the eligibility criteria at large? What should the eligibility criteria look like?

IATA agrees that the requirement for applicants to demonstrate sufficient technical, operational, and organizational capability is particularly important given the early-stage nature of the e-SAF market and the participation of emerging companies that may have limited experience in refining, aviation fuel supply, or large-scale fuel market operations.

We also note that careful due diligence should be conducted to validate that the projects have the required capabilities. If the authority responsible does not have sufficient in-house, independent third-party validation should be considered to ensure a robust and credible assessment process.

Regarding the proposed eligibility criteria, the following aspects raise concerns as they risk limiting competition and slowing market development:

- **Geographical restriction (EEA-only production):** Limiting eligibility to e-SAF production within the EEA could reduce competition and increase costs. Production outside the EEA may offer more cost-efficient supply options and help scale volumes faster. Excluding these projects risks creating a less competitive market and missing cost-reduction opportunities.
- **Restrictions on cumulation of aid:** The requirement to avoid impermissible cumulation of state aid, combined with the condition that projects must not be viable without support, may be difficult to apply in practice. Given the range of existing EU and national funding instruments, this could create legal and administrative uncertainty and discourage otherwise viable projects from participating.

Given the complexities of the EU State Aid Law to prevent disproportionate compensation and the concentration of state aid in a single project, it would be beneficial if the German government provided transparency and clarity on which incentives can be cumulated. This could provide a degree of certainty for project developers and enable quicker lead times.

***What eligibility criteria should look like:***

- Eligibility criteria should maximize competition, enable cost efficiency, flexibility, and accelerate deployment, rather than restrict participation and delay market scale-up.
- Open to both EEA and non-EEA production provided sustainability and certification requirements are met.
- Allow both EEA and non-EEA feedstocks, inputs, and intermediates to ensure that production costs are gradually decreased.
- Flexible rules on combining funding sources, with clarity to avoid administrative barriers.
- Technology-agnostic design, ensuring fair competition across all eligible pathways.

**6. Do you have any concerns about the application of [resilience criteria](#)?**

While IATA appreciates that the resilience criteria aim to ensure that supported e-SAF projects are not exposed to excessive supply chain, technology, or implementation risks, overly restrictive criteria could weaken the cost-efficiency of the scheme and slow the development of a competitive e-SAF market at this stage of maturity.

As noted in the previous questions, high production costs remain one key barrier to e-SAF scale-up. It is therefore important that resilience criteria do not unnecessarily restrict access to cost-effective feedstocks, equipment, technologies, or supply chains that meet the applicable sustainability, certification, and regulatory requirements. The criteria should also preserve sufficient flexibility regarding feedstock sourcing, supply chain arrangements, and the placement and delivery of the finished product, so that projects can respond efficiently to market developments, supply chain changes, or potential disruptions.

Resilience criteria should also be clearly distinguished from standard project due diligence. Many risks related to project delivery, technical capability, financing, permitting, supply chain, and supply contracts should already be assessed through normal prequalification and due diligence processes.

**7. Do you believe that the [eligibility criteria allow for wide participation while ensuring project realisation](#)?**

As noted in the previous question, the scheme should be designed to maximize competition, flexibility, cost efficiency, and timely deployment, rather than restrict participation unnecessarily and slow market scale-up.

Wide participation and project realization can be promoted through the following measures:

- Allowing production and feedstocks sourced from outside the EEA.
- Providing clear guidance on the accumulation of aid and avoiding unnecessary restrictions.
- Applying capability requirements in a manner that supports innovation and market entry.
- Ensuring robust project assessment.

**8. Do you have any concerns regarding the definition of the Point of Sale?**

The proposal to locate the Point of Sale within Germany might not achieve the intended goal of ensuring accessibility for off-takers, facilitating logistics, and enhancing transparency in pricing and ownership transfer. In fact, it may introduce unintended limitations over time.

Geographically fixed points-of-sale risk constraining market efficiency as the e-SAF sector evolves. Policies in this space should be designed to be future-proof and adaptable to emerging market mechanisms, notably book-and-claim systems, which allow the decoupling of physical production from consumption. Under a book-and-claim model, e-SAF could be produced in locations where it is most cost-efficient and logistically viable, while environmental attributes are traded separately, enabling broader and more flexible market participation of both producers and airlines.

Maintaining a strict point-of-sale requirement tied to Germany could therefore lead to inefficiencies by restricting optimal supply-demand matching, increasing logistical burdens, and potentially raising costs. It may also limit the scheme's ability to scale effectively as cross-border markets develop. To avoid these risks, the scheme should consider adopting more flexible delivery and certification mechanisms that align with the direction of travel in global e-SAF markets. Even if such mechanisms are not implemented immediately, incorporating optionality or future provisions would help ensure that the framework remains efficient, scalable, and aligned with emerging market practices.

## **9. Do you have any concerns regarding the envisaged timing of the eSAF scheme (auction period, contract duration, delivery start)?**

Timelines and the choice of policy tools need to align with the stated policy objective, as well as with what can be considered feasible at each point in time.

Germany's objective is to support the market creation of e-SAF and accelerate early-stage investment to bridge the economic gap for synthetic aviation fuels. The fastest way to bring projects to market would be via a direct subsidy fund where producers submit project blueprints and funds are awarded based on technical merit. This would bypass the need to establish complex intermediary market-making systems. Such an approach would address the supply-side challenge but leave the demand-side unsolved. The government could solve that problem by contracting itself and procure e-SAF for its civil service travel and for military use.

Meanwhile, work on the design of the DSA can progress, as developing such programs typically takes 3-4 years from policy inception to awarding contracts. Time is also needed to ensure that the design is made with a clear focus on the future e-SAF market. This would allow for optimal design and avoid short-term compromises that could embed structural impediments to the market well into the future.

Moreover, going live with DSAs too early comes with significant risks, as evidenced in the first e-SAF auction under the H2Global platform in 2022, which concluded with not contracts awarded.

In this light, the DSA implementation timeline appears challenging, particularly the target of production commencement and contract start by 2030, if the e-SAF Purchase Agreement (HPA) is only signed in Q4 2027, with FID and construction following afterward.

Construction of biorefineries often takes around 3 years, and project delays and first-year ramp-up challenges are common even for more mature technologies such as Hydroprocessed esters and fatty acids (HEFA) developed by companies with prior refining experience. These risks are even more elevated for first-of-a-kind refineries and emerging companies, such as e-SAF production facilities.

Regarding contract duration, the mismatch to be bridged is the short-duration contracts that airlines operate with in their fuel procurement, and the long-duration contracts that project owners need.

On the supply side, the asset life is likely 20-25 years. Contracts of shorter duration leave the tail of the asset life uncontracted, which imperils the project finance structure or forces equity to absorb risk at a cost that feeds back into the bid price. The result this will generate is that the shorter the contract duration,

the higher the clearing price. H2Global used 10 years and there is a reasonable consensus that this was too short for the first generation of green hydrogen derivatives projects, and e-SAF has similar characteristics.

On the other hand, technology moves fast and locking in 20-year contracts now risks overpaying as costs are expected to fall. Hence, there is a genuine trade-off to consider. A 15-year contract could be considered as the base case, with a mid-contract review and reset mechanism – not a termination right but an opportunity to update the reference price and subsidy calculation to reflect actual market evolution. A graduation of contract duration could be implemented according to project maturity, allowing for more economical rational than a one-size-fits-all approach.

Offshore wind CfD contracts in the UK started at 15 years and this has been broadly vindicated. The difference with e-SAF is that the cost reduction trajectory is more uncertain and the market is thinner, which argues for slightly longer duration in early rounds.

In sum, we would argue for a first-round e-SAF DSA auction of 15 years, with a mandatory price review at 8 years and a degression schedule tied to a published cost benchmark. The degression schedule should be agreed upfront and should be mechanistic rather than discretionary.

On the demand side, airlines need short-term contracts, more flexible terms, and smaller tranches. This is why the public balance-sheet backing is non-negotiable with the state providing a duration transformation service analogous to what central banks do in monetary policy, but for green fuel markets.

## **10. From the producer perspective, what is a reasonable period between HPA signing and first eSAF delivery?**

*IATA does not have any comments.*

## **11. From an off-taker's perspective, does the proposed eSAF scheme timeframe match your expected supply needs?**

Germany is subject to the EU-wide e-SAF blending mandate. Draft implementation of EU rules would enforce non-compliance penalties of up to EUR 17,000 per metric ton for fuel suppliers who miss the targets. Yet, there is currently only one small-scale e-SAF production site operating in Germany. Hence, the mandated requirements will almost certainly not be met. This fact will lessen the capacity of the mandates to serve as a policy signal and drive investment. The industrial base is simply not there yet, supply chains are immature, and cost premiums are enormous. This constitutes a credibility gap that the regulator needs to acknowledge and bridge explicitly. Timetables for both mandates and DSAs must align with each other, and with reality. The 2027 review must reconsider the targets, the compliance mechanism, and the timeline.

Auction volumes could link to compliance credit and offer pro-rated relief for the period until delivery. This would essentially treat a contracted-but-not-yet delivered tonne as (partially) compliant.

Clarity on stackability is essential. The UK's approach that allows projects to combine grants from the Advanced Fuels Fund with demand-side support from the Revenue Certainty Mechanism while simultaneously securing offtake is a model worth following.

Investments must also be channeled to the feedstock and electrolyzer supply chain, not just to the fuel facilities. If electrolyzers and renewable hydrogen capacity are not co-developed, the fuel facility risks becoming a stranded asset, unable to run at capacity. Hydrogen offtake contracts and electrolyzer deployment should be treated as prerequisites, not as afterthoughts, in project evaluation for auction eligibility.

These actions would greatly enhance the plausibility of reaching mandated volumes. Without them, the DSAs are asked to do too much, too fast, with too little money.

Germany's regulatory posture should treat the 2026-2028 period as a ramp-up and credibility-building phase rather than full mandate enforcement and keep any penalty framework as a future enforcement tool one supply actually exists to be bought.

The coherence problem is essentially one of sequencing, with the mandate timeline running ahead of everything else.

## **12. What should be the batch size for eSAF sales, meaning how many tons of eSAF should be auctioned in one HSA?**

Provided that small batch volumes are feasible from an operational perspective for all relevant supply chain stakeholders, including producers, suppliers, logistics providers, and airlines, and do not create redundant logistical costs, lower minimum batch sizes would better accommodate buyers who are unable to commit to large e-SAF volumes. This would broaden the pool of potential buyers and support more competitive bidding outcomes.

## **13. How long should the duration of one HSA be? (For example, if one batch is 5000 t eSAF, in a three-year contract the off-taker would receive 5000 t per year for three years).**

IATA recognizes that suppliers, traders, or airlines may participate in the HSA auction and that the contract duration should reflect the needs of different stakeholders.

From the airlines' buyer's perspective, airlines manage conventional fuel procurement through short-term contracts or spot markets with hedging overlays. Most such risk-management tools are unavailable in the SAF market today, a fact that should be considered in this context.

Airlines would prefer:

- 1-3 years for volume commitments. Larger airlines with balance-sheet strength might be able to absorb 3-5 years duration
- Spot or index-linked pricing rather than fixed price exposure
- Optionality to reduce volumes if demand falls or fleet changes
- No or minimal take-or-pay obligations

A design feature could be that contracts are automatically renewable at the intermediary's option for one additional term. This gives the intermediary some duration optionality without forcing airlines to commit upfront to a longer duration contract.

The duration mismatch between the shorter demand-side contract duration and the longer supply-side contracts requires the intermediary to roll demand-side contracts twice or more over the life of each supply contract. That rollover risk needs to be explicitly stress-tested and publicly disclosed as part of the mechanism's financial architecture.

#### **14. Should there be a floor price for the HSA auctions? If so, what should the floor price ideally be?**

We strongly argue against a floor price set administratively at a fixed level for the duration of the contract. That would introduce a new form of price rigidity into a mechanism that is supposed to be dynamic. Price discovery is the point, and the auction is supposed to reveal genuine willingness to pay. A floor price suppresses that signal. A floor price will also exclude all airlines that would participate in the market at just below the floor price, reducing market thickness at exactly the point where participation is needed. Moreover, floor prices constitute moral hazard for the intermediary.

Regarding the price, the ultimate objective with creating new energy markets is to provide true alternatives to fossil fuels. Pricing e-SAF relative to fossil jet fuel will permanently embed the fossil fuel price as the reference point for the entire market. This has several perverse consequences:

- When fossil fuel prices are high, e-SAF looks more competitive and needs less subsidy, but the underlying decarbonization case has not changed.
- When fossil fuel prices are low, e-SAF looks uneconomic, the public subsidy requirement spikes, and this creates the wrong political economy at the wrong moment.
- Linking e-SAF to fossil fuel prices directly transmits the latter's price volatility to the e-SAF support mechanism, which is both financially destabilizing and conceptually wrong.

E-SAF pricing mechanisms should be linked to renewable electricity prices, as the dominant input to PtL e-SAF, typically 60-70% of total production cost.

For a DSA mechanism to be conceptually coherent with a fully decarbonized air transport industry, this framing is important. Building a mechanism that permanently references fossil fuel prices implicitly accepts that fossil jet fuel is the natural baseline and e-SAF is the deviation requiring justification. A mechanism anchored to renewable energy costs treats e-SAF as the destination and fossil fuel as the transitional incumbent.

The practical implementation challenges are real but not insurmountable and consist mainly of investing in a robust index construction upfront – a one-time cost worth bearing to create the right conceptual architecture.

### **3.3 Eligible product and geographic limitation**

#### **15. Do you have any concerns about this approach?**

As noted in previous responses, the scheme should be designed to maximize competition, flexibility, cost efficiency, and timely deployment, rather than unnecessarily restricting participation or creating fragmented eligibility requirements. These considerations are particularly important given the nascent stage of e-SAF market development and are discussed further in the following question.

#### **16. Do you see any risks or opportunities associated with limiting the scheme to EEA produced eSAF, and how might non-EEA imports interact with the market?**

Limiting the scheme to EEA-produced e-SAF creates risks of reduced competition, higher costs, and slower market scale-up. While developing a European e-SAF market and strengthening energy security are important objectives, the scheme must also remain pragmatic and consider the financial sustainability of European airlines and the connectivity they provide across Europe. e-SAF production costs can be up to 12 times higher than conventional aviation fuel (CAF), and the low-margin airline industry is ultimately expected to bear the final cost of e-SAF procurement.

The scheme should therefore allow broader participation from non-EEA projects that meet applicable sustainability and technical requirements. It should also allow EEA producers to use eligible non-EEA feedstocks, inputs, and intermediates, and should enable imported non-EEA e-SAF to participate in the auction where it meets the same requirements.

Moreover, for the Fischer-Tropsch power-to-liquid route, costs are driven by feedstocks such as CO<sub>2</sub> and, most notably, renewable electricity, which is needed in large volumes for green hydrogen production. From a production cost perspective, e-SAF projects should be developed in regions where renewable electricity is more abundant and affordable, as electricity alone can account for up to two-thirds of total production costs.

In Europe, the average levelized cost of renewable electricity is among the highest globally [<https://www.iata.org/en/publications/economics/chart-week/chart-of-the-week-20-february-2026>]. The Nordics, Spain, and Portugal have the potential to be a rare exception as a relatively low-cost electricity market in Europe. For the recently approved Methanol-to-Jet power-to-liquid route, producers could lower the cost of production by using a portion of imported methanol.

## 3.4 Incentive effect and emission savings

### 17. Do you have comments on the incentive effect, necessity or proportionality of the eSAF funding scheme?

The considerations related to the incentive effect, necessity, and proportionality of the proposed mechanism have been discussed throughout this response, particularly in Questions 1, 2, 3, 4, 5, 6, 15, and 16.

In summary, the German Government should consider the following key recommendations when designing support mechanisms for e-SAF deployment:

- Maintain a technology-neutral framework that supports the most scalable and commercially viable decarbonization solutions.
- Prioritize public funding toward the most cost-effective SAF pathways and the highest emissions reductions per euro spent.
- Avoid concentrating on one project and promote a diverse portfolio of technologies, feedstocks, and developers.
- Provide sufficient revenue and price certainty to enable projects to reach FID and attract private investment.
- Focus on building a competitive, self-sustaining SAF market rather than creating long-term dependence on public subsidies.
- Enable the stacking of complementary policy instruments to improve project bankability and accelerate deployment.
- Future-proof support mechanisms to remain compatible with evolving EU frameworks, including ReFuelEU Aviation, EU ETS, and potential Book & Claim systems.
- Promote regulatory harmonization and coordination across Europe to avoid market fragmentation and competitive distortions.
- Ensure support mechanisms deliver tangible cost reductions for airlines as end users of SAF.
- Design the scheme to incentivize continuous innovation, efficiency improvements, and declining production costs over time.
- Avoid penalizing airlines to bear a disproportionate share of the cost of developing the hydrogen economy.
- Allow sufficient flexibility during the early market development phase and avoid premature restrictions on sourcing, technologies, or implementation models.
- Ensure robust due diligence and project selection processes so that public funding is allocated to credible projects with high delivery potential.

- Complement supply-side support public procurement of SAF and e-SAF for public consumption (civil and military) to accelerate market development.

## **18. Do you have comments on the main assumptions informing the quantification used to demonstrate the incentive effect, necessity, and proportionality as in Tables 1 and 2?**

To our knowledge, there is currently no comprehensive cost-benefit analysis available that demonstrates how the effectiveness of the incentive has been quantified. This makes it difficult to assess the assumptions underpinning the incentive effect, necessity, and proportionality calculations presented in Tables 1 and 2.

We would nevertheless highlight the following considerations:

- The EASA price references may underestimate the actual costs faced by market participants. While EASA values provide useful benchmarks, they do not fully reflect administrative, operational, and transaction-related costs, nor the market premiums often applied on top of production costs. As a result, the prices ultimately paid in the market can be significantly higher than those reported by EASA.

This can ultimately result in final prices paid by airlines being disproportionately higher than the cost of production, and potentially as high as the applicable non-compliance cost if suppliers price e-SAF against the penalty levels set under the mandate.

- The analysis does not appear to account for the potential impact of a book-and-claim system. If such a mechanism were implemented, it could enable additional emissions reductions and improve the overall effectiveness and uptake of the scheme.

## **19. Do you expect eSAF production and consumption could reach cost covering levels without state support in the near future? If so, when?**

No, especially not in the near future and in Europe. The current cost gap remains too large, as e-SAF production costs can be up to 12 times higher than fossil jet fuel and multiple times above HEFA-based bio-SAF. More efforts should be allocated to scaling HEFA SAF in the near term to deliver immediate cost and CO<sub>2</sub> emissions reductions.

This needs to be seen in the broader airline cost context. IATA estimates that global SAF production could reach around 2.4 million tonnes in 2026, representing only about 0.8% of total aviation fuel use, but already at an estimated cost to airlines of USD 4.3 billion. By comparison, the global airline industry's net profit is expected to be around USD 23 billion in 2026, with a net profit margin of only 2%. Looking ahead, e-SAF mandates could add a further USD 5–8 billion in costs by 2030.

E-SAF cost of production is expected to decline as technologies mature, production facilities scale up, and supply chains develop. However, this will not happen in the near term. Regions with access to low-cost renewable electricity and CO<sub>2</sub> to produce green hydrogen will be best positioned to produce more affordable e-SAF. In Europe, where these inputs are relatively constrained and costly, state support or other cost-bridging mechanisms will remain necessary for the foreseeable future.

## **Data protection and confidentiality**

BMV will duly examine all comments and submissions received in the course of the consultation and will take them into account in the further administrative procedure, as appropriate. Trade and business secrets, as well as any other confidential information, will be safeguarded in accordance with the applicable legal



provisions. A link to the evaluation of the consultation will be provided to the European Commission together with the formal notification of the measure for the purposes of State aid approval.

**Optional: Please provide the name of your organisation:**

IATA number in the lobby register **K4499556**