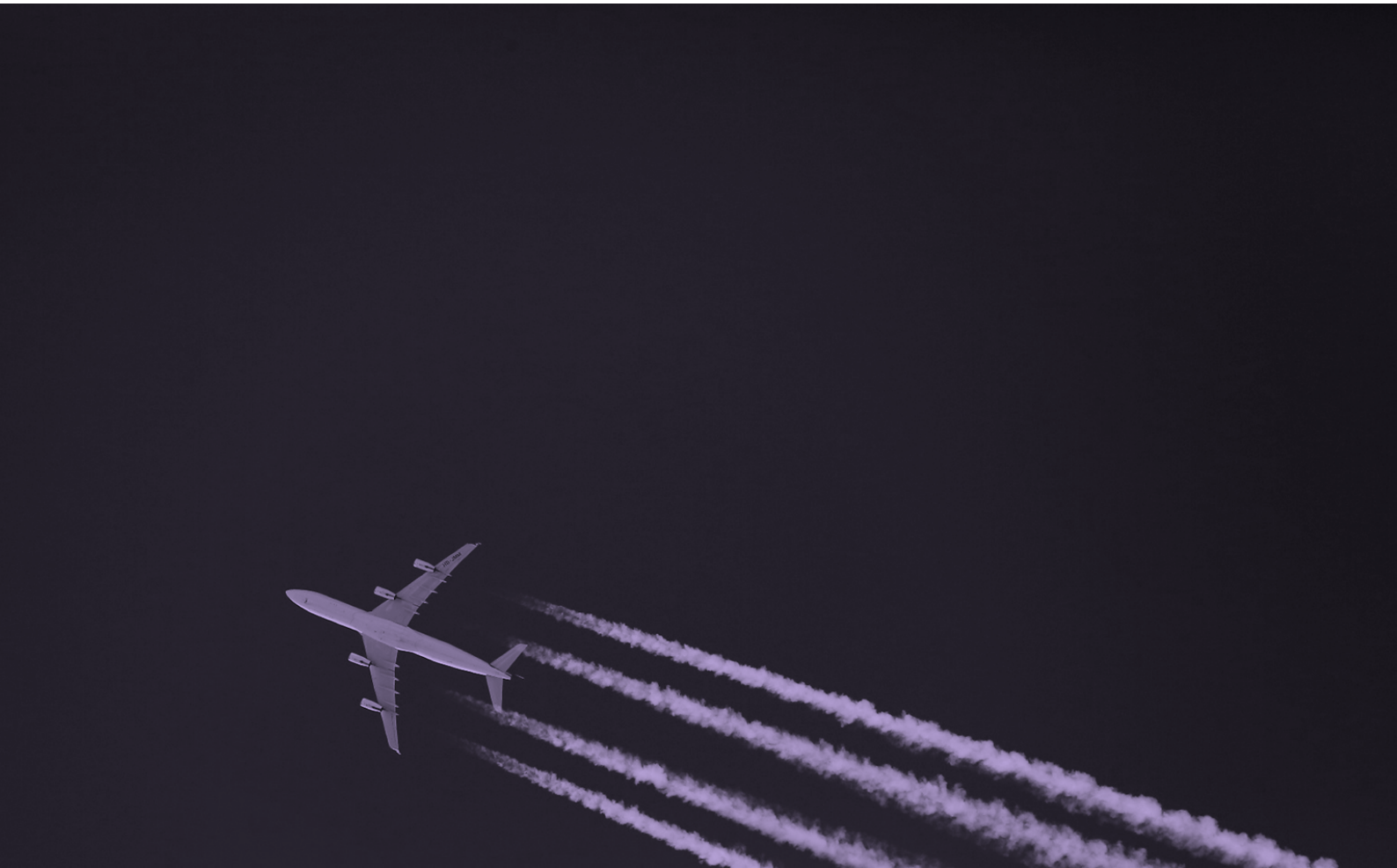




Sustainable Aviation Fuel (SAF) Incentive in Heathrow Aeronautical Charges 2025 Guidance for Airlines

Issued: 1 November 2024

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1 How SAF is defined

For the purpose of the SAF Incentive, Heathrow accepts SAF which is captured under the definition of SAF as set out in the UK Department for Transport's ("**DfT**") Renewable Transport Fuel Obligation ("**RTFO**")¹(as amended, updated or replaced from time to time). The UK SAF mandate will come into force in January 2025 and replace the RTFO for aviation. The conditions below have been adjusted accordingly.

Qualifying SAF must meet the DfT's minimum requirements:

- Reduce CO₂e by at least 55-65% relative to fossil kerosene on a lifecycle basis; the SAF mandate will reduce this to at least 40%.
- Biofuels may not be made from raw material obtained from land with high biodiversity value.
- Biofuels may not be made from raw material obtained from land with high carbon stock, such as forests or land that was undrained peatland in January 2008.
- SAF made from feedstocks from food, feed and energy crops are not eligible under the SAF mandate.

Heathrow's clear preference is for recycled carbon fuels ("**RCFs**"). RCFs are fuels produced from fossil and biogenic wastes that cannot be avoided, reused or recycled – such as fuels produced from municipal solid waste, cellulosic waste (such as forestry and agricultural residues) and used cooking oil, and RFNBO including 'power-to-liquid' fuels using renewable electricity in their production. Use of RCFs and RFNBO, however, is not a requirement for this SAF Incentive.

At present, Heathrow does not differentiate between the minimum requirement and the leading-edge SAF because we believe that the priority continues to be to support the SAF market to gain momentum. As this SAF Incentive progresses over the coming months and years, we intend to keep sustainability standards under constant review and we will likely consult on more stringent sustainability standards for future scheme years.

2 Criteria for SAF usage at Heathrow Airport

Provided that it offers an auditable and verifiable path, measurement, reporting and verification of SAF use should align to the UK Emissions Trading Scheme ("**UK ETS**"). We welcome feedback as part of annual airline engagement regarding how to continue to make this SAF Incentive scheme easy to use as well as effective.

2.1 Required documentation to verify sustainability

In line with the UK ETS, the EU Emissions Trading Scheme ("**EU ETS**") and the ICAO Carbon Offsetting and Reduction Scheme in International Aviation ("**CORSIA**"), to ensure that the fuel is sustainably produced, Heathrow requires a copy of the Product Transfer Document received by the airline when it places its order for SAF with its fuel supplier as well as a verified emissions reduction report.

The manufacturing facility of the SAF must be certified to:

- The Roundtable on Sustainable Biomaterials ("**RSB**");
- The International Sustainability and Carbon Certification ("**ISCC**");

¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/947710/rtfo-guidance-part-2-carbon-and-sustainability-2021.pdf

2.2 Documentation required to prove uplift at Heathrow Airport

SAF is considered to have been delivered to Heathrow Airport on provision of evidence of receipt at London Heathrow Airport or delivery into a pipeline connected to London Heathrow Airport, on a mass balance basis.²

Evidence can include a suitable batch delivery or 'movement ticket', or another accepted proof of delivery to a Heathrow Airport fuel supply location.

A copy of the Product Transfer Document(s) and the associated movement ticket for the batch should be sent by email to: saf@heathrow.com. Any commercially sensitive financial information on these documents can be redacted as necessary, so long as Heathrow is able to determine the information required for the purpose of the SAF Incentive, for example, the type of SAF claimed for and the volume delivered to the Airport.

For 2025 claims, evidence of SAF delivery to the Airport must be provided by 31 January 2026 and will be required for verification prior to allocation of any applicable SAF Credit. Heathrow may use an independent verifier to check the documentation which proves uplift at Heathrow and sustainability criteria.

3 How the SAF Incentive Scheme works

The legal terms applicable to the SAF Incentive are set out in the Heathrow Conditions of Use³ and those terms are supported by the information set out in this guidance⁴. As outlined in our 2025 airport charges decision document, the SAF Incentive Scheme will collect the incentive pot through the departing passenger charge and re-distribute the pot back to airlines that participate in the SAF Incentive Scheme and who have delivered SAF to Heathrow in 2025. The SAF Incentive is calculated by reference to reducing the premium price gap between fossil kerosene and SAF fuel by approximately 50%. For the purpose of the SAF Incentive Scheme in 2025, Heathrow has assumed the premium to be £920 GBP per tonne, so will incentivise SAF delivery to Heathrow Airport on the basis of £460 per tonne, up to the maximum cap set out in the Conditions of Use.

In 2025, to recognise that this increase in the departing passenger charge will drive additional revenue outside the MAY due to cargo ATM charges there will be two SAF incentive pots. One pot for Passenger ATMs and a separate pot for Cargo ATMs which will be funded via the cargo minimum departure charge. The Passenger ATM SAF Incentive Scheme pot will be allocated based on an airlines' Revenue Passenger Kilometres ("RPK"). Similarly, the Cargo ATM SAF Incentive Scheme pot will be allocated based on Freight Tonne Kilometres ("FTK").

4 How to obtain SAF at Heathrow Airport

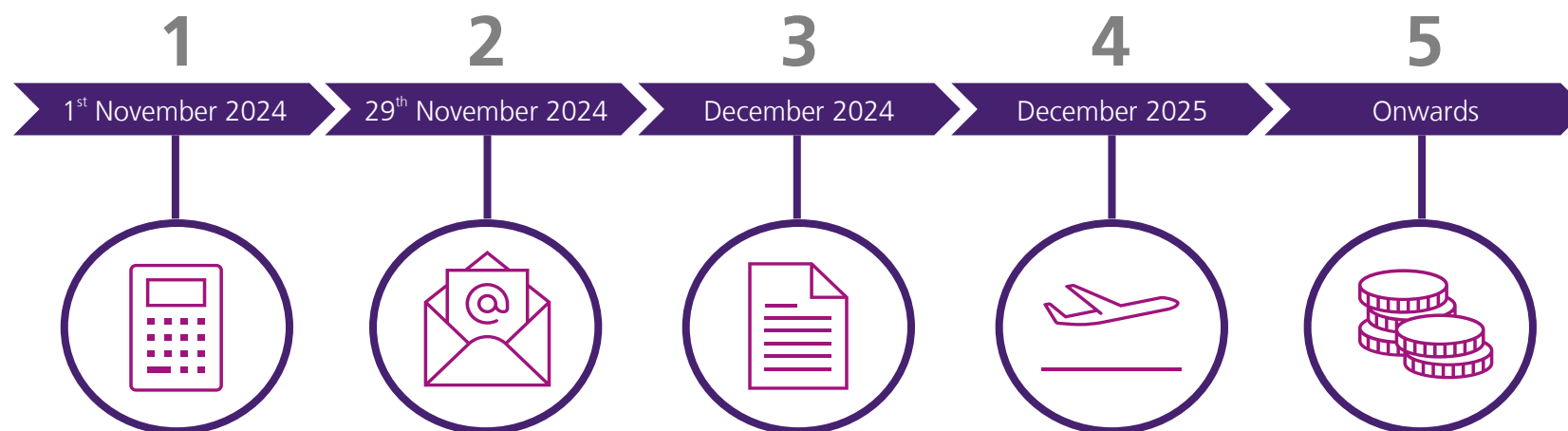
Airlines should work directly with fuel suppliers who can arrange delivery of SAF to the airport. Heathrow is not directly involved in the aviation fuel supply chain – the fuel farm and hydrant infrastructure system at the airport is managed, maintained and operated by the Heathrow Hydrant Operating Company Limited ("HHOpCo"). However, airlines should contact fuel companies not HHOpCo to obtain SAF for delivery to Heathrow Airport.

² Airlines may choose to use a global standard density for jet fuel of 0.8 for the purposes of calculating delivered SAF weight into LHR.

³ See Heathrow Airport Conditions of Use - 2025 at <https://www.heathrow.com/company/doing-business-with-heathrow/flight-conditions-of-use>

⁴ Airlines should note that in the event of any conflict, the terms of the Conditions of Use prevail over anything stated in this guidance document.

5 Timeline for the 2025 SAF Incentive Scheme



1. On 1 November 2024, Heathrow will calculate and communicate the initial SAF tonnage allocation based on the relevant LHR Revenue Passenger Kilometres (“**RPK**”) and Freight Tonne Kilometres (“**FTK**”) (as set out further below) for all airlines currently operating from Heathrow Airport. The calculation will be based on the 12-month operating period from October 2023 – September 2024. Ad-hoc carriers, airlines with fewer than 10 operations and discontinued airlines will not be included in the calculation.
2. By 5pm (UK time) on 29 November 2024, all Airlines wishing to participate in the SAF Incentive for 2025 must have contacted Heathrow to state their intention to do so by sending an email to saf@heathrow.com outlining:
 - (i) the number of tonnes of SAF they propose to deliver to Heathrow Airport in 2025; and
 - (ii) their nominated contact person for the SAF Incentive.The subject line of the email should read: [Airline Name] – SAF Incentive 2025.
3. By 5pm (UK time) on 17 December 2024, Heathrow will review airline submissions, calculate, and communicate each final allocation. An example of the calculation methodology is set out in page 7, below.
4. Airlines will have until 31 December 2025 to deliver the allocated SAF to Heathrow Airport. Airlines must provide Heathrow with evidence of the delivery and the necessary certificates (as set out above).
5. Subject to compliance with the terms of the SAF Incentive Scheme terms, as set out in the Conditions of Use, Heathrow will allocate the relevant credit to the Airline’s Heathrow Airport charges account. Further terms applicable to this are set out on page 6 of this guidance.

6 How the size of the incentive pot is calculated

Calculation Element	Example
Forecasted movements at Heathrow in 2025	474k movements
Fuel requirement	≈6.2m tonnes
Desired SAF mix outcome	3.00%
50% of SAF Premium	£920 x 50% = £460
Incentive pot	≈ 6.2m t x 3.00% ≈ 186k t x £460 ≈ £86m

7 Quarterly and Annual Credit Allocation Process

All credits are contingent upon compliance with the terms in the Conditions of Use and submission of verified evidence that meets Heathrow's sustainability criteria, as set out in this guidance. Only after successful verification will the credits be applied to the airline's Heathrow Airport charges account.

Airlines can choose whether to receive these credits on a quarterly or annual basis.

Quarterly Credits: subject to compliance with the terms in the Conditions of Use, and provision of the required evidence within the specified deadlines below, the corresponding credit will be applied to the airline's Heathrow charges account.

Evidence Deadlines:

Q1: Evidence for deliveries between January and March must be submitted by 30 April 2025, with credits applied by 30 June 2025.

Q2: Evidence for deliveries between April and June must be submitted by 31 July 2025, with credits applied by 30 September 2025.

Q3: Evidence for deliveries between July and September must be submitted by 31 October 2025, with credits applied by 31 December 2025.

Q4: Evidence for deliveries between October and December must be submitted by 31 January 2026, with credits applied by 31 March 2026.

Annual Credit: Airlines opting for a single annual credit must submit all evidence by 31 January 2026, and the full year's credit will be applied by 31 March 2026.

8 SAF Allowance Adjustments for 2025

Allowances are subject to change in accordance with the terms set out in Schedule 7 of the Conditions of Use, and in particular but not limited to, the consequences set out in paragraphs 1.13 (Passenger ATMs) and 2.13 (Cargo ATMs) regarding failures to deliver the allocated amounts. , Where any participating airlines exceed their SAF allocation, and there is any additional amount left in the incentive pot, Heathrow may reallocate any remaining amounts in the SAF Incentive Pot among those airlines that have over delivered in accordance with the Conditions of Use and the general allocation procedure set out in these guidelines.

9 How the incentive pot is allocated to airlines

The table below is an illustrative calculation for how Heathrow calculates the SAF incentive allocation per airline by using RPK for Passenger ATMs. The same process will be applied for the Cargo ATM incentive pot using FTK.

POT (T)	POT (£)	1. Heathrow to publish SAF Incentive allowance per airline based on RPK		2. Airlines to submit proposal to Heathrow	3. Heathrow to calculate SAF allowances per airline based on received proposals			4. Heathrow to publish final SAF allocations by airline	
186500	£85,790,000	By 1st November 2024		By 29 of November 2024	Final allocation calculation period			By 17 of December 2024	
Name	RPK share	Allowance £	Allowance T	Airline Proposal T	Step 1	Step 2	Step 3	Final Allocation T	Final Allocation £
A	B	C	D	E	F	G	H	I	J
Airline 1	40%	34,316,000	74600	115000	74600	31870	5030	111500	£51,290,000
Airline 2	25%	21,447,500	46625	20000	20000	0	0	20000	£9,200,000
Airline 3	17%	14,584,300	31705	45000	31705	13295	0	45000	£20,700,000
Airline 4	12%	10,294,800	22380	0	0	0	0	0	£0
Airline 5	6%	5,147,400	11190	10000	10000	0	0	10000	£4,600,000
				190000	136305	45165	5030	186500	£85,790,000

Step 1: Proposals within allowances (D) are assigned, any airline proposal (E) higher than allowance (D) goes to step 2.

Step 2: As Airlines 2, 4 and 5 did not utilise their full allowance (D), we will redistribute unallocated tonnage to airlines who want to purchase over their initial allowance (D) Remaining tonnage is allocated using RPK share of Airlines 1 and 3. Calculation will allocate up until airlines proposal number (E) is hit. This is visible for Airline 3 which has been allocated their full proposal amount (E) at this stage. Any remaining tonnage after this step will move to step 3.

Step 3: So far Airlines 2, 3, 4 and 5 have been allocated their full proposal amounts (E). Since the difference between Airline 1 proposal (E) and what has been allocated so far (F) and (G) is more than 5030, the whole remaining tonnage will be allocated to Airline 1. Should there be more airlines with unused allocation at this stage we would repeat allocation logic from step 2 until we allocate full tonnage allowance of 186500.

10 SAF Incentive initial allocation per airline for 2025 based on RPK⁵

Airline	%	Tonnes	Airline	%	Tonnes	Airline	%	Tonnes
British Airways Plc	35.82%	66,952	Iberia L.A.E. S.A. Operadora	0.39%	730	Air Serbia A.D.	0.05%	85
Virgin Atlantic Airways Ltd	9.65%	18,035	Ethiopian Airlines Sc	0.38%	706	Vueling Airlines S.A.	0.05%	84
American Airlines Inc	7.05%	13,184	Jetblue Airways Corporation	0.36%	664	Air Algerie	0.04%	79
United Airlines Ltd	4.53%	8,466	All Nippon Airways Co Ltd	0.35%	661	Brussels Airlines Nv/Sa	0.03%	49
Emirates	3.02%	5,645	Vietnam Airlines	0.35%	646	Bulgaria Air Ad	0.02%	45
Air Canada	2.86%	5,341	Egyptair	0.34%	633	Loganair Ltd	0.02%	43
Singapore Airlines Ltd	2.81%	5,256	El Al Israel Airlines Ltd	0.33%	615	Klm Cityhopper B.V.	0.02%	35
Qatar Airways Ltd	2.57%	4,809	China Airlines	0.30%	557	Croatia Airlines D.D	0.02%	30
Delta Air Lines Inc	2.51%	4,685	Transportes Aereos Portugueses	0.28%	529	Tunisair	0.01%	20
Cathay Pacific Airways Ltd	2.38%	4,449	Aegean Airlines Sa	0.28%	519			
Qantas Airways Ltd	2.20%	4,116	Aer Lingus	0.28%	517			
Air India	1.73%	3,232	Finnair Plc	0.27%	507			
Etihad Airways	1.67%	3,114	Shenzhen Airlines Co Ltd	0.25%	464			
Malaysia Airlines Berhad	1.09%	2,035	Oman Air B/G	0.24%	457			
Thai International Airways	1.04%	1,943	Biman Bangladesh Airlines Ltd	0.24%	450			
Saudi Arabian Airlines	1.02%	1,916	Swiss International Air Lines Ltd	0.23%	428			
China Southern Airlines Company Limited	1.01%	1,882	Rwandair Ltd	0.21%	384			
Air China (Caac)	0.93%	1,743	Royal Brunei Airlines	0.19%	349			
Tam Linhas Aereas S/A	0.75%	1,394	Royal Jordanian Airline	0.16%	306			
Japan Airlines Co. Ltd	0.73%	1,360	Austrian Airlines	0.16%	297			
Turkish Airlines	0.69%	1,288	Tianjin Airlines Co Ltd	0.16%	290			
Eva Airways	0.64%	1,189	Eurowings Gmbh	0.15%	289			
China Eastern Airlines	0.60%	1,125	Middle East Airlines Liban	0.14%	265			
Gulf Air	0.55%	1,028	Km Malta Airlines Ltd	0.13%	246			
Tata Sia Airlines Ltd	0.52%	977	Hainan Airlines Holding Co. Limited	0.12%	222			
Sri Lankan Airlines Ltd	0.52%	970	Icelandair	0.12%	222			
Korean Air	0.47%	884	Lot Polish Airlines	0.12%	217			
Kuwait Airways	0.45%	849	Beijing Capital Airlines	0.08%	146			
Scandinavian Airlines System	0.45%	848	Royal Air Maroc	0.08%	142			
Westjet	0.43%	810	Air France	0.07%	124			
Aerovias De Mexico Uk Branch	0.42%	789	Iran Air	0.06%	109			
Asiana Airlines	0.42%	789	Klm Royal Dutch Airlines	0.06%	104			
Aerovias Del Continente Americano Sa Avianca	0.41%	765	Cjsc Air Astana	0.05%	91			
Kenya Airways	0.41%	761	Azerbaijan Airlines	0.05%	89			
Lufthansa German Airlines	0.40%	749	Uzbekistan Airways	0.05%	85			

⁵ As noted above, allowances are subject to change in accordance with the terms set out in Schedule 7 of the Conditions of Use.

11 Cargo ATM Incentive initial allocation per airline for 2025 based on FTK⁶

Airline	%	Tonnes
Cathay Pacific Airways Ltd	32.05%	224
Singapore Airlines Ltd	27.02%	189
Korean Air	21.57%	151
European Air Transport	18.40%	128
British Airways Plc	0.96%	7

⁶ As noted above, allowances are subject to change in accordance with the terms set out in Schedule 7 of the Conditions of Use.