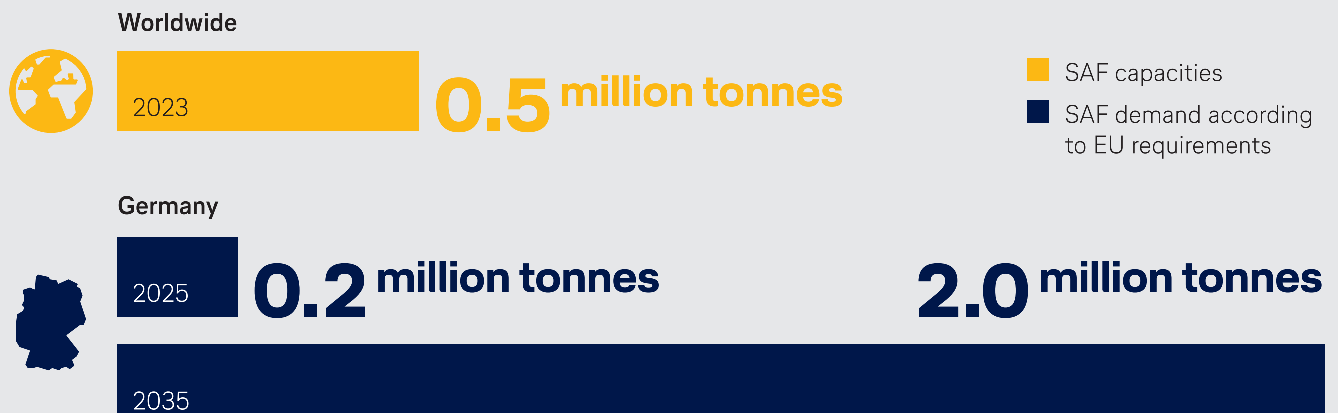
SAF blending mandate from 2025

WHERE IS THE MARKET?

From January 1, 2025, airlines departing from the EU will be obliged to cover an average of two percent of their fuel requirements from sustainable aviation fuels (SAF). By 2050, this requirement is to rise to 70 percent. Despite assurances to the contrary, a functioning SAF market and an effective support strategy are not in sight.

SAF demand significantly exceeds supply

In 2023, 500,000 tonnes of SAF were produced worldwide. Germany alone will need 200,000 tonnes in the coming year to meet the European SAF blending mandate requirements. In view of the global competition for SAF, it is difficult to imagine that sufficient capacities will be available in the short term.



Sources: BDL, T+E

500,000 tonnes – that's how much or how little sustainable kerosene was available worldwide in 2023. The annual fuel requirement of global air traffic is 280 million tonnes. This shows that SAF is barely available at the moment. The Lufthansa Group airlines could only fly for a few weeks with all the SAF currently available worldwide. However, the EU's blending mandate will enter into force in just eight months. In Germany alone, around 200,000 tonnes of SAF will be needed by then and as much as two million tonnes by 2035. These quantities are currently not available. The necessary production ramp-up is more uncertain than ever.

Current PtL blending mandates cannot be met

The situation is even worse for electricity-based fuels (power-to-liquid = PtL). From 2030, the EU stipulates that 1.2 percent PtL must be blended in. At German airports, the target is 0.5 percent from 2026. Yet, it is already clear today that these blending mandates cannot be met because there will not be enough synthetic fuel available. In Europe, only three PtL plants are currently in the concrete planning stage. Even if they were completed on time, the total capacity of 100,000 tonnes produced there would not even cover the German demand in 2030. A reality check of these requirements is needed. Germany has to abandon its special path and align its PtL targets with those of the EU.

Additional distortions of competition inevitable

The second obstacle to the increased use of SAF is its high price. Biogenic SAF currently costs around three to five times more than fossil kerosene, while PtL is forecasted to be up to ten times more expensive. This puts European network airlines at a significant competitive disadvantage as it increases the cost of transfer via EU hubs where SAF must be refuelled: A Lufthansa flight from Madrid with a transfer in Frankfurt to Shanghai and back will cost around 220 euros more in 2035. In contrast, for a journey with a non-EU airline via Istanbul, the costs per ticket will only increase by around 40 euros.

The Singapore model

The example of Singapore demonstrates how the ramp-up of SAF can be financed and distortions in competition mitigated. The country recently decided on a passenger levy based on the distance of a flight from Singapore. The revenue will then be used to purchase SAF, which will ensure a more stable supply.

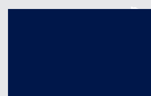
Targeted promotion of SAF

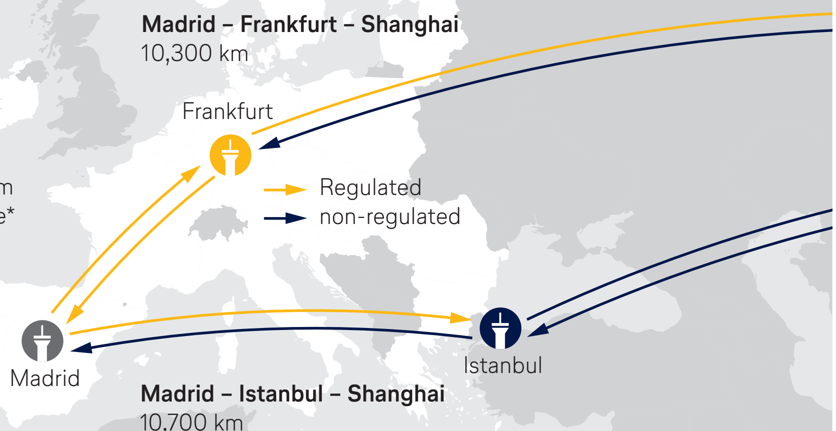
A similar strategy has so far been lacking in the EU as well as in Germany. The planned SAF blending mandates would be a further competitive disadvantage for European airlines and hubs, which already have to bear significantly higher cost burdens than airlines outside Europe due to numerous EU regulations and requirements. Effective incentives are needed:

- **Use German air traffic tax for SAF:** As originally planned, the revenue from the aviation tax should be used to promote sustainable aviation fuels. Corresponding funds must be made available in the 2025 budget.
- **Leverage the potential of the Net-Zero Industry Act:** The Net-Zero Industry Act (NZIA) provides the framework for EU member states to introduce effective SAF support programs. It is crucial to seize this opportunity and ensure that Europe has sufficient SAF at competitive prices in the long term.
- **Correct EU aviation policy:** Fit for 55 must not lead to the weakening of airlines and hubs in the EU. Corrections are needed to ensure fair global competition. To finance the SAF blending mandate, a SAF levy should be introduced, similar to that in Singapore, depending on the destination – but regardless of where connecting passengers change planes. This would ensure equal treatment between EU airlines and their non-European competitors.

SAF blending mandates unilaterally drive up costs for EU airlines

The SAF blending mandates are by far the biggest cost drivers in the EU's Fit for 55 package.





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