Project SkyPower

March 2026

OPEN LETTER: TEN RECOMMENDATIONS FOR THE 2026 DOUBLE-SIDED E-SAF AUCTION PILOT

To: Directorate-General for Mobility and Transport (DG MOVE) of the European Commission (EC), Member States of the Early Movers Coalition (EMC)

Re: The 2026 e-SAF pilot double-sided auction(s) organised by the EC and the EMC

Dear Directors-General, Dear Representatives of the EMC,

Project SkyPower welcomes the commitment of the European Commission and the Member States of the EMC to pilot the use of double-sided auctions in 2026. An auction that delivers a near-term Final Investment Decision (FID) for the first commercial-scale[1] e-SAF project in Europe would strengthen market confidence and demonstrate proof-of-concept for double-sided auctions, laying the foundation for a larger-scale EU-wide mechanism from 2028[2].

The EU's Sustainable Transport Investment Plan [3] (STIP) identified double-sided auctions as key to supporting strong market growth for e-SAF. This mechanism offers three core advantages: it addresses the key market failure blocking FIDs, namely the temporal mismatch between long-term revenue certainty needs on the supply side and short-term commitment appetite on the demand side; it drives efficiency of public capital through competitive auctions, minimising the price gap bridged by concessional funds; and it creates price transparency to catalyse broader market formation beyond the auction itself, supporting the transition towards a liquid, competitive and self-sustaining European e-SAF market.

Participating in the EMC pilot double-sided auction is a strategic opportunity for Member States to anchor value creation in domestic fuel supply chains and aviation ecosystems. Early participation positions countries as credible frontrunners in e-SAF and its associated clean technologies (e.g., hydrogen production, CO_2 capture etc.), attracting investment, project development and industrial partnerships.

Developed over two months of consultation with SkyPower representatives across the full e-SAF value chain, this open letter sets out ten collective recommendations, covering three key aspects: eligibility criteria, auction design, and operational set-up. SkyPower members would consider the pilot successful if it:

- **Unlocks at least one FID in 2026 or early 2027** for a commercial-scale European e-SAF project that can reach commercial operations date (COD) in 2030-2031.
- **Creates sufficient market price transparency** to stimulate deal-making outside of the pilot.
- **Demonstrates capital efficiency** by maximising the volume of e-SAF capacity unlocked per euro of public funding.
- **Paves the way for follow-on auctions,** funded by other EMC members and, from 2028 onwards, led by an EU-backed market intermediary, building on the lessons and proof-of-concept from the pilot[4].

[1] Commercial-scale refers to projects with a nameplate capacity of at least 25ktpa.
[2] In line with the next Multiannual Financial Framework (MFF)
[3] European Commission (2025) Sustainable Transport Investment Plan
[4] Note: if the 2026 pilot successfully demonstrates that double-sided auctions are a capital-efficient mechanism to support the initial build-up of low-carbon technologies, it would set a precedent that could pave the way for the organisation of future auctions for other low-carbon fuels in aviation (e.g., for advanced SAF) or other transport sectors (e.g., maritime).

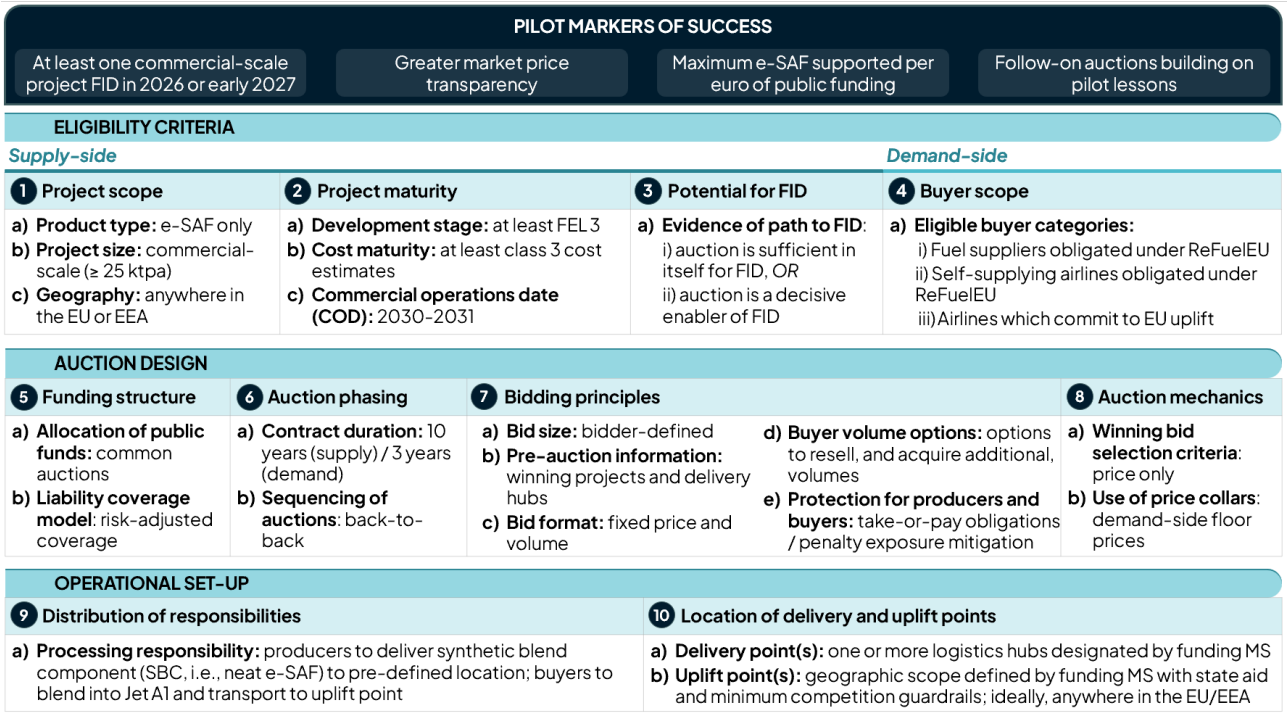

Exhibit 1: Overview of SkyPower's 10 recommendations for a successful pilot

Eligibility criteria

Eligibility must strike a careful balance. It should be sufficiently selective to ensure that participating projects and buyers are credible and capable of honouring long-term contractual commitments, while remaining inclusive enough to preserve competitive auction dynamics.

Recommendation #1 – Project scope: Set the bar for eligibility to commercial-scale projects (≥25 ktpa) located anywhere in the EU or EEA that produce e-SAF compliant with ReFuelEU Aviation definitions. This ensures that public financing supports synthetic SAF pathways essential for long-term decarbonisation, directs funding toward projects facing the greatest financing barriers, and prioritises larger-scale facilities capable of delivering stronger economies of scale, thus ensuring greater market competitiveness and resilience in the future.

Recommendation #2 – Project maturity: Ensure projects demonstrate a high level of technical, cost and execution maturity, including advanced engineering design, validated mature cost estimates, and secured or well-progressed key permits and supply agreements[5]. This ensures that the pilot supports execution-ready projects, maximising the chances that the auction translates into built e-SAF plants.

Recommendation #3 – Potential for FID: Ensure projects demonstrate a credible pathway to reach FID in 2026 or early 2027 following a successful auction award, either because the auction-backed offtake would be sufficient on a standalone basis or because the remaining offtake required for FID is credibly on track. Reaching FID within this timeframe is essential to allow sufficient time for construction and ramp-up to achieve meaningful production in the first ReFuelEU compliance period (2030-2031).

[5] A more detailed list of required proof-points is provided in the technical annex.

Recommendation #4 – Buyer scope: Limit demand-side participation to entities directly obligated under ReFuelEU Aviation, including aviation fuel suppliers and self-supplying airlines, as well as airlines who commit to blending and uplifting e-SAF for EU operations. This would ensure supported volumes contribute meaningfully to ReFuelEU compliance and avoids speculative participation.

Auction design

Auction design will be decisive in determining how much e-SAF capacity can be supported within a fixed public funding envelope. Well-calibrated design choices could increase the volume supported in the first supply-side auction in 2026 by ~25% by reducing effective liability exposure while maintaining prudent risk management and commercial credibility for all participants.

Recommendation #5 – Funding structure: Aggregate Member State funding into common auctions and adopt a risk-adjusted liability coverage model[6] to maximise the volume of e-SAF unlocked per euro of public funding and support larger, more cost-efficient projects[7].

Recommendation #6 – Auction phasing: Standardise contract durations at 10 years on the supply side and 3 years on the demand side, and run the first demand-side round as close as possible[8] to the first supply-side auction to accelerate price discovery and capital recycling.

Recommendation #7 – Bidding principles: Allow bidders to define their own bid volumes to align auction participation with commercial realities, standardise bid formats as fixed prices for fixed annual volumes, ensure pre-auction transparency on supply and delivery locations, enable resale and additional contracting of volumes to ensure buyer flexibility, and provide sufficient protection to producers and buyers in the form of take-or-pay obligations and penalty exposure mitigation.

Recommendation #8 – Auction mechanics: Select winning bids solely on price to minimise the public funding required, supported by a demand-side floor price[9] to reduce downside risk and liability exposure to the intermediary.

Operational set-up

Careful consideration should also be given to ensure the auction design is operationally practical and aligned with existing logistics and infrastructure realities[10].

[6] Fully collateralising the total supply-side contract value upfront can be avoided by relying on robust auction safeguards such as demand-side floor prices anchored to credible market benchmarks, and external guarantees from European Public Finance Institutions (e.g., the EIB) and/or EU funds.

[7] While aggregating Member State funding is more capital efficient and can support greater e-SAF volumes, we recognise that Member States may wish to launch national pilots as a first step. In such cases, these should aim to align with the common design principles outlined in this letter to preserve competitive dynamics, capital efficiency and a level playing field across the EU and EEA.

[8] This would require technology and project delivery risk to be entirely covered externally, outside of the market intermediary.

[9] For example, anchored to credible market benchmarks (e.g., HEFA market prices).

[10] The operationalisation of the pilot auction would have been simpler and more cost-effective with a book-and-claim system, which decouples transactions from physical delivery routes and predefined locations.

Recommendation #9 – Distribution of logistical responsibilities: Structure contracts around delivery of neat e-SAF (i.e. synthetic blend component[11]), requiring blending obligations to rest with buyers, in line with current infrastructure access and control.

Recommendation #10 – Location of delivery and uplift points: Allow Member States to designate one or more delivery hubs[12] and the geographic scope for uplift, provided sufficient demand-side competition is preserved and EU state aid laws are respected; where possible, uplift should ideally remain open to any airport in the EU or EEA.

We believe the pilot auction has every chance of success if it is structured along these principles. We stand ready, with our members, to continue moving the European e-SAF market forward with the European Commission and the EMC Member States by further supporting the successful implementation of the pilot, where and when useful.

Yours sincerely,

Project SkyPower, with the endorsement of the organisations listed on the following page

[11] SBC refers to a synthesised hydrocarbon that meets the requirements in any one of the annexes of ASTM D7566 and is then blended with conventional jet fuel.

[12] Provided these are conducive to efficient operations and meet objective logistical criteria set out in the annex.

Companies and financial institutions

Civil society

TECHNICAL ANNEX TO THE OPEN LETTER

The 2026 pilot double-sided auction is a defining moment for Europe's e-SAF market. Its outcome will determine whether policy ambition translates into the first commercial-scale project reaching Final Investment Decision (FID) and into tangible production capacity. A successful pilot will establish credible price benchmarks, unlock private capital and prove that e-SAF can be deployed at scale within a disciplined public funding framework.

Achieving this outcome depends on a design that is firmly aligned with industry realities. The mechanism must translate genuine market interest into bankable contracts while preserving capital efficiency. Eligibility criteria, auction design and operational set-up need to reflect the commercial and financial constraints under which developers, lenders and offtakers operate. Only a design grounded in these practical conditions can unlock FID and create a durable foundation for future EU-level auctions.

This technical annex accompanies the open letter and provides both additional details on the recommendations put forward by the undersigned organisations and the rationale underpinning these recommendations. It is intentionally technical in nature and is intended to support those responsible for the implementation of the pilot auction. Its purpose is to explain how and why specific eligibility criteria, auction design choices, and operational considerations have been identified as key to the success of the 2026 pilot double-sided auction for e-SAF.

The recommendations set out in this annex are the result of an extensive cross-value chain consultation process involving industry participants, financial institutions and other stakeholders. For each major design parameter, a range of credible options was considered, stress-tested and, where appropriate, eliminated. Options were assessed against a consistent set of design objectives (laid out in the main letter). The conclusions presented reflect the collective judgement of participants as to which options offer the strongest rationale and the highest likelihood of delivering a successful pilot in line with these objectives.

The recommendations are intended to inform the design of the pilot auction, but any final mechanism will need to be developed and implemented by competent public authorities in compliance with applicable EU law, including obtaining any necessary approvals from the European Commission, notably DG COMP.

This annex is not intended to be exhaustive. Rather, it aims to support alignment around the most material design choices that will determine whether the pilot auction can credibly unlock FID, deliver e-SAF at scale in time for the first ReFuelEU compliance period, and be scaled into durable EU-level follow-on auctions in the aviation sector (for e-SAF and other SAF types) and other transport sectors where low-carbon fuels are essential to decarbonisation (e.g., maritime sector).

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Eligibility criteria

Eligibility criteria play a central role in determining whether the pilot auction can translate public support into timely, deliverable outcomes. In the context of a first-of-a-kind e-SAF double-sided auction, eligibility must strike a careful balance: it should be sufficiently selective to ensure that participating projects and buyers are credible and capable of honouring contractual commitments, while remaining inclusive enough to sustain competitive auction dynamics.

To support this balance, the framework set out below organises our supply-side and demand-side eligibility recommendations around four core criteria. On the supply side, criteria focus on project scope, project maturity, and the potential for the auction-backed offtake to enable the project's FID. On the demand side, eligibility centres on the type of buyer, ensuring participation by counterparties whose demand is both credible and linked either directly or indirectly to ReFuelEU Aviation. The framework is intentionally weighted more heavily towards the supply side, reflecting the first-of-a-kind nature of the projects expected to participate and the need for greater rigour to ensure that selected projects reach FID and enter operation within target timeframes.

ELIGIBILITY CRITERIA			
Supply-side			*Demand-side*
1 Project scope	**2 Project maturity**	**3 Potential for FID**	**4 Buyer scope**
a) Product type: e-SAF only **b) Project size:** commercial-scale (≥ 25 ktpa) **c) Geography:** anywhere in the EU or EEA	**a) Development stage:** at least FEL 3 **b) Cost maturity:** at least class 3 cost estimates **c) Commercial operations date (COD):** 2030-2031	**a) Evidence of path to FID:** i) auction is sufficient in itself for FID, *OR* ii) auction is a decisive enabler of FID	**a) Eligible buyer categories:** i) Fuel suppliers obligated under ReFuelEU ii) Self-supplying airlines obligated under ReFuelEU iii) Airlines which commit to EU uplift

Exhibit 2: SkyPower recommendations on pilot eligibility criteria

The sub-sections that follow examine each recommendation and sub-recommendation in turn, setting out their rationale, and, where relevant, the indicative proof-points that could be asked to demonstrate compliance.

Supply-side eligibility criteria

Recommendation #1. Project scope

1.A – Product Type	E-SAF only

SkyPower recommendation: eligible projects should produce, at least in part[13], **e-SAF that is compliant with the synthetic aviation fuel[14] or synthetic low-carbon aviation fuel[15] definitions of ReFuelEU Aviation.**

Clarification:

- For the avoidance of doubt, the use of RFNBO hydrogen solely to reduce the carbon intensity of bio-based or fossil-derived fuel production (e.g., through refinery co-processing or hydrogen substitution in HEFA pathways) should not qualify as e-SAF for the purposes of eligibility, in line with ReFuelEU definitions.
- Projects that combine renewable hydrogen with biomass gasification via Fischer-Tropsch (e.g., power-and-biomass-to-liquid) should be deemed eligible, but only for the proportion of the output that qualifies as e-SAF.

Rationale: restricting eligibility to e-SAF ensures that public support targets the synthetic aviation fuel pathways required to meet the dedicated sub-mandate under ReFuelEU Aviation. These pathways will be indispensable for long-term aviation decarbonisation due to their higher abatement potential and scalability, yet they remain at an early stage of deployment and face greater execution complexity and persistent financing barriers. Prioritising e-SAF therefore maximises the additionality of public funding, supports compliance with the emerging e-SAF mandate, and accelerates the scale-up of technologies that will be critical to achieving Europe's long-term climate objectives.

1.B – Project size	Commercial Scale (≥25 Ktpa)

SkyPower recommendation: eligible projects should be **commercial-scale**, proposed to be defined as having a nameplate capacity of at least 25 kilotons of e-SAF per annum.

Clarification: the commercial-scale threshold refers to total project capacity, not the share of output offered into the auction.

Rationale: concentrating public funding on larger projects maximises economies of scale, reduces unit costs, and ensures that the auction drives a meaningful scale-up in the European e-SAF industry, beyond pilot-scale projects.

1.C – Geography	Anywhere in the EU or EEA

SkyPower recommendation: projects located anywhere within the **European Union (EU) or the European Economic Area (EEA)** should be eligible.

Clarification:

[13] To allow for hybrid power-and-biomass-to liquid projects.
[14] Synthetic aviation fuels refer to aviation fuels that are 'renewable fuels of non-biological origin', as defined in Article 2, second paragraph, point (36), of Directive (EU) 2018/2001.
[15] Synthetic low-carbon aviation fuels refer to aviation fuels that are of non-biological origin, the energy content of which is derived from non-fossil low-carbon hydrogen, and which must meet lifecycle emissions savings of at least 70 %.

- While eligibility should remain open to projects located anywhere within the EU or EEA, funding Member States could, where they consider it appropriate, set thresholds in the design of the pilot for the share of feedstock sourced from outside the EU/EEA.
- Such thresholds would not alter the core recommendation that eligible projects may be located anywhere within the EU or EEA. Rather, they would provide contributing governments with a degree of flexibility to reflect industrial policy, resilience, or strategic autonomy considerations in the use of public funding.

Rationale: eligibility across the EU and EEA maximises the prospective project pool, increasing the likelihood that the pilot auction unlocks FID for the most advanced and cost-effective projects. At the same time, providing Member States with the option to introduce thresholds for non-EU/EEA feedstock sourcing offers a pragmatic balance: it preserves a broad pool of eligible projects while allowing contributing governments to ensure that public funding supports the development of European clean energy capabilities and reduces strategic dependence on imports.

Recommendation #2. Project maturity

2.A – Development stage	At least FEL 3

SkyPower recommendation: eligible projects should have at least entered **Front-End Loading stage 3 (FEL 3)[16] at the time of bidding.**

Suggested proof-points of eligibility:

- FEED program completed or underway, or FEED contract under execution[17]; and
- Internal governance evidence of transition from FEL 2 to FEL 3, including project development committee approvals, stage-gate documentation, or equivalent decision records.

Rationale: restricting eligibility to projects in FEL 3 ensures a sufficient level of technical definition and execution readiness to support credible bids. Earlier-stage projects face higher design, cost and timeline uncertainty, and therefore heightened delivery risk and longer timelines.

2.B – Cost maturity	At least class 3 cost estimates

SkyPower recommendation: eligible projects should have **validated AACE Class 1, Class 2, or Class 3 cost estimates**[18] at the time of bidding.

[16] Front-End Loading (FEL) is a widely used project development framework in capital-intensive industries. FEL 1 covers early concept development, FEL 2 focuses on feasibility and option selection, and FEL 3 corresponds to detailed front-end engineering (FEED), providing an execution-ready basis for cost estimation, contracting, and final investment decisions.

[17] With scope covering the full production pathway and evidence of budget approval for full FEED costs by financial sponsors.

[18] The Association for the Advancement of Cost Engineering's (AACE) cost estimate classification system is a widely used industry standard that categorises cost estimates from Class 5 (early screening, high uncertainty) to Class 1 (definitive, execution-ready estimates). Class 3 estimates are typically developed during FEL 3/FEED and are commonly considered sufficient to support investment decisions. Further information on the AACE classification system can be found here.

Clarification: to account for the higher residual cost uncertainty of Class 3 cost estimates relative to Class 1 or Class 2 estimates, projects with Class 3 cost estimates could be subject to 20-30% higher performance guarantee requirements compared to projects with Class 1 or Class 2 estimates.

Rationale: restricting eligibility to projects with Class 1–3 cost estimates ensures that bidders have sufficient cost definition and accuracy to submit firm, credible bids suitable for long-term supply commitments. Differentiating performance guarantee requirements by cost maturity strikes a balance between recognising the higher uncertainty associated with Class 3 estimates and preserving access for otherwise credible projects.

2.C – Commercial operations date (COD)	2030-2031

SkyPower recommendation: to be eligible, projects should credibly demonstrate **the ability to reach commercial operations date (COD) within the first compliance window of ReFuelEU Aviation (2030-2031)**[19].

Clarification:

- Projects whose schedules imply that COD would occur after 2031 should not be considered eligible for the first supply-side auction.
- Eligibility for subsequent supply-side rounds should permit COD beyond 2030–2031, provided projects can credibly demonstrate readiness to achieve sufficient capacity by the start of the relevant demand-side delivery window.

Suggested proof-points of eligibility:

- *Project schedule:* a fully developed, integrated project schedule covering FEL completion, FID, Engineering, Procurement and Construction (EPC), commissioning, start-up, and ramp-up to nameplate capacity.
- *Supply contracts for key feedstocks:* secured or advanced contractual arrangements (e.g., signed term sheets) for critical inputs, such as renewable electricity (e.g., power purchase agreements and grid access agreements), water supply and CO_2 sourcing (or other feedstocks e.g., methanol).
- *Compliance with ReFuelEU Aviation definitions of synthetic aviation fuel or synthetic low-carbon fuel:* ideally demonstrated by pre-certification or certification, at minimum through aligned project planning.
- *Permits:* evidence that key permits (e.g., land permit, environmental permit) required for construction and operation are secured or at an advanced stage.
- *Technology licenses:* evidence of access to required technology, including agreements or advanced negotiations (e.g., signed term sheets) with technology licensors.
- *Financing:* a bankable financial model, including robust debt service coverage ratios and related metrics, a vendor due diligence process and the appointment of financial (incl. lending) advisors.
- *EPC and delivery strategy:* EPC contracts in place or a clearly articulated EPC strategy (including selected or shortlisted EPC contractors).

Rationale: requiring evidence of readiness to reach COD in 2030–2031 ensures that auction outcomes can contribute directly to the first ReFuelEU Aviation compliance period. In addition, it filters for execution-ready projects capable of reliably delivering auction-backed volumes, reducing the delivery risk and safeguarding the effectiveness of public support.

[19] Assuming the supply-side auction takes place in 2026.

Recommendation #3. Potential for FID

3.A – Evidence of path to FID	Either: i) The auction-backed offtake is sufficient in itself to reach FID, OR ii) The auction-backed offtake is a decisive enabler of FID

SkyPower recommendation: to be eligible, projects should demonstrate **a credible pathway to reach FID in 2026 or early 2027 following a successful auction award**, either because the auction-backed offtake would be sufficient on a standalone basis or because the remaining offtake required for FID is credibly on track.

Clarification: projects should satisfy one of the following two conditions:

- *Option A – Auction-backed offtake sufficient for FID*: the volume, price and duration of the auction-backed offtake alone are sufficient to provide the revenue certainty required by prospective debt providers and equity investors to reach FID.
- *Option B – Auction-backed offtake as a decisive enabler of FID*: the volume, price and duration of the auction-backed offtake, together with signed offtake agreements, signed term sheets or other documented commercial commitments in place at the time of bidding, provide compelling evidence that the project will reach FID within 2026 or early 2027 if its bid is successful.

Suggested proof-points of eligibility:

- *Option A – Auction-backed offtake sufficient for FID:*
  - A letter of support from prospective investors and/or lenders indicating that, if the project were awarded the auction-backed offtake, they would be willing to enter in-depth negotiations with a view to reaching FID, subject to standard conditions.
- *Option B – Auction-backed offtake as decisive enabler of FID:*
  - A letter of support from prospective investors and/or lenders indicating that, if the project were awarded the auction-backed offtake, they would be willing to enter in-depth negotiations with a view to reaching FID, subject to standard conditions; and either
    - Completed offtake agreements covering part of the project's output; OR,
    - Signed term sheets or other documented commercial commitments with offtakers that set out indicative commercial terms (including indicative volumes, durations, and pricing structures) and carry expressions of interest indicating a clear intent to progress to a binding contract.

Rationale: this criterion ensures that **funds are used to unlock FID and deliver built e-SAF plants**, not to support partial offtake for projects that otherwise remain unable to reach FID.

Demand-side eligibility criteria

Recommendation #4. Buyer scope

4.A – Eligible buyer categories	i. Fuel suppliers and self-supplying airlines obligated under ReFuelEU Aviation ii. Airlines which commit to EU/EEA uplift

SkyPower recommendation: eligible buyers should be:

- Aviation fuel suppliers obligated under ReFuelEU Aviation;
- Self-supplying airlines obligated under ReFuelEU Aviation; and,
- Airlines who commit to uplifting the e-SAF inside the EU/EEA, contributing to the ReFuelEU mandates.

Rationale: limiting demand-side eligibility to buyers with a link to ReFuelEU Aviation obligations (either directly or indirectly) ensures that auction outcomes contribute meaningfully to the first compliance period in 2030–2031. This approach reduces the risk of speculative participation, prevents the diversion of subsidised volumes to non-EU/EEA operations, and safeguards the integrity and political legitimacy of public funding by aligning demand support with EU climate and industrial policy objectives.

Auction design

Carefully designing the pilot auction is as important as defining suitable eligibility criteria in ensuring its success, and particularly its capital efficiency. The design parameters of the double-sided auction (e.g., how public funds are structured, how auctions are sequenced, or how long contracts last) directly determine the total liabilities assumed by the market intermediary. Given public funding must stand behind these liabilities, the scale of committed funding effectively caps the volume of e-SAF production capacity that can be supported. Well-calibrated design choices can therefore materially increase the amount of e-SAF supported per euro of public funding, by approximately 25%.

At the same time, the auction must function credibly for all stakeholders (funding Member States, producers, buyers, and the market intermediary). If the mechanism set-up does not adequately reflect their commercial and operational realities as well as risk constraints, participation may be limited, undermining the pilot's objectives.

The recommendations presented in this section have therefore been developed in consultation with industry members to strike a balanced risk allocation. Participants should have sufficient room to bid in line with their commercial circumstances, but within clear guardrails that preserve capital effectiveness. The objective is to structure the mechanism in a way that maximises supported production capacity while remaining workable and credible in practice.

To structure our recommendations, we have developed a framework that follows the lifecycle of the auction. It covers four components: (1) public funding structure, (2) auction phasing, (3) bidding principles, and (4) auction mechanics. These components move sequentially from how funds are mobilised and liabilities defined to how contracts are awarded.

AUCTION DESIGN			
5 Funding structure	6 Auction phasing	7 Bidding principles	8 Auction mechanics
a) **Allocation of public funds:** common auctions b) **Liability coverage model**: risk-adjusted coverage	a) **Contract duration:** 10 years (supply) / 3 years (demand) b) **Sequencing of auctions**: back-to-back	a) **Bid size:** bidder-defined b) **Pre-auction information:** winning projects and delivery hubs c) **Bid format:** fixed price and volume d) **Buyer volume options:** options to resell, and acquire additional, volumes e) **Protection for producers and buyers:** take-or-pay obligations / penalty exposure mitigation	a) **Winning bid selection criteria**: price only b) **Use of price collars**: demand-side floor prices

Exhibit 3: SkyPower recommendations on pilot design

Recommendation #5. Funding structure

5.A – Allocation of public funds	Common auctions

SkyPower recommendation: **Member State funds should, to the greatest extent possible, be aggregated,** rather than allocated to country-specific auctions, provided that such aggregation does not delay the achievement of critical milestones, including FID in 2026 or early 2027 and COD in 2030–2031[20].

Clarification: this recommendation concerns supply-side auctions, where the size of the capital envelope available directly determines the e-SAF volumes that can be supported.

Rationale: aggregating public funds maximises the effective funding envelope available in each auction round. A larger envelope increases the annual volumes that can be supported and therefore the likelihood that at least one commercial-scale project can secure sufficient revenue certainty to reach FID. It also enables support for larger e-SAF projects with stronger economies of scale, which presents two important benefits. First, the lower unit production costs of larger e-SAF projects can translate into more competitive bids, which can decrease the liabilities that public funding must cover by reducing the gap between production costs and buyers' willingness to pay. Second, lower unit production costs send favourable signals to the market about the cost-effectiveness potential of e-SAF.

5.B – Liability coverage model	Risk-adjusted coverage

SkyPower recommendation: **funding Member States should aim to adopt a risk-adjusted approach to liability coverage**, whereby the need for capitalisation is reduced as much as reasonably feasible through auction design safeguards and/or external guarantees.

Clarification:

- Under a full liability coverage model, public funds must cover the full nominal value of long-term purchase liabilities incurred by the market intermediary, regardless of expected sales revenues from buyers, limiting the volumes of e-SAF that can be supported.
- A conservative risk-adjusted liability coverage model recognises that certain risks can be mitigated through design parameters and risk-sharing mechanisms, thereby reducing the level of public funds that must be immobilised upfront.
- Specific safeguards and structural mechanisms that can reduce liability exposure are discussed in subsequent sections of this annex.

Rationale: requiring public funds to stand behind the entire contractual value of awarded supply-side contracts, even where risks are mitigated or unlikely to materialise, can immobilise significant resources and constrain supported volumes. A risk-adjusted liability coverage model thus frees up capital to contract additional e-SAF within the same budget envelope. See Box 1 for more detail.

Recommendation #6. Auction phasing

6.A – Contract duration	**Supply side** = 10 years / **Demand side** = 3 years

[20] There are successful precedents of Member States aggregating public funds to support the development of low-carbon fuels, such as the 2025 collaboration between the German and Dutch governments for the import of renewable hydrogen. More information here.

SkyPower recommendation: **10-year contracts should be awarded on the supply side and 3-year contracts on the demand side**. **Contract durations should be pre-determined and standardised** across participants within each auction round to avoid volumes falling out of sync, which would either leave portions temporarily uncontracted or require the organisation of frequent, small-scale auctions with limited participant interest due to insufficient scale. Without standardisation, there will also likely be distortion of price signals, and a more complicated winner-selection process which is unlikely to minimise the gap covered by public funds.

Clarification: contract duration refers to the period over which auction-awarded purchase (on the supply side) and sales (on the demand side) agreements apply.

Rationale:

- *Supply-side*: a 10-year duration represents the minimum period that producers and lenders have indicated is necessary to provide sufficient revenue certainty to unlock FID. Shorter durations would undermine project bankability. While longer durations may be attractive to some producers, they would increase the liabilities assumed by the market intermediary and therefore reduce the overall volume of e-SAF supported. A 10-year term therefore strikes an appropriate balance between bankability and capital effectiveness.
- *Demand*-side: a 3-year duration enables offtakers to remain flexible in the market with a much shorter commitment than they would typically have to make in a bilateral e-SAF offtake agreement. At the same time, a 3-year duration provides greater capital effectiveness than shorter-term contracts. Once volumes are contracted with buyers, the corresponding liability exposure is transferred from the intermediary to the buyer, allowing previously immobilised public funds to be recycled into additional supply-side e-SAF auctions. A three-year term therefore strikes a balance between flexibility for buyers, avoiding locking-in to a high premium, and accelerated scaling of supported volumes.

6.B – Sequencing of first supply- and demand-side auctions	Back-to-back

SkyPower recommendation: **the first demand-side auction should be organised as closely as possible following the first supply-side auction (e.g., late 2026 or early 2027)**[21]. If the full volume for the initial demand-side contracting period is not sold in that round, follow-up demand-side auctions should be organised in 2028 and, if necessary, 2029 until the full volume is contracted.

Explainer on auction sequencing:

- The sequencing of supply- and demand-side auctions is an important parameter because it determines how the liability exposure to the market intermediary evolves over time and how quickly public funding can be recycled.
- Under the proposed structure, a first supply-side auction organised in 2026 would award 10-year purchase agreements to producers covering the period 2030–2039 (inclusive)[22].
- Several demand-side auctions would subsequently be organised to sell the corresponding volumes under shorter-term contracts.

[21] Ideally with technology
and project delivery risk covered externally, outside of the market intermediary.
[22] Or 2031-2040 inclusive, depending on the project timelines.

- Crucially, each time volumes are contracted through a demand-side auction, the intermediary's net liability exposure is reduced by the corresponding amount. This frees up previously immobilised public funding, which can then be recycled into additional supply-side auctions.
- For the purposes of this pilot, the critical design question concerns the sequencing of the first supply- and demand-side auctions.

Rationale: organising the first demand-side auction back-to-back with the supply-side auction accelerates capital recycling and enables additional supply-side volumes to be supported sooner, increasing the likelihood of unlocking an FID through the first auction in 2026[23]. Early demand-side price discovery also creates much-needed market transparency at a formative stage of the e-SAF market, providing credible price references that can catalyse bilateral offtake discussions beyond the pilot. From a buyer's perspective, securing volumes sooner reduces compliance risks for unsuccessful bidders by allowing sufficient time to secure alternative supply ahead of the first ReFuelEU compliance window. It also reduces buyers' exposure to higher auction prices, as the threat of penalties is likely to influence bids more strongly as we approach 2030.

Recommendation #7. Bidding principles

7.A – Bid size	Bidder-defined

SkyPower recommendation: **bid volumes should be defined by bidders**, rather than pre-set by the market intermediary.

Rationale: bidder-defined volumes increase the likelihood that projects can tailor bids to reach FID and that buyers can contract volumes aligned with their needs. Intermediary-defined lot sizes risk being misaligned with commercial realities, which could deter participation.

7.B – Pre-auction information	Winning projects / designated delivery hubs

SkyPower recommendation: designated delivery hubs should be disclosed to **supply-side bidders** before they submit their bids, and winning projects together with the designated delivery hubs should be disclosed to **demand-side bidders** before the latter submit their bids.

Rationale: providing this information in advance enables producers and buyers to assess whether participation is economically and operationally viable. In particular, it allows supply-side bidders to factor transport costs into their bids and demand-side bidders to account for transport, blending, and other logistical costs.

7.C – Bid format	Fixed price and volume

SkyPower recommendation: bids on both sides should be submitted as a **fixed price** (expressed in EUR per tonne of SBC) for **a fixed annual volume** over the contract duration.

Rationale: a standardised bid format is essential to ensure objective price-based comparison and selection and clear price discovery. Fixed-price bids:

- Allow the market intermediary to accurately calculate liability exposure and optimise capital allocation.

[23] A key requirement is that, in the event of supply-side delivery risks that prevent purchase contracts from being fulfilled, offtakers must still honour the financial commitments under the sales agreements, while any associated penalty exposure is mitigated entirely.

- Provide producers with revenue visibility and buyers with cost certainty.

7.D – Buyer volume options	Option to resell volumes / Option to acquire additional volumes

SkyPower recommendation: contracts should allow buyers to resell volumes secured through the auction within the EU/EEA should they no longer require the full contracted volumes for their internal operations. In addition, buyers should be permitted to contract additional volumes from winning producers, subject to available production capacity and mutual agreement between the parties.

Rationale:

- Allowing resale of contracted volumes increases flexibility for buyers facing evolving demand, operational changes, or portfolio rebalancing needs, without undermining the integrity of auction-awarded commitments.
- Enabling buyers to secure additional volumes where capacity exists facilitates larger volumes of e-SAF to flow through existing logistical arrangements.

7.E – Protection for producers and buyers	Take-or-pay obligations / Penalty exposure mitigation

SkyPower recommendation: the auction mechanism should include appropriate protections for both buyers and producers. Where contracted volumes are not delivered for **reasons demonstrably outside buyers' control**, buyers' regulatory **penalty exposure should be mitigated proportionally to the undelivered volumes**. At the same time, **producers** should benefit from robust payment protection, with the market intermediary subject to **take-or-pay obligations** under which it remains fully obliged to honour payment commitments under awarded contracts irrespective of resale outcomes on the demand side or subsequent regulatory changes.

Clarification:

- Eligibility for buyer-side penalty mitigation should be conditional upon the buyer having fulfilled its contractual payment obligations for the relevant volumes.
- Mitigation should apply both to the financial penalties and to any associated make-up obligations under ReFuelEU Aviation.
- Producer-side protection should ensure that awarded supply contracts remain bankable and are not undermined by shortfalls in downstream offtake or by adverse regulatory developments occurring after contract award.

Rationale: a credible pilot auction requires balanced protection on both sides of the market. Buyers that have entered binding contracts through the auction mechanism, fulfilled their financial commitments, and taken all reasonable steps within their control to comply with regulatory obligations should not be exposed to penalties arising from factors outside of their control. Equally, producers need confidence that the market intermediary will stand behind its payment obligations for contracted volumes, irrespective of downstream sales performance or future regulatory changes, if the auction is to provide the revenue certainty required to unlock FID.

Recommendation #8. Auction mechanics

8.A – Winning bid selection criteria	Price only

SkyPower recommendation: **winning bids should be selected solely based on price**, both on the supply side and on the demand side.

Clarification:

- On the supply side, bids should be ranked from lowest to highest price. The project with the lowest price is awarded a contract for its bid volume, followed by the second-lowest, and so on, until the available funding envelope is fully allocated.
- Similarly, on the demand side, bids should be ranked from highest to lowest price. The bidder offering the highest price is awarded its requested volume first, followed by the second-highest bidder, and so on, until the available volume is fully contracted.
- Where delivery to designated hubs is included in supply-side bids, the total bid price should be transparently disclosed, upon publication of results, as a breakdown between the SBC production price and associated logistics costs to ensure the auction provides accurate and comparable market signals on underlying production economics.

Rationale: selecting winning bids solely based on price delivers three key benefits. First, it maximises capital effectiveness by identifying the lowest supply-side price and the highest demand-side price, thereby minimising the gap that public funding must bridge. Second, it ensures that the allocation process is simple, transparent and objectively verifiable. All participants will already have met robust eligibility criteria and therefore be sufficiently credible and delivery-ready. There is no need for additional qualitative scoring once this threshold has been satisfied. Third, a price-only approach strengthens the clarity of market signals generated by the auction, reinforcing its role in supporting broader market formation.

8.B – Use of price collars	Demand-side floor prices

SkyPower recommendation: **a price floor should be introduced on the demand side only**, aligned with a credible and publicly recognised European price benchmark for SAF (e.g., HEFA prices)[24].

Clarification:

- The demand-side price floor should reflect a realistic minimum market willingness to pay (e.g., observed current EU HEFA market prices). In reality, clearing prices are likely to be much higher given the separate sub-mandate for e-SAF, the much higher production costs and expected penalties.
- No ceiling price should be applied on the demand side. If the ceiling price was to be set below the expected penalty level, the winner selection process may be distorted, requiring a distribution of equal volumes to multiple bidders at the ceiling price defined.

Rationale: introducing a demand-side price floor could be used as a means to reduce the intermediary's liability exposure. By excluding unrealistically low bids, the maximum price gap that public funding must cover is reduced, which lowers the liabilities that need to be provisioned and therefore increases the volume of e-SAF that can be supported within a fixed budget envelope.

[24] For example, the floor could be aligned with publicly reported HEFA price levels observed in the European Union by recognised entities such as the European Union Aviation Safety Agency (EASA), or comparable authoritative market sources.

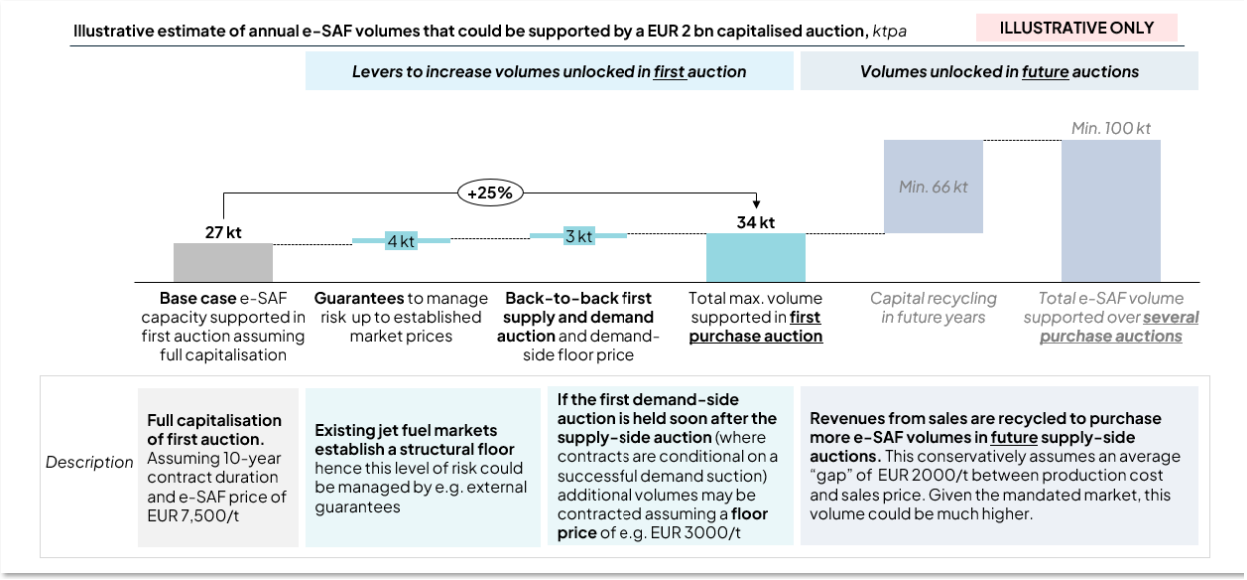
Box 1: Auction design could be used to increase capital efficiency under certain conditions

A combination of external guarantees (or similar), back-to-back first supply and demand-side auctions and the use of a reasonable price floor, could increase the e-SAF volumes supported in the first supply-side auction by approximately 25%.

First, the existence of a liquid conventional jet fuel market materially limits downside price risk. It is unlikely that the intermediary would be unable to resell contracted volumes at or above the HEFA price, or at least at the prevailing jet fuel price plus ETS cost. This structural market floor reduces effective exposure relative to full nominal contract value. By recognising this reduced risk, for example through external guarantees or a buyer-of-last-resort arrangement covering prices down to this benchmark, a portion of committed capital could be freed, enabling an estimated ~15% (or higher) increase in supported volumes in the first auction.

Second, additional volumes could be contracted if supply-side awards were made conditional[1] on a successful demand-side auction with a realistic demand-side price floor (e.g. aligned with observed HEFA market prices). By narrowing the expected price gap ex ante and reducing the intermediary's maximum liability exposure, this approach could enable a further ~10% increase in annual e-SAF volumes contracted in the first supply-side round.

Design choices in the 2026 pilot auction could increase supported volumes by ~25%



Operational set-up

Beyond eligibility and auction design, the pilot's success will also depend on its operational practicality. Product specifications and logistical arrangements must reflect existing infrastructure realities and supply chain constraints to reduce implementation risk, facilitate participation across the value chain, and ensure that auction-awarded volumes can be delivered efficiently in practice.

SkyPower members' recommendations on operational set-up are summarised in the framework below and unpacked in the ensuing sub-sections.

OPERATIONAL SET-UP	
9 Distribution of responsibilities	**10 Location of delivery and uplift points**
a) Processing responsibility: producers to deliver synthetic blend component (SBC, i.e., neat e-SAF) to pre-defined location; buyers to blend into Jet A1 and transport to uplift point	**a) Delivery point(s):** one or more logistics hubs designated by funding MS **b) Uplift point(s):** geographic scope defined by funding MS with state aid and minimum competition guardrails; ideally, anywhere in the EU/EEA

Exhibit 4: SkyPower recommendations on operational set-up

Recommendation #9. Distribution of responsibilities

9.A – Distribution of responsibilities	**Producers:** deliver SBC to pre-defined location **Buyers:** blend into Jet A1 and transport to uplift point

SkyPower recommendation:

- **The product contracted and delivered under the pilot auction should be the synthetic blend component (SBC)**, i.e. neat e-SAF prior to blending into Jet A1 specification.
- Contracts should allocate responsibilities such that:
  - Producers deliver (or arrange the delivery of) SBC to an agreed delivery point;
  - Offtakers assume responsibility for the product, its transport, blending and uplift beyond that point.

Clarification:

- The SBC delivered under the contract should be fully compliant with ReFuelEU Aviation requirements for synthetic aviation fuels, including synthetic low-carbon aviation fuels.
- Producers and buyers may organise the execution of their responsibilities directly or via third-party logistics providers.
- Title transfer should occur at the agreed delivery point, after delivery of the SBC by the producer.

Rationale: this recommendation ensures that product specification and responsibility allocation fairly reflect the current market realities of blending infrastructure access and ownership, and operational control across the value chain. Most e-SAF producers do not have access to blending facilities or airport fuel farms, whereas fuel suppliers and occasionally self-supplying airlines manage blending and downstream distribution within established supply chains. Aligning responsibilities accordingly therefore avoids imposing unrealistic requirements on producers and allocates operational risks to the parties best positioned to manage them.

Recommendation #10. Location of delivery and uplift points

10.A – Delivery point(s)	Logistical hub(s) designated by funding Member States

10.B – Uplift point(s)	Geographic scope defined by funding MS with state aid and minimum competition guardrails

SkyPower recommendation: in the absence of a book-and-claim system[25], the **delivery point should be one or more designated hub(s)** specified by the funding Member State(s) meeting pre-defined objective criteria. The **geographic scope for uplift may be defined by contributing Member States**, provided that the resulting framework preserves a sufficient level of demand-side competition and complies with EU State aid rules. Where possible, and to preserve the competitive dynamics of the pilot, the geographic scope for **uplift should ideally extend to any airport within the EU or EEA**.

Clarification:

- While a fully flexible system, under which both delivery and uplift could occur anywhere in the EU or EEA, would maximise logistical efficiency and enable optimal matching between producers and buyers, SkyPower members recognise that such an approach is better suited to a more mature and liquid market, or to a larger-scale EU-wide instrument.
- In the context of a first pilot auction, we also recognise that funding Member States will seek to ensure tangible national benefits linked to their financial contribution.
- To balance efficiency with political feasibility, we recommend the following structure:
    - The funding Member State(s) may designate one or more eligible delivery hubs. The designated hub(s) may be located in the funding country, but this is not a requirement.
    - To support broad market access and cost-effective logistics, these hubs should be:
        - Established, open-access liquid fuel trading hubs;
        - With marine, barge and/or truck loading access; and,
        - With storage infrastructure for jet-range hydrocarbons.
    - Contributing Member States may define the geographic scope for uplift, but only to the extent that a sufficient level of demand-side competition is preserved and the resulting framework remains compatible with EU State aid rules. In practical terms, this could be operationalised by ensuring that at least a minimum number of eligible bidders (e.g. five) remain able to participate in the demand-side auction.
    - Where possible, and to preserve competitive dynamics, the geographic scope for uplift should ideally remain as broad as possible, up to any airport within the EU or EEA.

Rationale: This structure represents a pragmatic compromise between economic efficiency and Member State incentives.

- **For industry**, broad uplift flexibility preserves demand-side competition, avoiding the risk of excessively low bids. It ensures that logistical costs remain manageable and predictable, as delivery hub locations are known ex ante and can be factored into bids.
- **For funding Member State(s)**, it delivers tangible economic and strategic benefits:
    - i) competitive advantages for local producers and buyers because of reduced distances to/from the designated delivery hub(s) and thus lower logistics costs and potentially existing access;
    - ii) contracts for local logistics providers supporting direct and indirect local jobs;
    - iii) incentives for additional investments in national fuel infrastructure given the long-term lifecycle of the auction; and,

[25] See Box 2 on Implications of a book-and-claim system on operational delivery.

- iv) a build-up in e-SAF experience for the national fuel industry.

Box 2: Implications of introducing an e-SAF book-and-claim system

Project SkyPower is supportive of the introduction of an EU-recognised book-and-claim (B&C) system for the following reasons:

- **First, B&C would improve the competitive efficiency of the pilot auction.** By decoupling sustainability attributes from physical fuel flows, it removes geographic delivery constraints and allows projects to compete on equal terms. Allocation would be driven purely by price and certified volumes rather than logistical positioning, strengthening price discovery and increasing the probability that support flows to the most cost-effective producers and highest paying buyers.
- **Second, B&C would reduce total system costs and lower structural barriers to participation.** Eliminating designated delivery hubs avoids unnecessary transport, storage, and handling costs. Producers can optimise blending within existing supply chains, while buyers are no longer required to manage physical logistics. This particularly benefits new entrants and participants with limited access to blending facilities or airport infrastructure, creating a more level playing field.
- **Third, B&C would strengthen long-term market development and scalability.** By removing dependence on specific physical delivery or uplift locations, it enables broader participation and facilitates a liquid market. It also aligns the pilot with the likely evolution of harmonised EU registry and accounting systems, future-proofing the mechanism.

If a B&C system were put in place, the following recommendations would change:

- **Producers would remain responsible for ensuring that compliant e-SAF volumes are ultimately blended into and placed within the EU aviation fuel system**, typically through contractual arrangements with aviation fuel suppliers or other authorised operators responsible for physical blending and distribution.
- **Buyers would have no logistics responsibilities**, receiving verified sustainability attributes through the recognised registry system rather than taking physical delivery of SBC.
- **No specified delivery point or uplift point would be required**, as compliance would be ensured through attribute tracking rather than predefined physical locations.

Conclusion

The 2026 double-sided auction pilot is a critical opportunity to convert Europe's e-SAF ambition into a bankable reality. With the right design, it can unlock the first commercial-scale FID, establish credible price signals, and demonstrate that e-SAF can be scaled efficiently within a disciplined public funding framework.

The recommendations set out in this letter are grounded in cross-value chain consensus and focused on one primary objective: maximising the probability of FID in 2026 or early 2027 while ensuring capital effectiveness and competitive integrity. A well-structured pilot will not only deliver a first project, but it will also provide a credible blueprint for larger-scale EU-level auctions from 2028 onwards.

SkyPower and its members stand ready to continue supporting the European Commission and the Early Movers Coalition in translating this pilot into a successful launchpad for Europe's e-SAF market.