S&P Global Platts Launches First Sustainable Aviation Fuel Price Assessments in Europe

New Assessments Add Transparency to Opaque Market to Aid Sector's Energy Transition

LONDON, Aug. 17, 2020 /PRNewswire/ -- S&P Global Platts ("Platts"), the leading independent provider of information and benchmark prices for the commodities and energy markets, today announces the launch of the first-to-market Sustainable Aviation Fuel (SAF) price assessment in Europe to bring additional transparency as the industry embraces energy transition.

Vera Blei, head of oil markets pricing, S&P Global Platts, said: "Despite an environment where airlines are under exceptional pressure from demand destruction, the green agenda is still being progressed and airlines remain committed to decarbonization. While the Sustainable Aviation Fuel market evolves with the emergence of a spot market, our new cost-based assessment will add critical transparency allowing market participants to compare the price of traditional jet fuel with the cost of new Sustainable Aviation Fuel."

In 2019, aviation accounted for over 6% (around 220 million tonnes) of total annual energy CO2 emissions in Europe, according to estimates by S&P Global Platts Analytics, with 0.2 tonnes of CO2 emitted for every thousand passengers carried. Intra-EU aviation emissions covered by the EU ETS carbon program totalled 70 million tonnes that same year. Earlier this month, the EC launched a public consultation on measures to reduce greenhouse gas emissions in the aviation sector, inviting citizens and interested parties from industry and society to share their views and ideas.

The new daily S&P Global Platts Sustainable Aviation Fuel cost-based price assessment will be published from August 17, 2020, and reflects the cost of SAF produced from used cooking oil on an ex-refinery basis in Northwest Europe. The daily price assessments, published in dollars per metric ton, reflect the production cost of SAFs for blending into jet fuel.

With increased focus on transitioning towards a lower carbon future, cleaner fuels are emerging as a compelling solution to achieve emissions reductions within the aviation sector itself, rather than through the purchase of outside offsets - even as consumer awareness grows around the environmental impact of transportation. S&P Global Platts is already considering additional assessments in other geographies, including the US and Asia.

Roman Kramarchuk, head of energy scenarios, policy and technology, S&P Global Platts Analytics, said: "COVID-19 has led to an unprecedented decline in global air travel, with S&P Global Platts Analytics estimating a 32% reduction in jet fuel consumption in Europe in 2020, though activity is expected to recover by mid-decade. The EU's aspiration to be net-zero by 2050 is pressuring the aviation sector's rebound to be sustainable. Current volumes of delivered SAF in Europe have been estimated at 0.05% of total jet fuel consumption. But maximizing production capacity could push this higher and full production together with additional incentivized uptake, could see SAFs speed up the rate of carbon-intensity improvement of European air travel by as much as 50% by 2030."

Decarbonization incentives include tighter EU emissions reductions targets (with intra-EU flight covered under the EU ETS) and the International Civil Aviation Organization's (ICAO's) market-based Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) program.

An increasing number of airlines have made forward-looking commitments to decarbonize and an emerging pathway involves the integration of SAF into supply chains. While there are only seven airports in Europe taking active deliveries of SAF, an equal number have signed on to accept batch deliveries from pilot SAF production facilities, primarily in Scandinavia.

The new Platts SAF assessments follow extensive consultation with producers, consumers, traders and others in the European oil and biofuel markets as the demand for sustainable aviation fuel grows in consumption and supply.

The Platts SAF assessment assumptions have been calculated by S&P Global Platts Analytics based on existing Platts assessments and other fixed costs. The SAF inputs are costs of Used Cooking Oil CIF ARA and Hydrogen Netherlands, added to fixed renewable biojet refinery costs, then deducting the by-product credits to include FOB ARA Propane, Naphtha CIF NWE cargoes and Diesel CIF NWE ARA Cargoes. S&P Global Platts will review the specifications and assumptions going forward based on market feedback and as the SAF market develops.

Additional details about the S&P Global Platts Sustainable Aviation Fuel cost-based price assessment methodology can be found in the Subscriber Note.

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For further information: Americas: Kathleen Tanzy +1 917 331 4607, Kathleen.tanzy@spglobal.com, Asia: Melissa Tan +65 6597 6241, Melissa.tan@spglobal.com; EMEA: Alex Brog +44 207 176 7645, alex.brog@spglobal.com and Russ Gerry +44 207 176 3569 Russell.gerry@spglobal.com

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