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20 June 2024

Dear [redacted]

Thank you for the opportunity to comment on the extension of investigation AD0058 to include SAF.

We do not see that such an extension is necessary and set out the reasoning below.

SAF Availability

Phillips 66 Limited (P66L) is the only UK producer of SAF at scale. P66L production is via co-processing at our Humber Oil Refinery.

It is not expected that SAF production in the EU and GB will match demand following the introduction of the SAF mandate[1] without the creation of new production capacity, or without all existing biofuel production transferring to SAF. Therefore, within the EU and GB it is likely that SAF production will fall below demand for the period past the year 2030.

Specifically in relation to GB, the Advanced Fuels Fund (AAF) supports the development of SAF production in the UK. If all AAF funded plants go live and produce at their planned capacity, in 2028 when most are due to be online (which seems unrealistic given our experience in the industry), total UK production would be 800-900 kt. Whereas the Mandate would be 6.8%, ~750kt. Two years later, 2030, a further 400kt capacity is needed to meet the 10% target.

It seems counter intuitive, at this time, to put in place economic obstacles that will limit the volume of SAF available in the GB and hinder GB reaching its 2030 minimum target of 10% aviation fuel from renewables by 2030.

Down-grading

One of the alleged risks that is being addressed by the extension of AD0058 to include SAF is its use as a replacement for biodiesel (or HVO) as a blend in diesel. The current prices are:

Product	Price - $/MT (Argus @ 18/06/2024)[2]
Biodiesel	1354.5
HVO	1594.46
SAF	2050.89

[1] https://www.easa.europa.eu/eco/eaer/topics/sustainable-aviation-fuels/current-landscape-future-saf-industry
[2] See Annex 1

It would therefore be uneconomical to purchase SAF (which currently trades at a significant premium to both HVO and biodiesel) blend it in diesel in place of HVO or biodiesel.

Additionally, for SAF to be used as an aviation fuel blend it must be certified to the ASTM 7566 standard. This standard will stipulate the conditions of use and takes more than two years to obtain.

Given the producers investment in production and in obtaining approval, and the pricing differential between the products, substitution of biodiesel/HVO for SAF is unrealistic.

Commodity code

The current list of commodity codes being investigated under AD0058 are all heavy oils or heavy oil blends with biofuel/HVO.

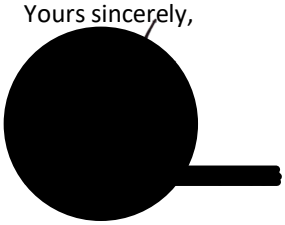
2710 19 4#; or
2710 20 1#

Whereas aviation fuel and SAF are medium oils (kerosenes) and fall in the CN range 2710192#. Both kerosene and aviation grade kerosene are specifically defined within the GB (and EU) tariff[3] and are distinct from heavy oils based on their distillation range and other characteristics. P66L is not aware of any SAF that falls into the heavy oil range (or out of the medium oil range).

To the extent that the TRA is aware of a SAF, approved under ASTM 7566, that has a commodity code outside of the kerosene range please could we be notified so that we can incorporate those into the SAF Obligation reporting solution that we are feeding into with the DfT.

I hope that this a sufficient explanation. If further comment is needed, please contact me.

Yours sincerely,



[3] https://assets.publishing.service.gov.uk/media/662938db3b0122a378a7e722/creating-the-UK-saf-mandate-consultation-response.pdf & Official Journal C 119/29 M (europa.eu)

Argus pricing @ 18 June 2024

Issue 24-120 | Tuesday 18 June 2024

PRICES

Biofuels spot prices			$/t
	Bid	Ask	±
RED biodiesel fob ARA range			
Palm OME	1,240.00	1,250.00	-3.00
Rapeseed OME	1,291.00	1,301.00	-9.00
Soya OME	1,267.00	1,277.00	-3.00
FAME 0°C CFPP	1,265.00	1,275.00	-3.00
FAME -10°C CFPP	1,288.00	1,298.00	-8.00
UCOME	1,354.50	1,364.50	-7.23
Tallow OME	1,319.50	1,329.50	-7.23
POME OME	1,334.50	1,344.50	-7.23
Advanced FAME 0°C CFPP	1,449.50	1,459.50	-7.23
RED marine biodiesel (VLSFO blend)			
B30 (UCOME) dob ARA range	817.00	827.00	-18.00
B24 (UCOME) dob Algeciras-Gibraltar	786.50	796.50	+6.00
	Mid		±
B20 (Advanced Fame 0°C) dob ARA range	719.22		+6.07
B30 (Advanced Fame 0°C) dob ARA range	784.58		+4.35
B100 (Advanced Fame 0°C) dob ARA range	1,227.11		-7.65
RED hydrotreated vegetable oil (HVO) fob ARA range			
HVO (Class I) diff to 7-28 days Ice gasoil* $/m^3$	+524.50	+534.50	nc
HVO (Class I) diff to 7-28 days Ice gasoil*	+672.44	+685.26	nc
HVO (Class I)	1,516.90	1,529.72	+13.48
HVO (Class II) diff to 7-28 days Ice gasoil* $/m^3$	+585.00	+595.00	+25.00
HVO (Class II) diff to 7-28 days Ice gasoil*	+750.00	+762.82	+32.05
HVO (Class II)	1,594.46	1,607.28	+45.53
HVO (Class III) diff to 7-28 days Ice gasoil* $/m^3$	+544.50	+554.50	nc
HVO (Class III) diff to 7-28 days Ice gasoil*	+698.08	+710.90	nc
HVO (Class III)	1,542.54	1,555.36	+13.48
HVO (Class IV) diff to 7-28 days Ice gasoil* $/m^3$	+565.00	+575.00	+15.00
HVO (Class IV) diff to 7-28 days Ice gasoil*	+724.36	+737.18	+19.23
HVO (Class IV)	1,568.82	1,581.64	+32.71
**HVO-escalated*			
RED sustainable aviation fuel (SAF)			
HEFA-SPK^ fob ARA range			
SAF diff to 7-28 days Ice gasoil* $/m^3$ (14 Jun)	+900.00	+910.00	nc
SAF diff to 7-28 days Ice gasoil* (14 Jun)	+1,184.21	+1,197.37	nc
SAF	2,050.89	2,064.05	+13.83