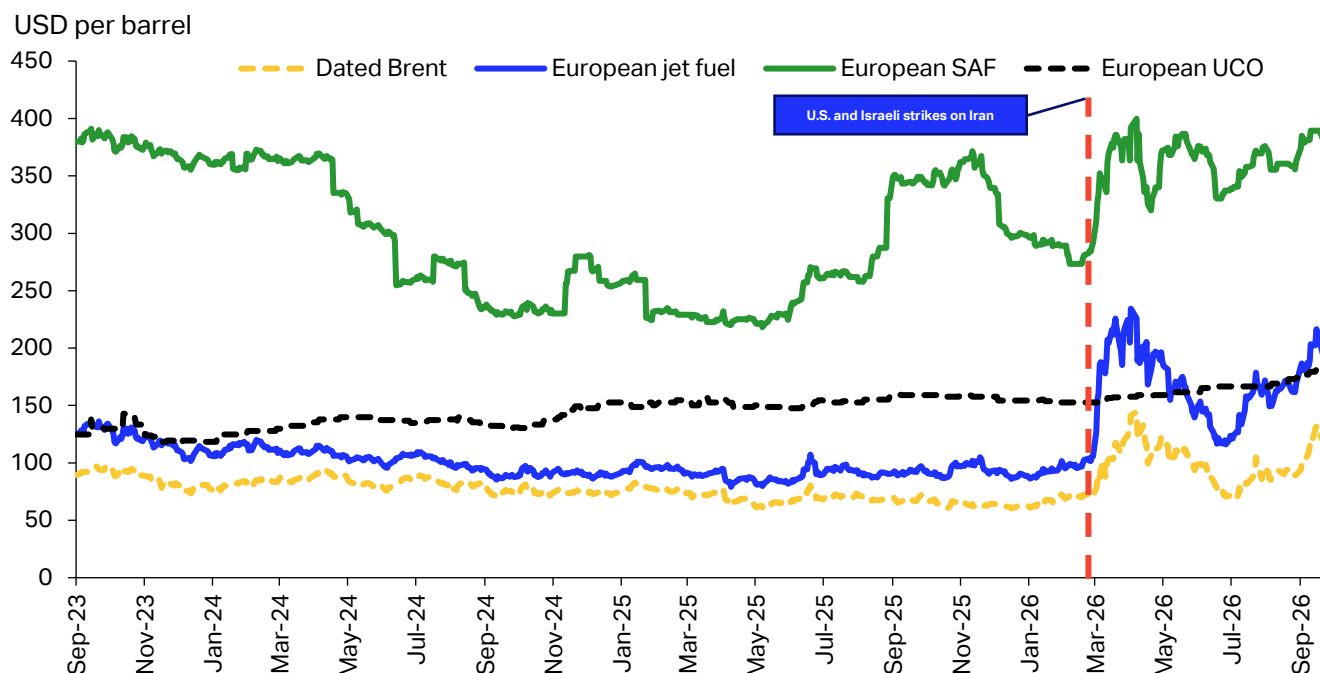


SAF Needs Independent Pricing to Deliver Diversification

Jet fuel, crude oil, SAF, and UCO prices, USD per barrel



Source: S&P Global Energy, IATA Sustainability and Economics

- Alongside reducing emissions, a more developed SAF industry could diversify airlines' exposure away from conventional oil-market risks, strengthening fuel supply resilience and energy security. In principle, the existence of multiple feedstocks and production pathways should reduce dependence on crude oil and its associated price volatility. In practice, however, SAF prices remain closely linked to conventional aviation fuel (CAF) prices, limiting the diversification benefits that SAF could otherwise provide.
- CAF prices closely track crude oil (blue and yellow lines in the chart), while SAF prices show a much weaker relationship with used cooking oil (UCO), an important HEFA SAF feedstock (green and black line). During the early-2026 Middle East disruption, crude oil and CAF prices surged and SAF followed, despite its supply chain being largely separate from the disruption and UCO prices not experiencing a comparable increase, underscoring the strong price linkage between SAF and CAF.
- A key reason for this is the limited maturity and liquidity of SAF markets. SAF is typically priced as a premium to CAF with a relatively small number of physical transactions providing only weak price signals. SAF also lacks a liquid derivatives market to support price discovery. Compliance demand is another major driver as seen in September 2025 when SAF prices surged as suppliers rushed to meet EU mandate requirements.
- Greater liquidity will be critical for SAF prices to better reflect their own market fundamentals and become less reliant on conventional jet fuel benchmarks. Strong and stable policy support can help scale supply and demand, including measures to improve project bankability and address the SAF-conventional fuel cost gap. As traded volumes grow and the market matures, SAF pricing benchmarks should increasingly reflect key input costs and SAF-specific supply-demand fundamentals.

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