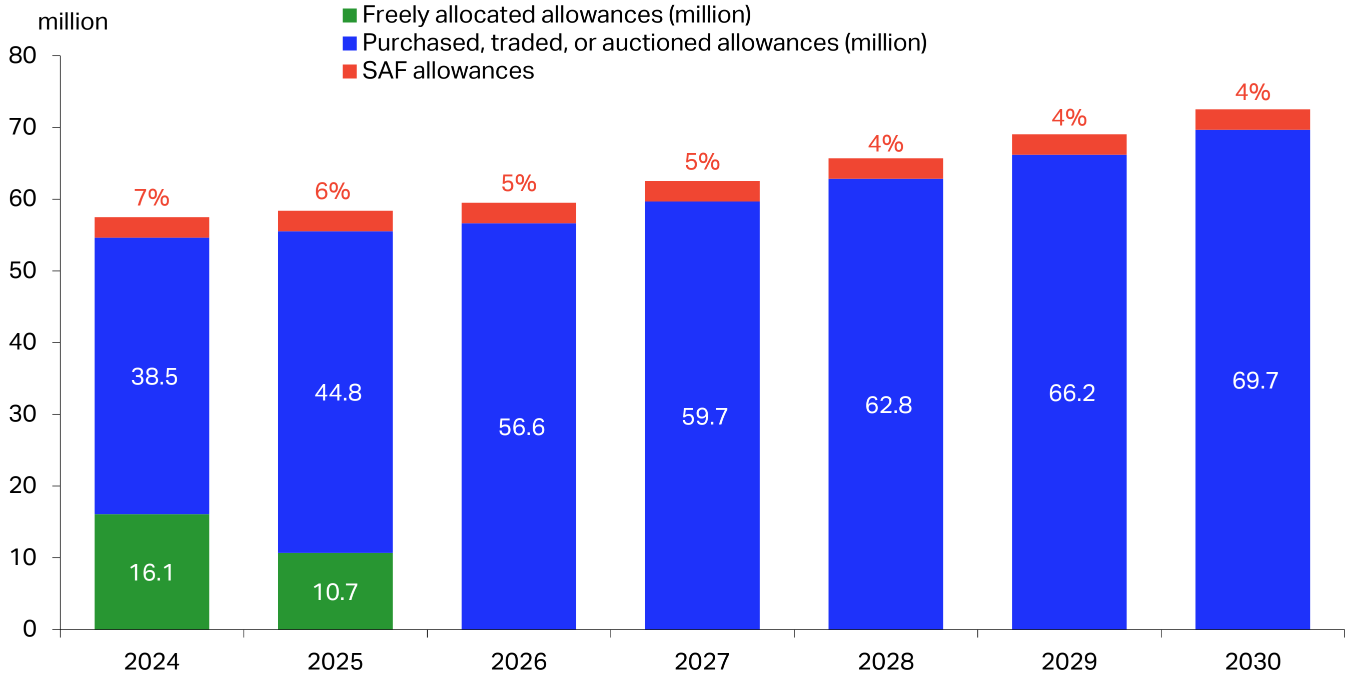
Chart of the Week

29 August 2025

The benefit of the EU ETS SAF allowances is limited

Estimated annual demand for EU ETS allowances from the aviation sector (2024 to 2030)



Source: IATA Sustainability & Economics based on data from EASA European Aviation Environmental Report 2025
Note: The projected allowance requirements for 2027–2030 are derived using the compound annual growth rate (CAGR) calculated from historical and estimated emissions data spanning 2013 to 2026, assuming the current application scope of the EU ETS is retained. The annual SAF allowance estimates are based on an average distribution of allowances over the scheme's duration and do not account for actual SAF uptake in individual years.

- With the intention to encourage the use of Sustainable Aviation Fuels (SAF) in the European Union (EU), the EU Emissions Trading Scheme (ETS) SAF Allowance scheme was introduced to cover a certain portion of the SAF premium. The scheme allows for allocating a maximum of 20 million allowances to airlines that use SAF between 2024 and 2030. In theory, the greater the price difference between conventional fuel and SAF, and the higher the volume of SAF used by airlines, the more SAF allowances will be allocated. As a result, the mechanism will reduce the number of allowances that airlines need to buy to comply with the EU ETS requirements – a most welcome policy support.
- However, the scheme faces several challenges. Even if all 20 million SAF allowances are allocated, they are expected to cover only a small fraction of what airlines would need to pay under the EU ETS during its Phase IV. For context, airlines acquired over 315 million allowances between 2013 and 2024. In 2025 alone, airlines are expected to require around 50 million allowances, increasing to almost 60 million in 2026. Consequently, the SAF allowances would only cover around 4-7% of estimated annual demand between 2024 and 2030 – and less than 5% over the entire period (red bar in chart).
- From 2026 onwards, airlines will no longer receive free allowances under the EU ETS (green bar in chart), which provided nearly 27 million allowances to airlines between 2024 and 2025, obviously removing that policy support from the market.
- Further complications are that [airlines struggle to claim the SAF purchased in Europe](#) due to the obligation to physically deliver SAF to the departure airport, and there are also concerns over how the premiums are calculated. Without addressing these issues, it is unlikely that airlines will be able to unlock the scheme's potential.

IATA Sustainability & Economics
economics@iata.org