FAQ:

Argus US West Coast SAF

Friday, December 4, 2020 Argus published a daily US West Coast sustainable aviation fuel (SAF) assessment. Developed in close consultation with market participants, the US West Coast SAF assessment represents the major US pricing region with visibility across growing demand and supply centres.

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What is SAF and why is it important?
SAF is the only solution for airlines to fly more sustainably (electrification is not yet a solution). There are 7 different approved ways for making SAF, and the most commonly used is HEFA SAF = Hydro-processed Esters and Fatty Acids. The HEFA process is also used to make HVO (ref. HVO cheat sheet) and little refinery change needs to be made to produce SAF out of HVO. Therefore, HEFA SAF shares the same type of waste feedstocks used to make certain HVOs. HEFA SAF can be blended up to 50% into fossil jet.

It’s still a niche market because there are no regional or global environment regulations: less than 1% of the jet fuel market; but 45 airlines have used it since the first test flight in 2008.

Airlines and reseller of SAF are essentially price takers and SAF is very expensive and the few SAF suppliers and resellers are profiting from this lack of competition and no SAF index.

FAQ

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What is the HEFA SAF process?

Why are these prices important to the industry?
SAF production is limited but many bio-refiners have production plants coming online soon and conventional refiners have already begun to co-process and produce SAF.

In addition, strong interest from airlines and some suppliers/resellers for an index to shed some light on this opaque market. With more environmental regulations coming up, there will be an increasing need for a sound index as more SAF will be tendered.

- Price transparency and market information will provide leading indicators of potential future price moves and enable the industry to respond faster to changing market conditions by anticipating them.

- Companies’ earnings are affected by price fluctuations – having an independent third-party assessment used in the industry will standardize benchmarking and support price risk management

- Optimize your buying and selling timing decisions by having the advantage of price benchmarks in key locations

- Transparent pricing will provide market participants the ability to evaluate margins on procuring supply and delivering to key market locations

- Access to additional market commentary including supply, demand, price trends which will help plants determine lowest cost feedstocks for optimal profitability.

What clean fuel standards on the horizon could grow SAF use?

Canada
- Federal government delayed until autumn publication of proposed regulations for the first phase of its Clean Fuel Standard

- Aims to cut GHG emissions by 30 mn t/yr by 2030

- Liquid fuel portion scheduled to begin in 2022

- Currently, aviation is not regulated, but sustainable aviation fuel will be an eligible credit generator

United States
- California and Oregon’s increasingly tighter carbon intensity targets over the next several years under their LCFS programs will incentivize greater renewable fuels production including SAF

- Other US states including Washington and New York are working to pass clean fuels programs

What is Argus doing about it?
We have been doing SAF related research since late 2019 and consulted with potential producers (i.e fossil and bio refiners), future producers (several 2021 SAF plants), resellers/traders and airlines.

Argus now has a contact base that spans producers, traders/resellers, and airlines and receives reliable pricing information from these contacts on a daily regular basis.
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How is Argus accessing US West Coast SAF?
The US West Coast SAF assessment launched Dec 4, 2020. The Argus price for US West Coast SAF will be published daily in cents/USG and is assessed as the differential of sustainable aviation fuel to Los Angeles conventional prompt jet fuel, excluding federal and state environmental credits. This assessment is based on actual market input hence determined by the market activities and not a calculated price. The Argus assessments are more reflective of activity in the physical SAF market and based on SAF feedstocks. There is no other market based SAF price assessment in the US.

What is the Argus Market Data symbol for US West Coast SAF?
- SAF (sustainable aviation fuel) del USWC – PA0031301

Who should look at the Argus US West Coast SAF assessment?
- Refiners, traders and buyers of conventional and renewable diesel, and conventional jet and SAF
- Feedstock producers, traders and buyers
- Banks and investment agencies
- Technology, EPC providers
- Quality inspectors
- Port and storage operators
- Government agencies planning biofuels policies
- Energy analysts
- All airlines

How do I find out more about renewable energy and other Argus prices and services? Please contact Louise Burke, VP Business Development to learn more about Argus’ renewable energy coverage at louise.burke@argusmedia.com.

To learn more about our biofuels services, please visit https://www.argusmedia.com/en/bioenergy/argus-biofuels or email us at marketingsg@argusmedia.com

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