HEATING OIL MARKET STUDY

Foreword and Executive Summary

15 July 2026

Competition & Markets Authority

Website: www.gov.uk/cma

Foreword

Heating our homes and having reliable hot water are basic needs. For around 1.5 million households across the UK, that depends on home heating oil. Many of these households are in rural or off-grid communities where alternatives are limited, delivery options can be constrained, and running out of fuel can have serious consequences. These consequences can be even more significant for consumers experiencing some vulnerabilities, for example relating to their age, physical health, or financial circumstances. Consumers should be able to rely on this market to provide fair prices, clear information and dependable service, especially when wider energy markets are under strain.

Recently, households that depend on heating oil have been particularly affected by the conflict in the Middle East. This conflict caused significant disruption in global energy markets and a sharp increase in the wholesale price of heating oil. Households experienced significant challenges through rising heating oil bills, uncertainty about supply, and cancelled orders.

The sudden and negative impact from the Middle East conflict felt by heating oil households is why we launched this market study and carried it out at pace. We wanted to understand what was driving the recent price increases, whether competition was working well for consumers, and what practical changes could improve consumers' experience of the market including in the event of further market shocks in future.

The circumstances that led to this study may have been unusual, but the issues it has highlighted are likely to remain relevant. Global uncertainty, geopolitical instability and the continuing transition of the energy system mean that our findings and proposals will continue to matter for heating oil households.

We find that the home heating oil market is generally competitive, but that strong competition is not enough to ensure good outcomes for all consumers. This is a market where strong consumer protections are also needed to ensure that all people are treated fairly when they try to fulfil a basic need, heating their home. Periods of disruption bring the lack of these protections into sharper focus but the underlying vulnerabilities – of the market and of some households – are present all the time.

Under normal conditions, strong competition plays its part for heating oil households: almost all of them have a choice of supplier, prices broadly track wholesale costs, and distributor margins are typically thin. While there is more limited pricing information from commercial online tools in Scotland, households across the UK generally have easy access to information on prices to help them get a good deal.

But that is not the whole story.

Some households face greater challenges, underscoring the limits of what competition alone can achieve. Consumers in remote areas, including parts of Scotland, may have fewer supplier options and face higher prices. These issues are not a sign that competition is failing but are linked to the costs of serving these areas.

There are also clear gaps in the protections available to heating oil households. Consumers connected to the gas and electricity networks benefit from formal safeguards that heating oil customers generally do not have, such as consistent standards of support for vulnerable customers and access to alternative dispute resolution. Industry bodies provide useful support and guidance but this falls short of the protections available to on-grid households. These gaps become especially problematic during periods of volatility, when households are more likely to encounter problems and need confidence that they will be treated fairly, particularly those with vulnerabilities.

During such periods, heating oil households may face substantially higher prices, uncertainty over what they will pay or whether a delivery will arrive, and fewer options for urgent deliveries. The effects were not felt evenly across the UK during the Middle East conflict. Households in Scotland were particularly affected during the Middle East conflict, facing larger price increases due to higher wholesale prices and higher costs of serving remote areas.

The bulk of what households pay for heating oil, including the higher prices seen during the conflict in the Middle East, reflect movements in global wholesale prices. Higher distributor margins during the conflict also contributed but to a much lesser extent. Distributors made higher margins in part because competitive pressure weakened when supply chains were disrupted and demand temporarily exceeded available supply.

So, what needs to change? In short, our proposals are aimed at strengthening protections for consumers who rely on heating oil, increasing transparency so they can be sure they are getting a good deal, and making it easier for consumers to buy the amount of heating oil they need when they need it. These are practical and proportionate steps. They recognise that competition is working in many respects, while also addressing areas where consumers are not getting a good outcome, in particular making sure that consumers are better supported and better placed to manage future periods of volatility.

So we are recommending the introduction of a proportionate regulatory regime designed to ensure that all consumers who rely on heating oil will benefit from stronger protections, and consistent standards across the market at all times, in line with some of the existing regulatory protections for gas and electricity customers. Enhanced, industry-wide codes of conduct, supported by proportionate oversight, would help ensure that all consumers receive clear information, fair treatment, and appropriate support when things go wrong, including by providing them with an easier way to obtain the redress they are entitled to. This is not about replacing competition or introducing excessively burdensome regulation. It is about making sure that, in a market providing an essential household product, competition is supported by the protections that consumers need.

We have seen that a sudden, steep increase in the price of heating oil puts household finances under pressure. Faced with this, consumers naturally look to buy smaller volumes as a means of managing their budgets. But existing rules and regulations, or confusion about what those rules require, are preventing this for many. Their effect is to set a minimum volume of heating oil that suppliers will sell in one go. This means customers can have little choice but to order amounts above these minimum volumes, resulting in outlays of around £500 or more at a time. We are recommending a review of those rules and regulations, to provide clarity on when suppliers can offer lower volumes, and to consider whether the rules could be varied in times of volatility.

In developing our proposals, we have taken account of how the experiences of heating oil households vary across different parts of the UK and have identified additional measures targeted at those areas that are currently facing the most challenging market outcomes. In Scotland, where there are more remote households that face higher prices, fewer supply options and more limited pricing information from commercial online tools, we have set out an option for the Scottish Government to consider that would improve price transparency and help consumers make the choices that are right for them. More broadly, our report can help governments across the UK target support and decarbonisation initiatives towards the consumers who need them most.

We stand ready to engage further with governments, market participants and other interested parties on our recommendations and support their implementation.

In addition, our review of whether distributors' practices raise consumer protection law concerns shows that around 1,700 customers were affected by possible breaches of contract. Whilst those people received refunds for their original order, many had to re-order at significantly higher prices or go without fuel. Following the market study, we will continue to work with suppliers to address the detriment to consumers caused by potential breaches of contract we have identified. In future, we would expect such consumers to benefit from the better regulatory protections we have recommended.

Finally, I would like to thank the consumers, businesses, industry bodies, regulators and government departments who contributed evidence to this work. Their engagement has helped us build a detailed understanding of the market at pace and develop recommendations that will improve outcomes for the households who depend on it.

Sarah Cardell
Chief Executive
Competition and Markets Authority

Executive Summary

Why did we launch a market study?

1. Around 1.5 million households in the UK rely on kerosene to heat their homes and provide hot water (**home heating oil**).[1]

2. In March 2026, the onset of the conflict in the Middle East and resulting disruption in the Strait of Hormuz (the **Middle East conflict**) drove up the wholesale price of crude oil – impacting, among other things, the price of home heating oil. During this time, the CMA heard concerns from consumers about the increased price of home heating oil and their experiences with retail suppliers (**distributors**).

3. While the circumstances of this most recent shock are unique, disruption in the supply of home heating oil is not. 2022 saw a major spike in the price of home heating oil following the start of the conflict in Ukraine. Severe weather conditions during the winter of 2010/2011 led to demand spikes, breakdowns in supply and significant price increases.[2] Given this history, ongoing global political unrest leading to supply chain disruption, and increased episodic extreme weather as a result of climate change, we can expect that periods of volatility will continue to be a feature of this market in the future. As the home heating oil market contracts with the shift to lower carbon technologies, the market is likely to become less resilient to future shocks and the potential harm even greater for those left using heating oil.

4. Similarly, concerns about poor consumer outcomes in the home heating oil market are not new. The CMA, Ofgem and the Utility Regulator/Consumer Council for Northern Ireland (CCNI)[3] have previously highlighted that consumer protection measures that are available to on-grid energy customers are not in place for the supply of home heating oil.[4] Many consumers who rely on home heating oil are

[1] Heating oil includes both gas oil and kerosene, which are 'middle distillates', produced from distillation of crude oil. However, kerosene is the type of heating oil most commonly used domestically, whereas gas oil is mainly used for agricultural or light industrial work. Office of Fair Trading (**OFT**), Off-Grid Energy – an OFT market study, October 2011 (OFT1380) (the **OFT Off-Grid Energy market study**) paragraphs 4.5-4.6. Kerosene-based heating oil may also be used in commercial contexts (eg to heat a pub). For the purpose of this report we use **home heating oil** to refer to kerosene-based heating oil used in domestic central heating systems, unless otherwise specified.

[2] This prompted the OFT to launch its 2011 market study into off-grid energy.

[3] Lessons Learned from Other Jurisdictions on Consumer Protections in the Energy Transition: Literature Review for UREGNI/CCNI Call for Evidence on future framework for Consumer Protection during Energy Transition, December 2022.

[4] Specifically: a lack of protection for consumers in debt/suffering financial difficulty; no supplier of last resort; no obligation on suppliers to ensure security of supply; no formalised regulations on charging – allowing scope for price discrimination – and limited options for payment methods; no access to mandatory independent alternative dispute resolution (ADR) or ombudsman (the ombudsman covering only Great Britain); and no Priority Services Register-type services of equivalent non-financial services to address consumer vulnerability and no requirement to provide energy efficiency information or advice. See: the CMA's response to the Department for the Economy's call for evidence on Energy Strategy, 19 March 2020, pages 3 and 4, accessible at Energy Strategy - Call for Evidence | Department for the Economy, Call for Evidence responses 1-40; and Ofgem's Insights paper on households with electric and other non-gas heating, 11 December 2015, page 66.

not able to access alternative sources of energy supply and some are also in positions of financial vulnerability. The particular features of the heating oil market – namely, that customers do not have long-term contracts with distributors and make heating oil purchases relatively infrequently, filling up their tanks on average two-to-four times a year – mean that consumers' exposure to price spikes and other supply issues at times of volatility is acute.

5. That this most recent disruption comes at a time when consumers have faced sustained cost of living pressures for some years throws these issues into sharp relief. At the CMA, improving household prosperity is a core strategic priority,[5] as well as being an important part of the UK government's mission to raise living standards.[6]

6. Against this background, we decided to launch a market study to examine whether the home heating oil market is working well for consumers and to identify possible options to improve consumer outcomes.[7] Given the urgency of the situation, we committed to complete the study in around 3 months and substantially ahead of the 12 month statutory deadline.

What did we look at?

7. To assess whether the home heating oil market is working in consumers' interests, we:

   (a) examined the impact of the Middle East conflict on **retail prices in the UK**[8] and **the reasons for this** – in particular, the extent to which increases in retail prices are driven by increases in wholesale prices and operating costs and increases in distributors' operating profits;

   (b) assessed **levels of competition across the UK**, including:

      (i) whether **there is regional variation** in the number of competitors by local area – and the extent to which prices vary as between the four nations;

      (ii) the **factors driving regional variation** in prices and the number of competitors, including variation in wholesale prices and the extent to which local areas that have a lower density of heating oil households face higher retail prices and have fewer distributors; and

[5] CMA Strategy 2026 to 2029.
[6] Plan for Change – Milestones for mission-led government (Dec 2024).
[7] This market study is separate to but complements parallel work by the CMA to identify and tackle any breaches of consumer law in the supply of heating oil. See CMA examines concerns about heating oil.
[8] Given the different data sources involved, we report prices in Great Britain and Northern Ireland separately.

(iii) the **impact of the Middle East conflict on heating oil distribution and prices**, including the extent to which there was regional variation in the retail price increases and the reasons for this;

(c) assessed whether there is sufficient **price transparency across the UK** – that is, whether consumers are able to access clear price information and readily compare distributors' quotes prior to purchase to support effective competition and consumer choice – and the impact of the Middle East conflict on price transparency; and

(d) examined evidence in relation to **consumer experience** and **protections**, including how this compares to other energy sources on which consumers rely, and what we have learnt from our review of whether distributors' practices at the start of the Middle East conflict raise consumer protection law concerns.[9]

8. To inform this assessment, we have gathered extensive information from a wide range of market participants and other bodies.[10] We have also engaged with representatives from a range of UK and devolved government departments on possible recommendations.

Our findings

The impact of the Middle East conflict on retail prices and reasons for this

9. Under normal market conditions the home heating oil market is highly seasonal. Demand is higher in winter and lower in summer which affects sales volumes, retail prices, and distributor profits. Throughout the year, retail prices closely follow the wholesale price of kerosene, but distributor margins tend to increase during periods of strong seasonal demand.

10. Following the start of the Middle East conflict, there was a sharp increase in retail prices of home heating oil across the UK. Our analysis indicates that average prices of home heating oil:

(a) increased from 64 pence per litre (ppl) in February 2026 to 104 ppl in March 2026, a 41 ppl (64%) increase;[11] [12]

[9] CMA examines concerns about heating oil - GOV.UK.
[10] In particular Ofgem, the Utility Regulator and the Energy Ombudsman.
[11] The weighted average price per litre is calculated as total revenues in a month plus VAT divided by total volumes in the same month for a sample of 23 distributors based in Great Britain and 9 distributors based in Northern Ireland.
[12] The weighted average increase in prices in March 2026 was 41 ppl. This breaks down as an average 34 ppl increase in the wholesale price, an average 2 ppl increase in operating costs and an average 4 ppl increase in operating profits. Totals may not balance due to minor rounding differences.

(b) peaked at 123 ppl in April 2026 (which is 92% higher than in February 2026); and

(c) decreased by 15% in May 2026 to 104 ppl, although as at the middle of June they remained elevated as compared to pre-conflict levels.

11. The primary driver of the increase in retail prices was an increase in distributors' costs in terms of the wholesale prices they pay, which accounted for 83% (34 ppl) of the average increase in retail prices in March 2026. Distributors are highly exposed to increases in wholesale prices because prices are linked to international wholesale benchmarks, they have limited storage capacity, and they generally do not hedge. This means that an increase in the wholesale price is usually reflected in retail prices within two days.

12. The conflict also had further impacts on the level of both supply and demand, resulting in demand temporarily exceeding supply. This was because wholesalers began enforcing their contracts with distributors, imposing daily restrictions on the amount of home heating oil that they could take, while at the same time there was a surge in customer orders immediately after the conflict began.

13. One impact of this imbalance was an increase in distributors' operating costs, which accounted for 6% (2 ppl) of the average increase in the retail price in March 2026. This was because distributors needed to source supply from more distant terminals and pay increased haulage costs. They also paid more in fuel costs to distribute the home heating oil and temporarily needed to pay overtime to service the surge in orders at the start of March 2026.

14. The remaining 11% (4 ppl) increase in the average retail price in March 2026 was accounted for by an increase in distributors' profit margins.

15. These drivers of the overall 64% increase in the average price of home heating oil meant that consumers paid approximately £200 more for a typical order of 500 litres in March 2026 compared to February 2026.[13] The increase in wholesale prices accounted for £170 of the increase, with higher distributor operating costs adding £10 and an increase in distributor profits adding £20 to a consumer's average bill.

16. While some part of the increase in distributors' profit margins may be explained by firms facing an increase in financing costs and risk, we do not find clear evidence that this fully explains the higher margins.

[13] Consumers purchase home heating oil relatively infrequently. The average order volume in Great Britain on the BoilerJuice platform was 689 litres in 2025, while a Consumer Council of Northern Ireland survey indicates average order volumes in Northern Ireland range from between 300 and 500 litres. This means that each purchase of home heating oil is relatively high value, as it amounts to hundreds of pounds.

17. Instead, we find that this increase in margins was in part a result of a weakening of competitive pressure between distributors during the period in which demand exceeded supply. Limits in the volume of home heating oil available likely reduced the incentive of distributors to compete aggressively, as they would not be able to meet the additional demand from maintaining lower prices, and had less concern about losing sales to rivals by increasing prices. Distributors therefore temporarily benefitted as a result of the conflict, albeit in a way that had only a limited and temporary effect on overall retail prices.

18. More recently there appears to have been a return to more typical seasonal trends. Demand for home heating oil reduced in April 2026 and reduced further in May 2026 to levels below seasonal averages. This is due to consumers reducing their usage, bringing forward orders into March 2026 and delaying ordering in April and May 2026 against a backdrop of falling prices. The reduction in consumer demand coincided with distributors' operating profits reducing and retail spreads narrowing in May and June 2026.

19. Overall, the evidence shows that the home heating oil market is typically competitive, with retail prices closely linked to wholesale prices and distributors' operating margins generally thin. That is, these margins account for a small proportion of the final price (averaging between 4% and 6%). However, during periods of disruption it can experience large increases in wholesale prices which are rapidly passed through into retail prices. This can be further exacerbated if demand exceeds available supply, resulting in a temporary weakening of competitive pressures between distributors and therefore an increase in their operating margins.

Levels of competition across the UK

20. As heating oil households do not generally sign up to long-term contracts with a distributor, they are free to choose what distributor to buy home heating oil from each time they need to top up their tanks. Our analysis indicates that heating oil households generally have a good number of distributors to choose from across the UK, although there are some regions that have fewer options (ie are more concentrated) – particularly in Scotland, but also in parts of West Wales. We find that:

    (a) There is a choice of 5 or more distributors in 90% of UK postcode districts. Northern Ireland is the least concentrated with 100% of postcode districts having a choice of 5 or more distributors. This proportion falls to 94% for postcode districts in England, 78% in Wales and 74% in Scotland.

    (b) Across the UK, there are around 3% of postcode districts with a choice of only 1 or 2 distributors. In Scotland this proportion is higher (4%), followed by England (3%), and there are none in either Wales or Northern Ireland.

(c) Across the UK, we estimate that under 2% of heating oil households are in postcode districts with only 1 or 2 distributors. This lower percentage (than the proportion of postcode districts measured above) is due to areas with fewer distributors also having fewer heating oil households than average.

(d) Overall, households in Scotland are more likely to experience less choice of supplier. Scotland has the highest proportion (over 4%) of heating oil households in postcode districts with only 1 or 2 distributors, followed by England (2%). Scotland also has the highest proportion of heating oil households in postcode districts with 3 distributors (9%), followed by Wales (5%), England (under 1%) and Northern Ireland (0%).

21. Our analysis of pricing data under normal market conditions (between January 2026 and February 2026) shows that average retail prices vary as between the four nations, with prices tending to be highest in Scotland (67 ppl), then Wales and England (both 62 ppl), and lowest in Northern Ireland (57 ppl). Northern Ireland also exhibits less price variation within its own geographical boundaries compared to the rest of the UK.

22. Geographic differences in wholesale prices are a key factor contributing to heating oil households in certain regions paying more for heating oil, in particular in Scotland. There is less evidence of significant variation in wholesale prices within other parts of the UK, although Wales and England may have some areas with higher wholesale prices.

23. Areas with fewer distributors tend to be more remote, which makes them more costly to serve.[14]

(a) There are higher distribution costs in more remote areas due to longer travel distances to access wholesale supply, longer distances to deliver to customers, and other challenges in reaching customers in these areas, often linked to remoteness – eg weather-related disruption to supply routes, type of vehicle required (smaller tankers for narrow roads) and cost of ferry services to island communities.

(b) In remote regions that lack wholesale supply points, there may also be higher costs of supply due to the need to maintain wet depots, where the distributor can store oil in tanks.

(c) Low heating oil household density increases delivery distance per household and therefore average costs for a truck to deliver to each household.

24. These cost factors are underlying causes of both the higher prices and the absence of more competitors in these areas. Higher costs need to be passed on to

[14] Distribution costs can also increase in urban areas with low customer density.

heating oil households through higher prices, and these factors limit the number of competitors that these areas can financially sustain.

25. Heating oil households in Scotland, on average, face the highest prices due to a combination of compounding factors. Average prices in Scotland tend to be around 7% higher than the UK average. Scotland has higher wholesale prices and suffers from more significant wholesale supply issues that raise costs for distributors. Scotland also has a greater prevalence of more remote areas with a lower heating oil household density, which makes serving households in Scotland more costly on average. Wales and England also have some areas with higher prices for similar reasons. Prices in Northern Ireland are the lowest, in particular due to Northern Ireland having a significantly higher heating oil household density than the rest of the UK.

26. While evidence on geographic variation in distributor profits is limited, we have not found that profits are systematically higher for distributors who serve regions with more remote areas and with fewer competitors. This supports the finding that the higher prices we observe in some areas are driven by higher costs rather than fewer competitors.

27. During the Middle East conflict, operating profits between distributors active in different parts of Great Britain were also similar, but there was regional variation in the impact of the Middle East conflict on prices. Price increases in Scotland and (to a lesser extent) Wales were on average greater than those faced in Northern Ireland and England. Average price increases in Scotland were 6 ppl higher than average price increases in England.

28. Evidence indicates that the greater price rises in certain areas were driven by increases in distributors’ costs at the start of the Middle East conflict, which were greater in some parts of the country. For example, access to wholesale supply became constrained and this had a greater impact on costs for distributors in Scotland and parts of Wales that depend more on smaller or less reliable terminals. Where there were disruptions in supply at certain terminals, distributors found themselves needing to travel further to purchase oil from other wholesale facilities, incurring higher transport costs. Distributors in these areas were also more likely to have to pay spot prices at these terminals, which were more expensive than contracted volumes.

29. The factors underlying geographic variation in home heating oil prices interact and any single factor can only illustrate part of the variation. Due to these complex interactions, price variation within a region or type of area (eg within rural areas) is significant and similar or greater than the price variation between regions or types of area.

30. Overall, we find that there are particular challenges faced by heating oil households in areas that have a lower heating oil household density and are further away from wholesale supply points (which may include certain remote areas), in particular in parts of Scotland. These heating oil households tend to face higher prices in normal times and were more likely to have experienced greater price spikes during the conflict in the Middle East.

Price transparency across the UK

31. There is generally good price transparency in the home heating oil market during normal market conditions. Consumers are generally able to access and compare heating oil quotes effectively through the phone, distributors' websites and a range of other online tools, including commercial platforms and other online tools. These quotes are usually presented in a clear and consistent format that incorporates all key cost components and allows comparison across distributors.

32. Commercial platforms – such as BoilerJuice which is more widely used in Great Britain[15] – and other online tools – in particular the CCNI Price Checker in Northern Ireland – facilitate consumer search and effective benchmarking of home heating oil quotes. Evidence shows that these tools are known and used by consumers, providing valuable channels for households to engage with the market.

33. There is particularly high consumer usage and engagement with the BoilerJuice platform in Great Britain. Compared to the one million households in Great Britain that require heating oil, BoilerJuice has over 800,000 heating oil customers a year engaging with its platform, with around 200,000 customers placing orders through BoilerJuice and over 600,000 customers using it to check and compare prices.[16] Further, the vast majority of heating oil distributors active in Great Britain use BoilerJuice. This includes large regional distributors, county sized distributors and small independents.

34. In Northern Ireland, the CCNI price checker tool publishes average price quotes for standard heating oil quantities (ie 300, 500, and 900 litres) across each local council area in Northern Ireland on a daily and weekly basis. Survey evidence from 2022 suggests that there is broad consumer awareness of the CCNI Price checker tool, with more than half of consumers in Northern Ireland being aware of it,[17] and data from CCNI indicates that the Price Checker tool is used by consumers, in particular in times of volatility.

[15] Whilst BoilerJuice is active across the UK including Northern Ireland, its business activities are largely focused on Great Britain.
[16] BoilerJuice's response to the CMA Statement of Scope, p1.
[17] CCNI's survey 'Northern Ireland Consumer Experiences of Home Heating Oil – 21 November 2022', submitted to the CMA on 24 March 2026, page 26.

35. By enabling consumers to obtain and benchmark quotes easily, the high levels of pricing transparency, including through the availability of online tools, reduce search costs and support informed purchasing decisions thereby strengthening competition among heating oil distributors.[18] The high levels of price transparency therefore likely contribute to relatively low profit margins of distributors under normal market conditions.

36. While price transparency is generally good across all nations, price transparency via online platforms is lower in Scotland, where the reach of BoilerJuice among heating oil distributors is more limited. Scotland also has more areas with few distributors than other parts of the UK. Although it is easier for consumers to compare distributor quotes directly (without the need of using an online platform) in areas with fewer distributors, the overall consumer shopping experience in these areas is likely to be less positive. At the same time, heating oil households in Scotland face higher prices on average and experienced greater price rises during the Middle East conflict than the rest of the UK. However, the available evidence does not indicate that these differences in price transparency are driving differences in prices to a material extent.

37. Online price transparency reduced during the early weeks of the Middle East conflict but recovered within weeks. During the early stages of the conflict, it was particularly challenging for distributors to forecast the wholesale prices that they would face in the coming days.

    (a) The effect on price transparency was most significant in Great Britain, where distributors responded to significant volatility by providing indicative or no quotes until shortly in advance of delivery. This also meant they reduced their participation on online platforms where they needed to commit to a price. In particular, the BoilerJuice platform saw a severe drop in distributors' activity on its platform, although conditions on the platform normalised within weeks.

    (b) In Northern Ireland, there was a more limited effect, likely due to shorter delivery times than in Great Britain. Distributors in Northern Ireland did not report issues with providing quotes in advance of delivery but did provide shorter quote validity windows. While some distributors stopped providing quotes via online intermediaries or stopped taking online orders altogether, heating oil households in Northern Ireland increased their usage of the CCNI Price Checker tool, which shifted from weekly to daily price surveys at the start of the Middle East conflict.

38. In sum, during the conflict there was a temporary reduction in price transparency in Great Britain, and this may have weakened competition and partly contributed to

[18] As distributors cannot distinguish consumers who shop around (and therefore are more informed) from those who do not and price discriminate across them, distributors have to offer competitive quotes across all channels. We note this is consistent with the finding that distributors do not differentiate prices across sales channels.

the price increases across this part of the UK. In Northern Ireland, the evidence indicates that there was not a significant reduction in price transparency.

Consumer experience and protections

39. Unlike the supply of on-grid energy, the supply of home heating oil is unregulated. This means that heating oil households are not protected by the standards and formal safeguards that are in place for on-grid households, and leaves clear gaps in the protections available to heating oil households.

40. Industry bodies provide useful support and guidance but this falls short of the protections available to on-grid households. Existing trade associations – the UK and Ireland Fuel Distributors Association (UKIFDA) and the Northern Ireland Oil Federation (NIOF) – issue codes of conduct, offering access to dispute resolution (with UKIFDA also facilitating some support for vulnerable customers), but there are material gaps in the coverage and strength of support these initiatives can provide.

41. We find that distributors' terms and conditions are not consistently aligned with applicable codes, and that this makes it challenging for consumers to understand the standards they should expect of distributors in this market, especially during times of high price volatility where they may be making decisions under high financial pressure, or under pressure caused by vulnerabilities that make home heating oil especially important to their needs. While ADR is available in Great Britain through UKIFDA members (who represent a large majority of distributors in that region), in Northern Ireland the process available through NIOF members is less formal and covers a smaller proportion of the market. A gap in access to redress also remains for consumers who choose distributors that are not members of these trade associations.

42. While support for vulnerable customers is available – in particular, through UKIFDA's Cold Weather Priority scheme – participation in that scheme is not mandatory. It is also only available to elderly consumers (not including those with other vulnerabilities), and it lacks external oversight. In contrast, on-grid energy customers benefit from vulnerability protections that are built into binding licence conditions, including through priority services registers.

43. The gaps described above become especially problematic during periods of volatility, when households (particularly those with vulnerabilities) are more likely to encounter problems and need confidence that they will be treated fairly.

44. The start of the conflict in the Middle East saw a marked deterioration in consumers' ability to successfully navigate the market, with a significant spike in complaints. Many related to distributors cancelling orders, with consumers then facing higher

prices.[19] Complaints received by BoilerJuice – the most widely used online intermediary in Great Britain – more than tripled in the first weeks of the conflict largely due to supplier cancellations. Consumer bodies in Northern Ireland also reported a spike in complaints, although it was noted that the overall level had fallen dramatically from the level received following the Ukraine conflict (from hundreds to just under 50 received by the Trading Standards Service in Northern Ireland).

45. In addition, our review of whether distributors' practices raise consumer protection law concerns indicates that some orders cancelled by distributors at the start of the Middle East conflict may have been a breach of the relevant contractual terms. While we understand affected consumers were refunded where they subsequently had to buy from a different distributor, the price they paid was likely to have increased. Other consumers may have foregone re-ordering home heating oil if they were unable to afford the increased cost. The CMA's consumer work is on-going. Following the market study, we will continue to work with suppliers to address the detriment to consumers caused by potential breaches of contract we have identified.

46. We also looked at the options available to consumers to reduce or spread the upfront costs of heating oil purchases, and whether these are commensurate with consumer demand for such options. Options to reduce or spread the upfront costs of heating oil purchases are not consistently available and clearly signposted. While there appears to be a good availability of payment plans across the UK, insights from CCNI's survey of heating oil consumers in Northern Ireland suggest customer awareness of such plans may be more limited. Order volume trends in Great Britain following the start of the recent conflict indicate that there is latent demand for lower minimum order volumes than the 500 l industry standard, which is not matched by widespread distributor practice. Trends for Northern Ireland – where lower minimum order volumes are much more common – suggest that distributor practice is more in line with consumer demand, although there is some evidence to suggest that demand is not fully met.

47. We have considered the limitations in consumer experience for heating oil households identified in this market study in our assessment of recommendations below.

[19] Other issues included: distributors refusing to provide a firm price until after the consumer commits to the purchase; prices being increased after order placement or not being honoured at the point of delivery; and refunds for cancelled orders being delayed, meaning prices had risen significantly by the time refunds were received.

Our recommendations

Overview of recommendations

Consumer experience and protections

- **Recommendation 1:** UK government and the Northern Ireland Executive should enable, and Ofgem and the Utility Regulator should implement, the introduction of a **proportionate regulatory regime** that provides for the **authorisation of home heating oil distributors** and includes (i) a **system for identification** – and maintaining an up-to-date record – of **heating oil households** (ii) **a priority service programme** to ensure the prioritisation of vulnerable customers during periods of volatility (iii) a **mandatory code of conduct** that requires distributors to offer access to alternative dispute resolution services, sets clear and consistent standards for distributors' supply terms and conditions and requires clear signposting by distributors of available support schemes for vulnerable customers and rights; (iv) **enforcement powers** for Ofgem and the Utility Regulator; and (v) **a monitoring obligation** for Ofgem and the Utility Regulator.

- **Recommendation 2**: As an interim step and pending the introduction of Recommendation 1, UK government, the Northern Ireland Executive, and relevant consumer bodies should work together with UKIFDA and NIOF to **improve existing consumer protection initiatives, awareness of and access to ADR** and **codes of conduct**

Retail price spikes in times of wholesale volatility

- **Recommendation 3:** UK government and Northern Ireland Executive should conduct **a review of the rules and regulations that restrict minimum order volumes**

- **Recommendation 4**: Any code of conduct adopted under Recommendation 1 or Recommendation 2 should require authorised distributors to **clearly signpost available payment plans** and **minimum order volumes**

Regional variation in consumer outcomes and experience

- **Recommendation 5:** UK, Scottish and Welsh governments and the Northern Ireland Executive should explore how the findings in this report could be used to **inform existing** and **future schemes** aimed at addressing poor consumer outcomes, including whether to target support at home heating oil customers with particular vulnerabilities as well as whether to target support to those living in areas that are most exposed to higher prices, and whether such households should be prioritised for accelerated transition to alternative energy sources.

Price transparency

- **Option to consider:** The Scottish Government to consider **developing a permanent price checker tool**, using the CCNI Price Checker tool as a model, **for Scotland**
- **Option to consider:** UK government to consider **developing a temporary price checker tool**, using the CCNI Price Checker tool as a model, for **Great Britain** that could be **activated in times of volatility**

48. In addition, following the market study, we will continue to use our consumer protection powers by taking further steps to address the detriment to consumers that may have resulted from the possible breaches of contract we have identified. In future, we would expect such consumers to benefit from the better protections we have recommended.

49. Further, and in line with its current practice, the CMA will continue actively monitoring merger activity in the home heating oil sector for any relevant acquisitions that may harm competition and will take account of the analysis undertaken in this market study regarding competitive dynamics as appropriate.

Home heating oil households lack the regulatory protections available to consumers reliant on on-grid energy sources, which can lead to poor outcomes for consumers, especially during periods of volatility and for vulnerable consumers

Recommendation 1: UK government and the Northern Ireland Executive should enable, and Ofgem and the Utility Regulator should implement, the introduction of a proportionate regulatory regime

50. To address this concern, we make two recommendations:

    (a) as a first step, UK government and the Northern Ireland Executive should enable Ofgem (for Great Britain) and the Utility Regulator (for Northern Ireland) to regulate, in a proportionate manner, the supply of home heating oil; and

    (b) as a second step, Ofgem and the Utility Regulator – in consultation with each other – design and introduce a proportionate regulatory regime in Great Britain and Northern Ireland, respectively.

51. The detail of any regime would be for the Department for Energy Security and Net Zero and Ofgem, and the Northern Ireland Department for Economy and Utility Regulator to determine. In designing and implementing these regimes, Ofgem and the Utility Regulator should work closely with existing statutory consumer protection bodies to determine how to implement most effectively. In Northern

Ireland, this should recognise and build upon existing functions performed by the Consumer Council for Northern Ireland and Trading Standards. However, we consider that the regime should provide for the authorisation of home heating oil distributors and include the following:

(a) A system for identification – and maintaining an up-to-date record – of heating oil households.

(b) A priority service programme to ensure the prioritisation of vulnerable customers during periods of volatility.

(c) A mandatory code of conduct – meaning that all authorised distributors are required to adhere to code terms – that:

(i) requires distributors to offer access to alternative dispute resolution (ADR) procedures in the event of a dispute. This would ensure that, in the event of comparable disruption and the types of issues described above, there is a clear and binding process through which consumers could seek redress in future.

(ii) sets clear and consistent standards for distributors' supply terms and conditions, including: (1) quoting (ie to ensure that consumers can readily access quotes in a standardised, comparable format, without unnecessary barriers to obtaining quotes and have clarity on when prices are confirmed); (2) distributor and customer cancellation rights and (3) how (if at all) such terms and conditions vary in times of volatility. This would ensure that when navigating the heating oil market consumers have clear expectations regarding the circumstances in which suppliers can – under the terms of their contract – vary the terms of the supply or cancel orders. This is of particular significance during times of crisis, when consumer experience of the market can be increasingly complex, with less clarity regarding the availability and pricing of heating oil.

(iii) requires clear signposting by distributors of available support schemes for vulnerable customers, cancellation rights and access to dispute resolution services. This supports the elements of this recommendation outlined above by improving customer awareness of their rights.

(d) Enforcement powers for Ofgem and the Utility Regulator (for Great Britain and Northern Ireland, respectively).

52. Based on the information currently available regarding reforms of the regulatory environment in the energy sector, we understand that one option would be to implement such a regime through the introduction of a General Authorisation Regime (GAR) model. GARs were outlined by DESNZ in its recent Ofgem Review

as a means of allowing Ofgem (as the energy regulator for Great Britain) to oversee certain activities without requiring a full licence, instead applying proportionate requirements based on the level of risk. A comparable model could be adopted in Northern Ireland for the Utility Regulator.

53. Once a regime is in place, the design of a priority service programme could make use of existing initiatives to simplify access to priority services to be expanded to include heating oil customers. For Great Britain, this could be through inclusion in any initiatives being taken forward further to the Department for Business and Trade's commitment to developing a multi-sector 'Share Once Support Register' and for Northern Ireland, the Utility Regulator's Customer Care Register project. Similarly, the design of an ADR scheme could build upon the existing ADR scheme operated by UKIFDA.

Recommendation 2: As an interim step and pending the introduction of Recommendation 1, UK government, the Northern Ireland Executive, and relevant consumer bodies should work together with UKIFDA and NIOF to improve existing consumer protection initiatives, awareness of and access to ADR and codes of conduct

54. Introducing a proportionate regulatory regime will take time. As an interim step, we recommend that UK government and the Northern Ireland Executive work with UKIFDA and NIOF (trade associations for distributors in the UK and Northern Ireland, respectively) to roll-out improvements to existing consumer protection initiatives, awareness of and access to ADR and codes of conduct, including:

    (a) a review and update of existing codes of conduct to ensure that they reflect best practice with respect to the items outlined above, including in light of recent experience during the Middle East conflict; and

    (b) requiring all members to participate in a priority service programme to ensure the prioritisation of vulnerable customers during periods of volatility. This could be modelled on UKIFDA's existing Cold Weather Priority Scheme, expanded to include categories of vulnerability beyond age.

55. We consider this an important immediate step which will improve consumer protections in the period preceding the introduction of the regulatory regime. However, we do not consider that these steps would be sufficient as a permanent solution. While these initiatives would represent valuable next steps and provide some protection for consumers, as voluntary measures they are not a substitute for the enforceable additional consumer protections that are required for such an essential good.

While for large parts of the UK, heating oil households have many distributors to choose from, consumers are exposed to significant retail price spikes in times of wholesale price volatility

56. While we find that heating oil households generally have a good choice of distributors, consumers have nevertheless faced significant price increases that were largely driven by increases in wholesale costs.

57. During the most recent crisis, governments responded to those significant price increases by providing funding that was distributed to heating oil consumers in financial hardship.[20]

58. We have explored whether there are (i) interventions that could help consumers to manage the impact of future price spikes; (ii) aspects of our findings that could assist in targeting any future support to those that are most in need; or (iii) alternative regulatory means of helping to suppress price increases.

59. For the reason set out below, we recommend that:

    (a) UK government and Northern Ireland Executive, with the assistance of UKIFDA and NIOF, conduct a review of the regulations regarding minimum order volumes and their impact on minimum order volumes in practice;

    (b) any code of conduct adopted under Recommendation 1 or Recommendation 2 requires that authorised distributors clearly signpost available payment plans and minimum order volumes and the reasons for those minimums; and

    (c) UK government consider whether aspects of our findings, for example concerning price variation between nations and population density, should be taken into account in the design of any future financial assistance that is provided to heating oil customers during times of crisis - we outline this further as part of Recommendation 5 below.

60. We do not recommend regulation of the price of heating oil at this stage, for the reasons explained below.

Recommendation 3: UK government and Northern Ireland Executive should conduct a review of the rules and regulations that restrict minimum order volumes

61. One means of reducing consumers' exposure to retail price spikes is to increase the opportunity to order lower volumes, thereby reducing the overall cost of purchase. This could be particularly beneficial to consumers during times of crisis,

[20] Over 50 million to help families struggling with soaring heating oil costs - GOV.UK; Support for households using heating oil and LPG - gov.scot; Thousands of Welsh households to get help with oil and LPG heating costs; Lyons announces agreement for home heating oil support | Department for Communities.

as they would have greater flexibility to purchase more limited volumes during periods in which prices were inflated.

62. To help ensure that households are benefitting from options with the potential to lower volumes where appropriate, we recommend that UK government:

(a) conduct a review of the regulations regarding minimum order volumes;

(b) work with UKIFDA, NIOF and Trading Standards to (i) clarify existing guidance on minimum order volumes and the reasons for this; (ii) understand the extent to which regulations are restricting minimum order volumes in practice – eg owing to a prevalence of measuring systems that are only certified to accurately measure a minimum volume of 500 l; and if it is the case that existing regulations are constraining minimum order volumes in practice – eg owing to a prevalence of measuring systems that are only certified to accurately measure a minimum volume of 500 l – consider introducing a mechanism through which rules could be relaxed, in particular in times of volatility.

Recommendation 4: Any code of conduct adopted under Recommendation 1 or Recommendation 2 should require authorised distributors to clearly signpost available payment plans and minimum order volumes and the reasons for those minimums

63. Given the significant costs that households can face when making heating oil purchases, it is vital that consumers are aware of the options available to them to spread the cost of their purchase over time, or to make purchases of volumes below 500 l where available. However, it appears that consumers may not have good awareness of the availability of payment plans. Similarly, consumers in Great Britain may not have good awareness of the option to purchase volumes of less than 500 l, owing to unclear and inconsistent messaging regarding the reasons for minimum order volumes.

64. We therefore recommend that any code of conduct that is implemented pursuant to Recommendations 1 and 2 incorporates requirements on distributors to:

(a) clearly signpost the availability of payment plans and the associated costs, so that consumers can easily identify and compare the plans that are available on the market; and

(b) clearly signpost the minimum order volumes that the distributor will allow households to order and the reasons for those (ie to accurately reflect the applicable law and how it applies to the distributors' offering).

Proposal that we are not recommending at this stage: regulating the price of home heating oil

65. Given the high price spikes we have observed in this market, and their impact on the costs faced by households, we have carefully considered whether it would be appropriate to introduce price regulation and seek to cap the prices that can be charged for home heating oil.

66. We do not consider that the UK government or Northern Ireland Executive should seek to regulate the prices charged by home heating oil distributors at this stage (eg, in the form of a price cap) for two key reasons:

(a) we have found that, under normal market conditions, the vast majority of the market is subject to competition between a number of suppliers with relatively low margins;

(b) for those areas where there is a risk of weaker competition, other factors mean that a price cap is not an appropriate solution to this concern, namely that: (i) the price impact of any cap would be modest; and (ii) distributors may not be incentivised to supply to areas where delivery costs are higher (for example remote areas), leading to worse outcomes for some consumers.

67. However, we recognise that expected developments in the home heating oil market may affect this assessment. In particular, the UK's commitment to achieve Net Zero by 2050 involves a transition away from fossil fuel energy sources, including heating oil. This means that in the long-run, the number of households reliant on home heating oil will decline. As the market declines and the market structure evolves, it is possible that there could be an increased need for price regulation (or other interventions) in future.

There is regional variation in Great Britain in consumer outcomes and experience, with consumers in certain areas (which tend to be remote) having fewer options and facing higher prices

68. To address this concern, we make the following recommendation.

Recommendation 5: UK, Scottish and Welsh governments and the Northern Ireland Executive should explore how the findings in this report could be used to inform existing and future schemes aimed at addressing poor consumer outcomes in Great Britain to target them at the consumers who need them most

69. As set out above, our report identifies locations in Scotland and parts of England that are likely to have two or fewer suppliers. It also highlights factors – such as low heating oil household density, few suppliers, greater distances to refineries

and import terminals and propensity to bad weather – that mean certain areas are more likely to face higher prices and supply disruption during terms of volatility.

70. This analysis has informed our first recommendation, in particular where we set out the importance of developing a system of identification of heating oil customers, and the opportunity this creates to better identify vulnerable consumers who may benefit from targeted support.

71. We recommend that UK government and devolved governments explore how these findings could be used to inform existing and future schemes aimed at (i) addressing poor consumer outcomes to target them at the consumers who need them most; and (ii) at transitioning households to alternative energy sources.

72. The findings in this report may be used to inform the design of any future consumer support interventions in times of disruption to ensure that they can be readily implemented and accurately targeted at those areas of greatest need. In particular, the report has highlighted how prices vary across the UK and how prices vary according to heating household density. In the event that similar schemes are considered necessary in future, governments may wish to consider whether such findings should have any implications for their design.

While price transparency is generally good across the four nations, price transparency via online platforms is lower in Scotland and reduces across Great Britain during times of volatility

73. While there is generally good price transparency in the home heating oil market under normal trading conditions, price transparency via online tools varies by region (with lower price transparency in Scotland) and during times of volatility (when price transparency reduces throughout Great Britain).[21] Consumers can be left with a particularly challenging landscape to navigate, with inflated market prices, decreased price transparency, uncertainty as to which suppliers can offer product and uncertainty regarding the price they may seek to charge on the day of delivery. The cumulative effect of such challenges may be felt particularly strongly in remote, rural areas.

74. While it is not clear that price comparison tools are likely to be fully effective at constraining prices in particular in times of volatility, we consider that tools aimed at improving market transparency could nevertheless be beneficial. Clear information on recent pricing and availability helps consumers to make more informed decisions about whether, when and from whom they should make their next purchase of heating oil.

[21] During such periods, consumers in Northern Ireland continue to benefit from the CCNI Price Checker tool.

75. To address this concern, we have identified two options for UK government and the Scottish Government, as applicable, to consider.

Option to consider: The Scottish Government to consider developing a permanent price checker tool, using the CCNI Price Checker tool as a model, for Scotland

76. This would be active all-year-round, to address the lower price transparency available through online tools in Scotland. It would support households by providing increased transparency of the following: (i) pricing; (ii) which distributors have availability during periods of volatility; (iii) which distributors offer payment plans and the terms offered; and (iv) the order quantities available from each supplier.

Option to consider: UK government to consider developing, using the CCNI Price Checker tool as a model, a temporary price checker tool for Great Britain[22]

77. This would be a temporary tool that would be activated only in times of volatility, to address lower transparency observed in Great Britain at those times. It would again provide for transparency regarding price, availability, payment plans and the order quantities available.

[22] Or England and Wales, if the option to develop and permanent price checker tool for Scotland was pursued.