

Pricing page

Heat costs rise for oil-using homes

The latest update from the Sutherland Tables reveals that oil has lost its crown as the cheapest major fuel. However, in much of Great Britain mains gas is not our main competitor and against LPG and electric storage heaters oil maintains a massive price advantage. The situation is more challenging in the Republic of Ireland where gas presents a more serious threat.

Since last June, the price of Brent crude oil has increased from around \$45 a barrel to a high of \$70 in January – a rise of over 50% - before falling back to \$65 in February. This has been largely mirrored by the price

of kerosene which has climbed from 36ppl to around 46ppl in December. It briefly peaked even higher than that in the run up to Christmas, when colder-than-normal December weather led to a surge in pre-holiday demand.

Oil price rises but will it be sustained?

What are the price prospects for 2018? Our industry has benefitted enormously from low prices since 2013 and any return to the days when crude oil was over \$100 a barrel would be a major blow, encouraging customers to consider other options. Fortunately, the evidence suggests this is unlikely to happen – although you can never say never with the crude oil market.

The recent upward price trend has been due to three factors, geopolitical

instability in oil producing regions, the successful alliance between OPEC and Russia to limit production and increasing world-wide demand. However, a higher price has made it viable for American and Canadian shale and sand oil producers to ramp up production and this may rise dramatically in 2018, undermining OPEC's efforts to restrict supply. It's also possible that Russia, or some of the OPEC countries may break ranks and increase their production.

In the short term it seems likely that the Russia/OPEC alliance will keep the lid on supply, so oil prices will remain relatively high, most likely in the \$60 - \$75 a barrel range. While not ideal, this is not disastrous for our industry. The prospects for the second half of 2018 look better but are hard to predict, so watch this column for more updates.

Comparative space and water heating costs for a three bedroom house

GREAT BRITAIN

	4-yr avg: Jan14-Oct17	Jan 17	Jan 18	Difference
Solid Fuel (anthracite grains)	1147	1146	1159	+13
Electricity (storage heaters)	1638	1635	1910	+275
Gas (British Gas - condensing)	1042	967	967	0
LPG	1986	1771	1885	+114
LPG (condensing)	1635	1460	1553	+93
Oil	1149	1161	1279	+118
Oil (condensing)	943	952	1048	+96
Wood Pellets	1328	1281	1381	+100
Air Source Heat Pump (radiators)	1493	1491	1681	+190

NORTHERN IRELAND

	4-yr avg: Jan14-Oct17	Jan 17	Jan 18	Difference
Solid Fuel (anthracite grains)	999	953	973	+20
Electricity (storage heaters)	1596	1437	1518	+81
Gas (British Gas - condensing)	963	825	885	+60
LPG	2272	2173	2708	+535
LPG (condensing)	1866	1785	2219	+434
Oil	1098	1043	1241	+198
Oil (condensing)	901	857	1017	+160
Wood Pellets	1140	1143	1065	-78
Air Source Heat Pump (radiators)	1525	1384	1459	+75

REPUBLIC OF IRELAND

	4-yr avg: Jan14-Oct17	Jan 17	Jan 18	Difference
Solid Fuel (anthracite grains)	1483	1510	1510	0
Electricity (storage heaters)	2046	1953	1977	+24
Gas (British Gas - condensing)	1338	1291	1337	+46
LPG	2794	2380	2689	+309
LPG (condensing)	2298	1962	2213	+251
Oil	1637	1499	1671	+172
Oil (condensing)	1339	1228	1367	+139
Wood Pellets	1320	1293	1281	-12
Air Source Heat Pump (radiators)	1788	1718	1743	+25

The tables above show the average annual costs for a range of heating options. Prices are shown in pounds sterling (£) for Great Britain and Northern Ireland, and Euros (€) for the Republic of Ireland. Figures are for a semi-detached three bedroom house, requiring 13,500 kWh space heating & 2,500 kWh DHW heating. Great Britain (Average) is calculated using South East, South West, Wales, Midlands, Northern England and Scotland. Data from the Sutherland Tables.