

# Fuel price commentary

It's been a while since the price of heating oil made headlines in national newspapers, but recent sharp price rises have led to some unwanted coverage. Are we facing a winter of discontent?

The concern is understandable. While UK gas customers are protected by the energy regulator's price cap, the price of heating oil is largely dictated by crude oil prices. While politics can distort this, the price of crude is mainly governed by supply and demand. If demand outstrips supply the price goes up, and that's what's happened recently. This should not surprise anyone. In a world coming out of the Covid pandemic many commodities

are in short supply and oil is no different – it takes a while to increase production and move it around the world. The questions we should ask are, how high will it go, how long will it last and should we be worried?

It's always difficult to be certain with fuel prices but in the short term there is cause for concern, while in the longer term, there probably isn't. The short-term worry is the immediate impact, which hits low-income households hardest. They are the least able to absorb additional cost, and often face the highest bills because their homes are less energy efficient. Prices may fall back in a month or two, but for now some households may face real hardship.

Looking further ahead, current crude oil prices are not high by historical standards, and evidence suggests that the peak may be near. As supply catches up with demand, it's likely that next year we'll see lower prices, but perhaps not the super low prices of recent years. If that happens, oil heating will remain competitive with other fuels and consumers will see their heating costs easing.

The latest Sutherland Tables data below shows the average for the last 12 months, so doesn't take account of the recent price rises.

## Comparative space and water heating costs for a three-bedroomed home In Great Britain, Northern Ireland and the Republic of Ireland

### GREAT BRITAIN

	Average: Oct17-Oct21	October 20	October 21	Price change	% difference
Electricity (Economy 7)	£2,054	£2,069	<b>£2,224</b>	155	7.49%
Gas	£940	£877	<b>£833</b>	-44	-5.02%
LPG - condensing	£1,549	£1,555	<b>£1,381</b>	-174	-11.19%
Oil - condensing	£958	£636	<b>£896</b>	260	40.88%
Wood pellets	£1,488	£1,507	<b>£1,484</b>	-23	-1.53%
Air source heat pump radiators	£1,789	£1,793	<b>£1,923</b>	130	7.25%
Air source heat pump underfloor	£1,415	£1,373	<b>£1,760</b>	387	28.19%

### NORTHERN IRELAND

	Average: Oct17-Oct21	October 20	October 21	Price change	% difference
Electricity (Economy 7)	£1,799	£1,882	<b>£2,019</b>	137	7.28%
Gas	£940	£861	<b>£896</b>	35	4.07%
LPG - condensing	£2,081	£1,994	<b>£1,447</b>	-547	-27.43%
Oil - condensing	£940	£611	<b>£879</b>	268	43.86%
Wood pellets	£1,143	£1,200	<b>£1,425</b>	225	18.75%
Air source heat pump radiators	£1,613	£1,670	<b>£1,894</b>	224	13.41%
Air source heat pump underfloor	£1,278	£1,259	<b>£1,708</b>	449	35.66%

### REPUBLIC OF IRELAND

	Average: Oct17-Oct21	October 20	October 21	Price change	% difference
Electricity (Economy 7)	€2,143	€ 2,176	<b>€2,404</b>	228	10.48%
Gas (Phoenix - condensing)	€1,334	€ 1,299	<b>€1,259</b>	-40	-3.08%
LPG - condensing	€2,372	€ 2,491	<b>€2,224</b>	-267	-10.72%
Oil - condensing	€1,304	€ 827	<b>€1,294</b>	467	56.47%
Wood pellets	€1,363	€ 1,385	<b>€1,282</b>	-103	-7.44%
Air source heat pump radiators	€1,875	€ 1,907	<b>€2,064</b>	157	8.23%
Air source heat pump underfloor	€1,527	€ 1,504	<b>€1,764</b>	260	8.23%

Notes. The tables above are based on quarterly data published by the Sutherland Tables. They show the annual average cost of a range of heating options for a typical pre-1980 three bedroomed semi-detached home with a heat requirement of approximately 16,000 kWh.