

Fuel price commentary

Are we going back to 1973 again?

An unstable world is generally bad news for energy prices – as we've seen already with covid and the crisis in Ukraine. And political instability in the Middle East is potentially the worst instability for users of fossil fuels. As readers who can remember the Arab Israeli conflict of 1973 will know, any signs that the supply of oil from that region could be affected means that the price of oil usually rises – often significantly.

Crude oil prices have already increased since June because Russia and OPEC had deliberately reduced production. The impact of this can be seen in the gradually rising cost

of heating oil, but prices had begun to slip back when the conflict in Palestine erupted. This pushed crude oil prices back to close to a year-high by mid-October. However, they've since slipped back again. In 1973 the price of crude oil rocketed by 300%, leading to blackouts and a three-day week in the UK, so could this happen again?

There are actually two forces in play today. The conflict and political uncertainties are pushing prices up, but fears of economic recession and reduced demand, particularly in Europe, are pushing prices down. Unless oil exporters impose an embargo to punish countries

that support Israel, which is what happened in 1973, it's unlikely we'll see price increases of that level, although it's likely that crude oil will stay relatively high for the next few months – bad news for oil heating customers. But hopefully, we won't see excessive increases.

But why has the price of natural gas fallen in Great Britain? The 25% fall is really striking in a quarter where most other prices are stable or increasing. It's due to the impact of the Government's Energy Price Guarantee, which was reduced in July, and again in October, which impacted gas and, to a lesser extent electricity in Great Britain.

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

GREAT BRITAIN (average)

	Sep-22	Sep-23	Price change	% Difference	4 year average
Electric storage heaters	3882	3320	-562	-14%	2688
Gas condensing boiler	1414	1591	177	13%	1190
LPG Condensing boiler radiators and DHW cylinder	1630	1850	220	13%	1580
Oil condensing boiler, radiators and DHW cylinder	1846	1323	-523	-28%	1155
Wood pellets	2249	2514	265	12%	1864
Air source heat pump radiators	3111	2935	-176	-6%	2361
Air source heat pump underfloor	2606	2456	-150	-6%	1933

NORTHERN IRELAND

	Sep-22	Sep-23	Price change	% Difference	4 year average
Electric storage heaters	3206	3675	469	15%	2303
Gas condensing boiler	1970	2215	245	12%	1258
LPG Condensing boiler radiators and DHW cylinder	2293	2166	-127	-6%	2049
Oil condensing boiler, radiators and DHW cylinder	1783	1238	-545	-31%	1108
Wood pellets	1715	1991	276	16%	1446
Air source heat pump radiators	2679	2875	196	7%	2035
Air source heat pump underfloor	2215	2377	162	7%	1648

REPUBLIC OF IRELAND

	Sep-22	Sep-23	Price change	% Difference	4 year average
Electric storage heaters	3387	4516	1129	33%	2937
Gas condensing boiler	1955	2937	982	50%	1751
LPG Condensing boiler radiators and DHW cylinder	2758	2783	25	1%	2525
Oil condensing boiler, radiators and DHW cylinder	2386	1780	-606	-25%	1548
Wood pellets	2020	2311	291	14%	1664
Air source heat pump radiators	2878	3798	920	32%	2522
Air source heat pump underfloor	2878	3187	309	11%	2121

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. Prices are shown in pounds sterling (£) for Great Britain and Northern Ireland, and euros (€) for the Republic of Ireland.