



ACRE, PO Box No. 7195, Shipston on Stour, Warwickshire, CV37 1XY
01285 653477 www.acre.org.uk @ACRE_national

Heating Oil Market Study

ACRE response to CMA consultation¹.

About ACRE

Action with Communities in Rural England (ACRE) is the national charity for rural communities. We champion thriving, sustainable, inclusive communities that have the services and the resources they need to secure equitable outcomes for everyone.

We work closely with our network of 37 member charities who work with communities in rural areas across England. Together we campaign for change, enable local action, and unlock support for people most in need. We engage with government and other national partners to explore the issues affecting rural communities and identify solutions so that no one is disadvantaged by where they live. One of our priority issues is the supply of energy to rural households.

Scope of the consultation (for information)

The Competition and Markets Authority (CMA) has launched a market study into the retail supply of fuel (predominantly kerosene) for use in domestic central heating systems (“heating oil”) in the United Kingdom. We will examine whether the market is working well for consumers. If we find that it is not, we expect to identify opportunities to help improve outcomes for consumers in this market.
(Statement of Scope, paragraph 1.)

Proposed Responses to the Consultation Questions

Q1. Do you agree with our proposed scope for this market study, as set out in paragraphs 11 and 12? If not, what areas would you suggest we include, exclude, or prioritise, and why?

We broadly agree with the proposed scope of the market study.

In particular, we agree with the focus on transparency, profit margins and the behaviour of suppliers during periods of volatility. However, we also think that the CMA should prioritise an additional three issues:

¹ See www.gov.uk/cma-cases/heating-oil-market-study.

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Issue 1: Price Transparency

We see this as an achievable quick win. Many households currently have no way of knowing the price before they call, and prices can vary between suppliers and even between customers on the same day. This creates confusion and mistrust, and a feeling that those who are able to negotiate effectively will get a better deal than those who are not able to do so.

We would suggest that this is addressed by:

- A requirement on suppliers to publish their (daily or weekly?) price per litre, in a clear and standardised way.
- A requirement to offer at least two standardised domestic price bands – for example:
 - 500 to 1,000 litres; and
 - 1,000 to 2,300 litres.
- (Orders above 2,300 litres are generally commercial, and are already treated differently through VAT, so this seems a natural upper limit for tiering.)
- A requirement that orders below 500 litres are either priced at the same price per litre as a 500 litre delivery, with a delivery surcharge, or they are charged a little more per litre – but whichever option is chosen by the supplier, the price for that price bracket must be advertised transparently, so consumers are aware ahead of making their order.

Changes along the lines of the above would improve market fairness almost immediately. It would also help local authorities, charities and community schemes to give consumers better advice.

Issue 2: A more transparent Government response framework for future global price shocks

When heating oil prices suddenly rise because of global events, as has now happened several times, heating oil consumers are left frightened and confused. The process by which the Government designs a support scheme (including eligibility, value, how to claim) has tended to be unclear and slow.

We believe it would be helpful for the Government to develop a clear framework for how it expects to respond whenever heating oil prices spike. This would provide suppliers, councils, charities, businesses and consumers a much clearer understanding of what support is likely to be available, and how it will be delivered. This would reduce uncertainty and confusion amongst consumers.

Issue 3: Consider a review of the tax model for heating oil

Heating oil is taxed as a percentage. As a result, when prices rise sharply, the Government's tax receipts automatically increase, while struggling consumers effectively subsidise this increase. For those households who are already dealing with rural disadvantage, this feels doubly unfair. A flat, per-litre tax could potentially be more equitable, and would remove the perception that the Government benefits financially from price spikes.

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Other issues – long-term solutions, and heating oil theft

We would additionally suggest that the study should look not only at the short term issues that have been highlighted over the last few weeks, but should also consider options for longer term, more sustainable solutions to the challenges faced by consumers of heating oil, which address the structural issues with the market.

Finally, while it may not be appropriate to the scope of a market study, ACRE believes that a serious issue which should be addressed by the Government as a matter of urgency is the issue of the theft of heating oil, and the fact that it is not currently treated as seriously as the theft of electricity or gas, even though instances are more frequent – and appear to be growing in frequency during the current price spike. In particular:

- Abstracting electricity/gas is a specific criminal offence, and suppliers use smart meters and data analytics to identify unusual consumption patterns or bypassed meters.
- On the other hand, theft of heating oil is treated as standard theft or larceny – despite the environmental risks associated with oil theft.
- The most recent data we have found suggested that there were 25,000 oil thefts reported in England and Wales in 2018. In comparison, there were only 3,500 offences of abstracting energy or gas recorded in 2021-22.

Q2. Do you agree with our articulation of the characteristics of a well-functioning heating oil market as set out in paragraphs 9 and 10? If not, what should be changed, and why?

ACRE partially agrees with CMA's articulation. We certainly agree that a well-functioning market should be competitive, fair and transparent.

However, in our view, the CMA definition assumes that households are informed consumers who have the time and ability to shop around. In reality:

- Many households in rural areas only have one or two local suppliers to choose from;
- People on lower incomes, or with limited digital skills, may find it harder to compare what is available to them;
- Prices can change within a timescale of hours, making shopping around a real challenge; and
- Vulnerable households can end up panic buying small volumes of heating oil at the worst moments.

A well-functioning heating oil market would need to recognise the unequal power relationship between suppliers and householders, along with the fact that heating oil is not a discretionary purchase.

Q3. Do you consider that the heating oil market currently displays the characteristics of a well-functioning market as set out in paragraphs 9 and 10? If not, please explain why you consider this to be the case, what is driving this, and how this could potentially be addressed.

ACRE does not consider that the heating oil market currently displays the characteristics of a well-functioning market.

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Based on the experience of several ACRE Network members who manage heating oil cooperatives in their areas, including our colleagues in Derbyshire, the heating oil market does **not** consistently meet the standards of a fair or well-functioning market.

Some of the key problems include:

- A lack of clearly published and easily accessible prices;
- Huge variations in what is offered by different suppliers on the same day;
- Inconsistent pricing between different customers – i.e. those that are able and willing to negotiate can get much better deals than those that can't/don't, and there is no consumer protection to protect more vulnerable consumers;
- There can be very limited competition in remoter areas;
- There is generally a high level of consumer confusion during price spikes;
- Smaller orders can attract disproportionately higher costs – which many low-income families may have no choice but to accept; and
- There is normally a minimum order quantity of 500 litres, which can become unaffordable for consumers, particularly during a period of price volatility, as now.

The heating oil cooperative buying schemes run by many ACRE Network members can act as a shield against some of this volatility and uncertainty, for those consumers who join such a scheme. However, not everyone can (or wants to) join a scheme of this kind, and the schemes themselves rely on the cooperation of the heating oil suppliers. Many are very supportive, but this is not universal.

More generally, those consumers who don't have access to a computer or smartphone (or, for example, live in a rural area with poor internet connectivity) can have much greater difficulty in exercising an effective choice of supplier. Equally, customers who are on budget plans are unlikely to be able to switch away from the supplier that they have their budget plan with – while not all suppliers offer budget plans. Consumers on budget plans will often be on low incomes, and so are already to some extent disadvantaged by their circumstances.

We have two additional suggestions for ways that the market problems could be addressed:

- (a) Priority Services Register (PSR) – one possible solution could be a standardised PSR for off-gas households. If someone was on the PSR, a supplier would have to prioritise a delivery to that property.
- (b) Regulator/Ombudsman – another solution would be to introduce an organisation that resolves disputes between householders and suppliers.

Q4. What are the key differences in the heating oil market across the four nations of the UK, what drives these differences, and how should they be reflected in our analysis?

Not answered – ACRE works in England only.

Q5. Are there any specific areas we should focus on because they have the potential to disproportionately affect vulnerable consumers?

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Yes. ACRE would suggest that the following issues have the potential to disproportionately affect vulnerable consumers, particularly in rural areas:

- Many consumers (typically, these will often, though not always, be older people) still think that loyalty is rewarded, so they always return to the same supplier, and will usually not negotiate.
- Whether they are able to afford the typical minimum order of 500 litres.
- Vulnerable or low income consumers may have to make small, frequent orders, and so end up paying higher prices – because the per litre cost reduces the more litres you order, but then you have to pay more in total at one time, which some may not find possible.
- Digital exclusion – those consumers who do not have internet access to compare suppliers, whether because of poor internet connectivity in rural areas, or because of a lack of digital equipment or skills.
- During each recent price shock in this market, there has tended to be a lack of clarity on the support available. This has been the case again in 2026.
- More vulnerable consumers, who may feel pressured or embarrassed when attempting to negotiate a better deal.
- Living in harder-to-reach places, and consequently having fewer supplier options to choose from.
- The impact that poorly heated homes can have on the health of the residents, especially if they are older people, those with young children, or those with health conditions.
- The energy efficiency of older rural houses which use heating oil is often poor, as they are 'leaky'. However, it is typically more expensive and/or technically more complicated to address the energy inefficiencies of these kinds of houses, compared to newer housing stock, and the energy efficiency advice that is often provided may not be suitable for such houses.
- More generally, ACRE believes that any recommendations from the CMA should consider in particular those heating oil consumers who are less able to negotiate or buy in bulk, or who suffer from digital exclusion for whatever reason.
- Finally, we would suggest that there is a lack of equity between consumers of heating oil, LPG or solid fuel, and those on the gas grid. Gas and Electricity vouchers are available for people who are on pre-payment meters and can't afford to pay for energy. There is also help for people with energy debt (in respect of gas and/or electricity) and this can be written off. But there is no equivalent support or help for people who are on oil, LPG, solid fuel.

Q6. Are there any specific issues we should focus on in terms of how, and the extent to which, heating oil suppliers compete, including on price, to win customers?

If it would be helpful, we may be able to provide the CMA with some specific pricing examples from different areas of England, to illustrate some of the points we make below, and elsewhere in this submission.

Competition, including on price, is inconsistent across the market. In some areas several suppliers operate; in others, one or two may dominate. Competition is often undermined by a combination of one or more of the following factors:

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- Opaque pricing;
- Loyalty-based discounts which only some customers can access;
- Prices that change multiple times per day;
- A lack of standardised price bands;
- Some suppliers may sometimes advertise or offer a cheaper price to attract orders, but then don't maintain these lower prices for long, recognising the significant inertia that some consumers will suffer from, given the barriers to switching.

As a starting point, clear and transparent publication of prices would help to ensure that competition genuinely lowers prices for everyone, not just for those who are more confident at negotiating with businesses.

Conclusion

We would be delighted to meet with colleagues from the CMA to discuss the heating oil market in more detail, if that would be helpful. As stated above, many ACRE Network members run heating oil buying cooperative schemes, and thus have detailed knowledge of how the market operates in different parts of England.

ACRE contact:

[REDACTED]

[REDACTED]

ACRE (Action with Communities in Rural England)

[REDACTED]

www.acre.org.uk

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