

CARR'S BILLINGTON



CMA Heating Oil Market Study

Carrs Billington Agriculture Response to the Statement of Scope

Overview of Carrs Billington Agriculture

Carrs Billington Agriculture supplies heating oil, road diesel and gas oil (red), and lubricants to farming, rural and commercial businesses across North and West Cumbria, the Lake District, parts of Lancashire and North Yorkshire, Dumfries and Galloway from Stranraer to Dumfries, South Northumberland and North West Durham. Carrs Billington Agriculture aims to provide an excellent, premium service level and commitment to its customers by delivering year-round, including when others do not (e.g., in the winter).

The fuels supply model of Carrs Billington Agriculture is an integrated part of a wider agricultural supply business with 30+ retail sites and 5 feed manufacturing sites across the North of England and Scotland.

Since 2005, the business has invested in building wet (fuel oil held on site) distribution depots in Castle Douglas in South West Scotland, Hexham, Northumberland, Cockermouth, West Cumbria and Lancaster to allow cost effective delivery of up to 60 miles from the various depot locations.

Unlike some competitors, Carrs Billington Agriculture does not operate any fuel delivery tankers directly from refineries/terminals given their significant distance from its customers (the nearest refinery being EET at Stanlow). Instead, fuel is delivered to Carrs Billington Agriculture depots daily, 5 days per week.

Responses to the CMA's Questions

- 1. 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 generally agree with the proposed scope of the CMA's market study into heating oil. However, it is important for the CMA to recognise the different business models adopted by distributors in the market and the resulting impact of fluctuating input costs on each business model.

On the one hand, there are distributors of heating oil that invest heavily in depot tank storage (primarily to guarantee continuity of supply at peak times). In doing so, these distributors are exposed to the risk of a sudden and significant heating oil price drop. In such circumstances, their stock would instantly become overpriced compared to the downstream market rate for heating oil. Alternatively, where the distributor has purchased stock at a lower rate and the price suddenly spikes, the distributor may be able to price more competitively than others for a short period.

On the other hand, there are distributors that operate on a purely 'ex terminal' basis. They are able to deliver direct to customers with reduced overheads, no stock investment or financial risk. Whilst they are exposed to fluctuating input costs, these are more likely to be passed on to the customer.

2. 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?

We agree with the CMA's articulation of the characteristics that represent a well-functioning heating oil market.

3. 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.

In our view, the heating oil market currently functions well.

The market is currently self-regulated by the UK and Ireland Fuel Distribution Association ("UKIFDA").

Amongst other things, the UKIFDA Code of Practice¹ requires distributors to treat customer fairly and professionally, provide transparent pricing and follow certain dispute resolution and complaints handling standards. It is for this reason that Citizens Advice recommends using UKIFDA-registered suppliers of heating oil.

Customers can choose between many suppliers, whether locally or available online. Many customers enquire by phone and speak to a member of our team or via a web portal. They are able to acquire pricing information quickly and with ease. Customers therefore have genuine choices and can make informed decisions before placing an order with their preferred distributor. This choice is usually based on individual preferences with key reasons being:

- (1) price (the cheapest);
- (2) delivery timeline based on their requirements;
- (3) relationship with staff & experience of driver team; and
- (4) payment options (e.g. on account, cash up front, Direct Debit or split payment).

4. 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?

Customers in Northern England and Scotland are disadvantaged in heating oil supply due to the closure of the refinery in Scotland at Petroineos Grangemouth, December 2024 and Lindsey Refinery & its Prax Newcastle Terminal summer 2025. This double loss was highlighted to the Department for Energy Security and Net Zero at the time as the effect was to increase the importation and reliance on heating oil supply from Europe, adding additional distributor haulage costs to collect the product and significantly reducing the supply chain choice in Northern England and Scotland by adding an estimated 3 pence per litre to heating oil costs faced by the customer.

¹ <https://ukifda.org/wp-content/uploads/2023/10/UKIFDA-Code-Of-Practice.pdf>.

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

We are aware that the UKIFDA has considered developing methods to:

- (1) Help distributors to clearly identify the markers of a vulnerable customer i.e. low income, short or long term illness, cold weather age related 75+
- (2) look to supply those who qualify with a free (funded) tank level monitor linked to their preferred oil distributor, so they never run out and are flagged as priority with a service level guarantee
- (3) Assess their annual usage v cost and agree payment plan options and offer easy clear access to funding from local council Crisis & Resilience Fund

6. 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?

Many customers using online brokers believe they are achieving the best quoted price on the day; this can only be achieved if all distributors use the platforms, which is currently not the case. To ensure full transparency, all brokers should clearly identify ownership where there could be links to major fuel suppliers.

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Carrs Billington Agriculture.