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Submitted by email to
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Consumer Scotland Response to CMA Statement of Scope of Heating Oil Market Study

About us

Consumer Scotland is the statutory body for consumers in Scotland. Established by the Consumer Scotland Act 2020, we are accountable to the Scottish Parliament. The Act defines consumers as individuals and small businesses that purchase, use or receive in Scotland goods or services supplied by a business, profession, not for profit enterprise, or public body.

Our purpose is to improve outcomes for current and future consumers, and our strategic objectives are:

- to enhance understanding and awareness of consumer issues by strengthening the evidence base
- to serve the needs and aspirations of current and future consumers by inspiring and influencing the public, private and third sectors
- to enable the active participation of consumers in a fairer economy by improving access to information and support

Consumer Scotland uses data, research and analysis to inform our work on the key issues facing consumers in Scotland. In conjunction with that evidence base we seek a consumer perspective through the application of the consumer principles of access, choice, safety, information, fairness, representation, sustainability and redress.

We have a particular focus on three consumer challenges: affordability, climate change mitigation and adaptation, and consumers in vulnerable circumstances.

Introduction

Consumer Scotland welcomes the launch of the Competition and Markets Authority's (CMA) market study into domestic heating oil. Consumer Scotland has previously written to the CMA in 2022 to highlight concerns about the market for heating oil in Scotland including pricing in the sector, lack of competition and some of the practices used by suppliers.

The situation in the Middle East has caused international gas and oil prices to rise sharply and heating oil customers across GB have started to experience significant price rises. There are approximately 142,000 households in Scotland that use oil for heating according to the latest Scottish House Condition Survey.¹ For those customers that now need to refill, prices are around double what they have been in the recent past. According to BoilerJuice, the average price of 1,000 litres of heating oil in Scotland rose from £736.26 on March 1st to £1,526.91 (including VAT) on March 31st.²

Consumer Scotland recently published a statement on the recent price increases in oil and gas, setting out our concerns and the action we think needs to be taken both in the immediate and longer term to protect consumers.³

Consumer Scotland is generally supportive of the scope of the CMA's market study as set out in the statement of scope.⁴ In principal we support the four characteristics that the CMA have identified as metrics for what constitutes a well-functioning market. We also welcome the opportunity to comment on the wider scope for the market study and more broadly feed into the CMAs understanding of how the market for home heating oil works in Scotland. In our submission we have highlighted the need to consider:

- The issues and characteristics that make the market for home heating oil unique in Scotland
- How pricing within the sector works and the extent to which price transparency exists within both the Scottish and GB markets
- Thinking beyond the current period of instability and volatility, we would welcome the CMA's consideration of the longer term health of the market and how this works for consumers
- The protections that could be put in place to protect consumers from bad practices in the sector

In our response we have drawn on Consumer Scotland's prior experience working on home heating oil issues and the wider issues affecting rural energy consumers. We have provided more detailed responses to selected questions, and we would be happy to provide further engagement and input as the work on the market study progresses.

Our response

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?

Consumer Scotland is broadly supportive of the overall scope of the CMA's recently launched market study into domestic heating oil set out in the statement of scope. We welcome the main focus of the market study to examine any evidence of consumer harm, notably the practices and conduct of suppliers, particularly during periods of instability and volatile input costs. Insights shared to us by Advice Direct Scotland and Citizens Advice Scotland reinforce the CMA's decision to investigate the practices and conduct of suppliers.

The statement of scope also notes the CMA's intention to carry out an assessment on the extent to which competition between suppliers restrains price rises and whether there is sufficient price transparency for customers. The lack of price transparency in Scotland was a concern raised by Consumer Scotland in 2022 and we have provided further detail in our response to questions 3 and 6.

We would also welcome CMA consideration of the impact of the challenges faced by suppliers in sourcing and maintaining sufficient stocks of heating oil. This will be particularly relevant in Scotland following the closure of the Grangemouth refinery in April 2025.

We welcome the CMA's intention to explore the differences in the way the heating oil market functions in GB compared to Northern Ireland. Consumer Scotland carried out work in 2022 which highlighted some of the differences, including the lack of price transparency in GB, and additional barriers to consumer choice and less competition, particularly in rural and remote areas.

While we recognise the focus on home heating oil given the significant spike in pricing and concerns raised about the possible practices of suppliers, we would also encourage the CMA to consider including LPG within the scope of this study. LPG was included in scope of the work carried out by the CMA's predecessor, the Office of Fair Trading (OFT), when it investigated off grid fuels in 2011.⁵ LPG consumers have faced similar price increases and supply issues and this market could also require further investigation.

We recognise that the immediate concern for the CMA is the impact of the current price volatility caused by the situation in the Middle East. However, we would also encourage the CMA to consider the longer term health of the market for home heating oil and any longer term protections that could be put in place to protect consumers both during and outwith periods of price volatility.

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?

In principal, Consumer Scotland is supportive the CMA's definition of a 'well-functioning' market as set out in the statement of scope. We have set out our position on each of the 4 characteristics in our response to question 3. We would also welcome the CMA's assessment on whether these characteristics have existed prior to the current period of volatility experienced in the market.

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 Strategic steer to the Competition and Markets Authority. 8 consider this to be the case, what is driving this, and how this could potentially be addressed.

We agree in principle with each of the 4 characteristics identified, however we are not reassured that these characteristics currently exist in the market, or were consistently in place before the currently volatility began. We have set out our position on each of the 4 identified characteristics:

- We agree with the CMA's assessment that consumers should have a choice of suppliers who can compete with one another on price and service quality. We know that in parts of Scotland there is very limited competition, particularly in the Highlands and Islands where there can be few suppliers and limited choice. In some cases where there are multiple suppliers many of them can be owned by the same parent organisation. Evidence submitted to the Scottish Rural Fuel Poverty Task Force (RFPTF) previously found that oil prices were higher for consumers in the Highlands and Islands than in central Scotland, which was attributed to more remote spread out settlements.⁶
- Consumer Scotland also agrees that it is essential that suppliers are incentivised to treat customers fairly and their pricing practices are reasonable and appropriate including during periods of high and/or volatile input costs. Insights shared with us by Advice Direct Scotland and other partners across the consumer landscape have highlighted cases where consumers have not been treated fairly or where consumer law may have been broken.
- We agree with the CMA's assessment that suppliers' prices should be transparent and be able to inform consumer choice. In our response to question 6 we have set out in more detail Consumer Scotland's prior work on price transparency and concerns that there are barriers to competition and consumer choice.
- We support the view that consumers should have access to a market that provides affordable and reliable heating with the appropriate consumer protection measures in place to support them. We would welcome the CMA's views on the protections

currently available to consumers and whether there are additional measures that could be taken to better protect consumers in this market going forward.

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?

There are a number of distinct issues or developments in the market for heating oil in Scotland that the CMA should consider in the analysis of this work, including:

- The closure of the Grangemouth refinery in April 2025 and the potential impact that this has had on how the sector operates. Grangemouth was a major producer of kerosene and Scotland's only oil refinery and now only operates as an import terminal.
- In some parts of Scotland there is also a limited choice of suppliers which has led to a lack of competition particularly in the Highlands and Islands. This potentially leaves these communities at risk of paying higher prices and also a further risk if a supplier goes out of business.

We have also identified a number of differences between how the market operates in Northern Ireland (NI) and Great Britain (GB), including:

- There are differences in the minimum purchasing quantities of heating oil between GB and NI. The minimum amount supplied in NI is 300 Litres, whereas in Scotland (and wider GB) the minimum order is 500 Litres. This is a requirement of the Weights and Measures Act 1985⁷ and associated regulations. We recognise that due to the costs involved in smaller deliveries that the price per litre is likely to be proportionately higher, however bringing GB into line with NI and lowering the minimum purchasable quantity could support consumers in the short term to purchase smaller amounts until prices stabilise and serve as a measure to mitigate any supply issues.
- There is also a significant difference in price transparency between NI and GB. Heating oil users in NI can access pricing details online with relative ease. This helps to facilitate greater consumer choice and encourage competition between suppliers as prices are easily visible. We have set out these concerns in more detail in our response to question 6.

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

We would welcome the CMA taking a particular focus on the impact that the sharp increase in pricing will have on rural and remote communities. Many rural communities across Scotland will already experience higher costs of living compared with urban areas due additional costs related to their rurality. A report by the Scottish Government in 2021 estimated that the minimum cost of living in rural Scotland was between 15% to 30% higher

than urban parts of the UK.⁸ Rural properties are also on average, both larger and less energy efficient than those in urban areas.⁹ Rural and remote island households often face significantly higher energy costs due to limited access to the gas grid and reliance on expensive fuels like heating oil or LPG. Previous work carried out by Citizens Advice Scotland (CAS) in 2018 found that consumers using off gas heating methods were associated with higher rates of fuel poverty.¹⁰ Additional research by CAS also reported that oil prices could be higher for consumers in the Highlands and Islands than central Scotland.¹¹ They could potentially be further impacted by higher prices due to lack of competition in these areas.

The recent increase in heating oil prices will disproportionately affect rural and remote communities and we would encourage the CMA to consider this within the scope of the market study to ensure that any remedies or recommendations address the challenges that this group faces.

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?

In 2022, Consumer Scotland identified price transparency as a particular area of concern within the heating oil market. We engaged with the Consumer Council for Northern Ireland (CCNI) to find out about their heating oil price monitoring tool.¹² This was developed to foster greater price transparency within the market in NI and encourage consumers to shop around, creating greater competition within the market. Consumer Scotland explored options to replicate this tool in Scotland as a vehicle to monitor pricing within the market and to encourage consumers to shop around and secure the best price.

Our work highlighted fundamental differences between how the market operates in GB vs NI. One of the key distinctions between how these markets operate is that in GB there is a requirement on fuel distributors to take reasonable steps to make sure that their customer is properly entitled to receive the oil that is being supplied.¹³ This is a requirement of the Registered Dealers of Controlled Oils Scheme (RDCO), an HMRC scheme which is designed to ensure that controlled substances are purchased for legitimate purposes.

In practice, this means that consumers need to create accounts with individual suppliers or provide additional personal details in advance of receiving a price. We recognise the need to ensure that controlled substances are purchased for legitimate reasons. However, this could act as a barrier to consumer choice, competition within the market and ultimately greater price transparency. This information could be captured at the point of purchase, rather than at the point of inquiry which could help to improve price transparency and competition in the market across GB.

Next steps

Consumer Scotland is happy to provide further support or input on these issues as the CMA's work on home heating oil develops; both to better understand the market for heating oil in Scotland and to support the longer term solutions to protect consumers.

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