UKIFDA
The Fuel Distribution Association

Competition and Markets Authority

Heating Oil Market Study: Statement of Scope

Response from The Fuel Distribution Association (UKIFDA)

UKIFDA is the representative trade body for businesses that deliver vital heating services to households and businesses, primarily in rural areas. UKIFDA's c.100 distribution members serve c. 1.7 million homes across the UK.

The heating oil market with respect to distribution is a well-functioning and highly competitive market exhibiting many similar characteristics to those found by the CMA's predecessor, the Office of Fair Trading (**OFT**), when it last looked at the market in 2011 (the OFT Report).

This is illustrated by two simple facts. Firstly, the retail price of heating oil in January 2026 was lower than the retail price in July 2011, despite all the ensuing inflationary pressures and changes to the market. Secondly that the heating oil market has consistently demonstrated resiliency and an ability to return to normal pricing after disruptions.

By far the largest component in the retail price of a litre of heating oil is the wholesale price of jet fuel which has represented on average 75% of the retail price in the last fifteen years. The only driver of the recent price increases to the consumer is the doubling of the wholesale price of jet fuel. The current increase in price is related to the war in Iran, which was an unforeseeable event, and which remains unpredictable. During this period of severe uncertainty, UKIFDA members have worked hard to deliver fuel to customers, and UKIFDA has worked with devolved administrations to get financial support to those who need it most.

Given this weighting to the wholesale market price, UKIFDA would suggest that the CMA incorporates a full supply chain analysis, including wholesale procurement (covering both UK refining and the importation of finished product), terminal storage, and regional supply chain and distribution constraints as part of its study. This would include rising import dependency, reduced refinery capacity and the differing procurement options open to distributors.

However, the CMA should be mindful not to focus only on recent weeks in which a foreign war has caused disruption and uncertainty in international trading of hydrocarbons but consider instead the market dynamics in the heating oil sector, which over time have proven to be resilient, and to deliver good outcomes to consumers.

As to the provision of information to consumers, UKIFDA regularly provides advice to consumers, particularly in the run up to winter. Should the CMA wish to review current consumer advice and to

recommend additional areas where this advice could be extended and improved, UKIFDA would be open to that work.

UKIFDA remains ready and able to assist the CMA with its work. UKIFDA members include large, medium and smaller entities, all of whom are currently dealing with the impacts of market disruption owing to the war in Iran. UKIFDA is well placed to assist the CMA, giving industry insight while members continue the important job of delivering heating oil to those who need it.

UKIFDA's submission opens at section 1 by outlining the impact of the conflict in the Middle East on the market for heating oil in the UK. Section 2 explains in detail how our industry is structured, how it operates and the pricing mechanisms, in an effort to assist the CMA's understanding of how the market works. Section 3 addresses how the market has, in the past, responded to crises. Section 4 provides some further detail on key characteristics the CMA's Heating Oil Market Study: Statement of Scope (the **Statement of Scope**) raises. Sections 5 to 10 add additional colour in response to the specific questions raised in the Statement of Scope. Section 11 offers some initial views on the types of policy intervention that the CMA may wish to consider.

1 The impact of the conflict in the Middle East

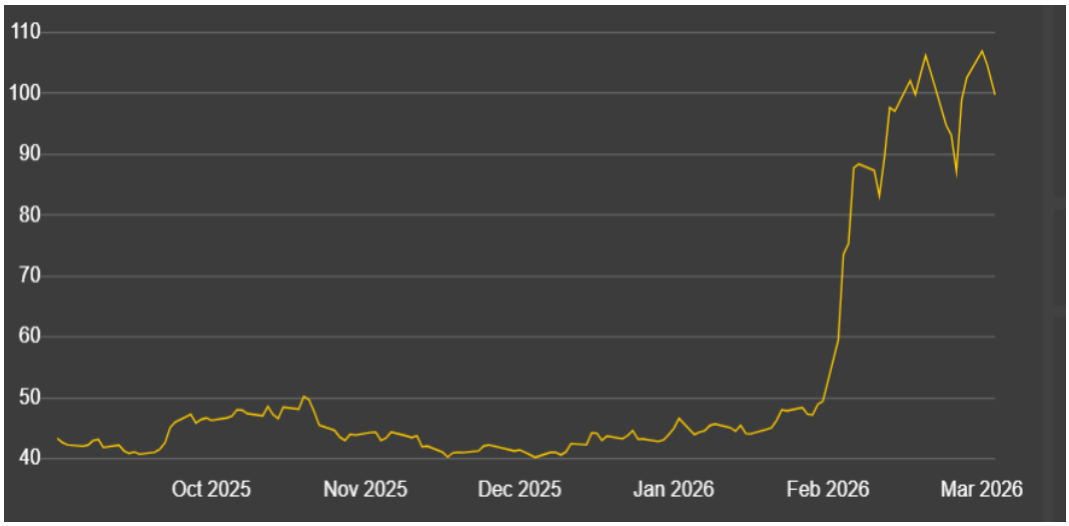
1.1 Price

(a) The CMA's market study has been instigated primarily because of the sudden increase in heating oil prices payable by consumers following the start of the conflict in Iran on 28 February 2026.

(b) The main price driver of heating oil in the UK and Ireland is the wholesale price of jet fuel (or "Jet Kero") which is traded on the European market. This is because jet fuel and heating oil are both kerosene based and all contracts between suppliers and distributors refer to this market price.

(c) For context, the average wholesale price for Jet Kero from 1 January to 24 February 2026 (i.e. the period immediately before the conflict) was 44.20 pence per litre (ppl).

(d) However, for most of the period since the conflict started, jet fuel has traded at around 100ppl and has been exceptionally volatile. These prices exclude UK VAT, importer landing costs, tank storage / terminal costs / port fees / UK onward road delivery costs or profit margins. As illustrated at Graph 1 below.

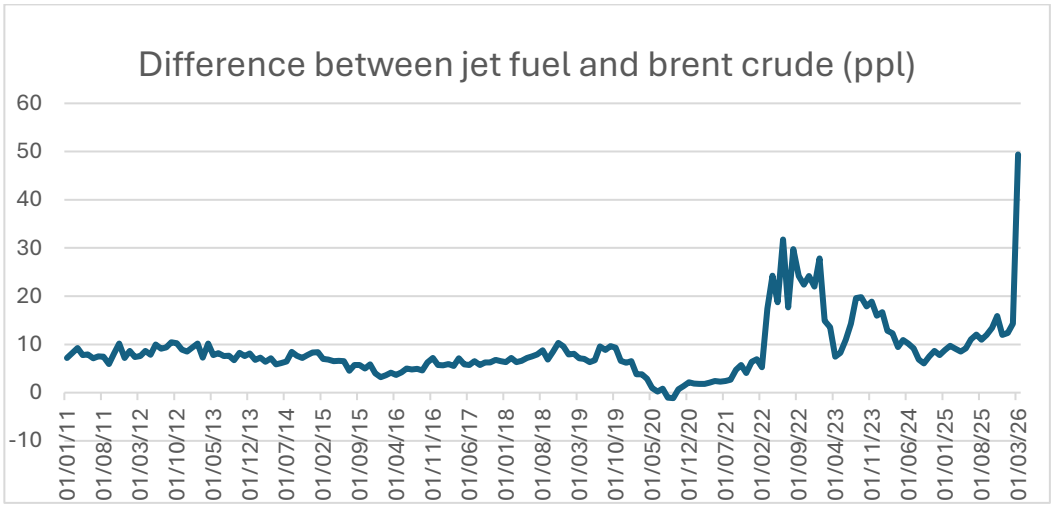


Graph 1: Source OMJ

(e) When the OFT considered this market in 2011, the appropriate reference price was crude oil to which a refining margin was added, which essentially equated to the cost of refining crude oil into jet fuel.

(f) However as explained below the UK and Europe are now dependent on imports of jet fuel and therefore the more appropriate reference point is the wholesale price of jet fuel. Since

the conflict started the wholesale price of jet fuel has decoupled from crude oil as seen in Graph 2 below:



Graph 2: Source market data

(g) The main reason for this decoupling is that by 2025 Europe imported c. 40% of its jet fuel requirement from the Middle East, with analysts confirming their view that there was not enough refining capacity in Europe to meet this shortfall. This is because, since 2009 nearly 30% of the refineries in the Europe have been closed or transformed to produce other fuels.[1] In the UK, the OFT noted in 2011 that there were eight operational oil refineries; today there are only four.[2]

(h) Analysts have commented that European refiners will find it difficult to offset this loss completely and, in addition, shipping freight rates are increasing which is making imports from other regions more expensive.

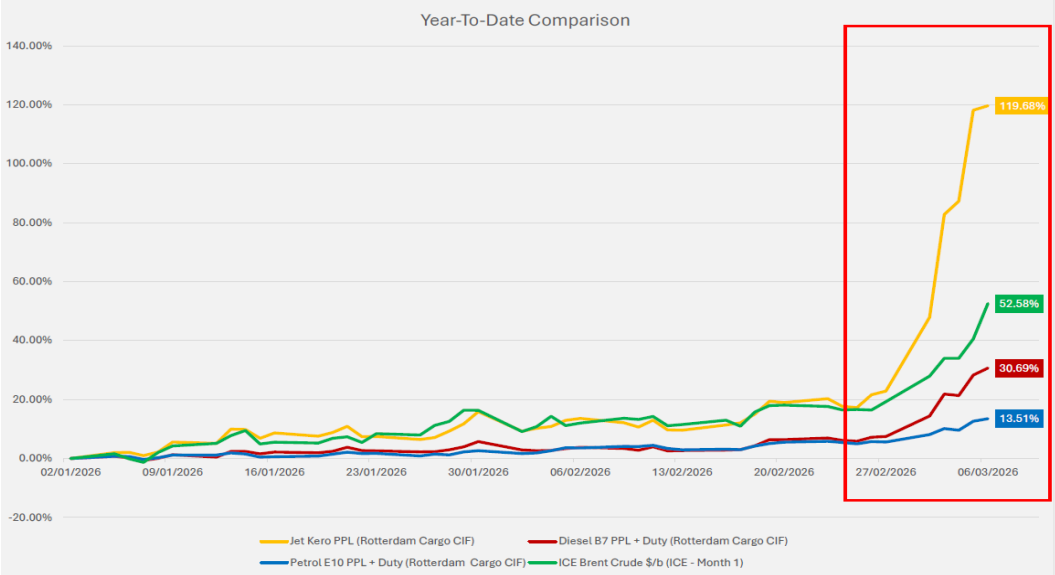
(i) This has all led to a rapid increase in wholesale prices which, in turn, has increased the price distributors pay for heating oil and therefore their customers.

(j) In the UK refining capacity issues have been exacerbated by the closure of Grangemouth refinery and Lindsey Oil refinery in the last 18 months. Both these facilities produced jet fuel and heating oil.

[1] https://www.fuelseurope.eu/publications/publications/statistical-report-2025

[2] See OFT Report at paragraph 4.10.

(k) Graph 3 below explains more fully the impact of import dependency with bigger increases in jet fuel and diesel experienced compared to petrol. The UK has a refining overcapacity in petrol and an import dependency on diesel and jet fuel.[3]



Graph 3: Source OMJ

1.2 Demand

(a) Customer demand in the market is seasonal (as explained in section 2.8 below). Late February/early March, when the conflict commenced, is normally a period of diminishing demand. In the first four days of the conflict there was a significant and unexpected demand spike for heating oil. UKIFDA estimates that 60,000 to 90,000 orders were taken in that period which is c. 2-3 times the normal demand for the time of year.

(b) For context such a demand spike did not occur, at least not to the same extent, following the disruption caused by the Ukraine invasion. Normally price spikes are likely to lead to reduced demand initially. The elevated price environment, following the initial invasion of Ukraine, lasted into the earlier winter period: although lower than the initial spike, prices remained elevated compared to the longer-term average.

(c) This customer experience may have influenced behaviour at the start of this conflict. For example, the demand may have been the result of attempts to procure fuel at lower prices – i.e. before anticipated price increases. The reality is wholesale jet fuel prices had already started to move.

[3] While distributor costs (e.g. delivery costs) make up a small part of the overall cost to the consumer as highlighted in the following sections, any increase in diesel costs will be passed on to the consumer.

(d) It is too early to tell the overall impact of this demand spike on demand across the entire year. Under normal conditions, distributors would expect that this increased demand will result in demand erosion later in the year, given that the demand spike was in the spring, as temperatures have begun to rise (and so customers would in general use less fuel).

1.3 Supply

Because of the increased demand at an unusual time of year, distributors were reporting experiencing limitations on their spot purchases. As time went on larger distributors were reporting they had met their weekly volume allocation limits with suppliers and were having to wait for the next week's allocation to kick in. This was not indicative of a general shortage of fuel but more logistical management. Clearly in an ever-increasing price environment these constraints would also have had the impact of distributors receiving fuel at elevated prices.

1.4 Ability to provide prices to customers

(a) The period since the start of the conflict has been characterised by exceptional price volatility, including within a single day. For example, on 4 March jet fuel prices were up c.30ppl. Graph 4 below shows the price volatility on 23 March:

Graph 4: OMJ

(b) Most distributors have limited storage on site and as result, they have to go to refineries and import terminals daily to replenish their stocks. The price paid is governed by the market price.

(c) Distributors do not, as a matter of course, hedge these fuel prices.

(d) Parts of the airline industry, which also compete for the same volumes, employ hedging strategies to protect against volatile jet fuel prices although the level and length of policies differ significantly.

(e) These strategies tend to employ highly sophisticated swaps and derivatives. While customer numbers might vary, the volume of fuel which needs to be procured is based on the number and timing of flights. The airline industry has good visibility of and control over the level of flights they expect to operate, as well as the timing of those flights as they coincide with different periods of the year.

(f) In relation to heating oil, the volumes which need to be procured from suppliers depend much more directly on the volume of customer orders. There is no long-term formal arrangement between customer and distributor, i.e. customers are free to purchase from any distributor. Distributors therefore have considerable uncertainty over expected volumes. Smaller distributors may also have limited credit facilities and resources in which to engage in these types of financial transactions.

(g) Hedging strategies do have a number of challenges:

(i) they do not hedge against physical supply of product as this would be subject to the open market in terms of shipping movements;

(ii) currency hedging may also be needed as many trades are denominated in US$;

(iii) hedges will only lock in prices for a certain period and then purchases would revert to the current market value; and

(iv) hedging requires significant balance sheet resources and the cost of setting up the hedge is substantial.

(h) At present, due to exceptional price volatility, distributors do not know ahead of time with any certainty the price that they will pay their suppliers for fuel. In turn, that can make it impossible to give a price to an end customer. Therefore, in accordance with the UKIFDA code of practice (see section 4.4) distributors will provide a total indicative price only to customers in response to an enquiry. This will be based on the prevailing market price based on pence per litre, multiplied by the order volume. They will make clear that the final total price to be paid will be communicated nearer to the time of delivery. At the point of communicating the final price, the customer will have the option to go ahead with the delivery or not or discuss smaller volumes. This is exceptional: for the most part, distributors will be clear that the price on enquiry is the price to be paid.

1.5 Advice to customers

(a) UKIFDA recognised very quickly the impact high prices were having on consumers and in particular the disconnect between crude oil and jet fuel, which would not have been apparent to the consumer. As a result, UKIFDA instigated a number of actions with the aim of getting helpful information to consumers:

(i) reminding distributors of their duties under the code of practice;

(ii) issuing a consumer advice note;[4]

(iii) contacting 160 rural MPs and their staff with the advice note with offers to meet and help with consumer issues;

(iv) asking to meet the energy minister as a matter of urgency;

(v) contacting Martin Lewis; and

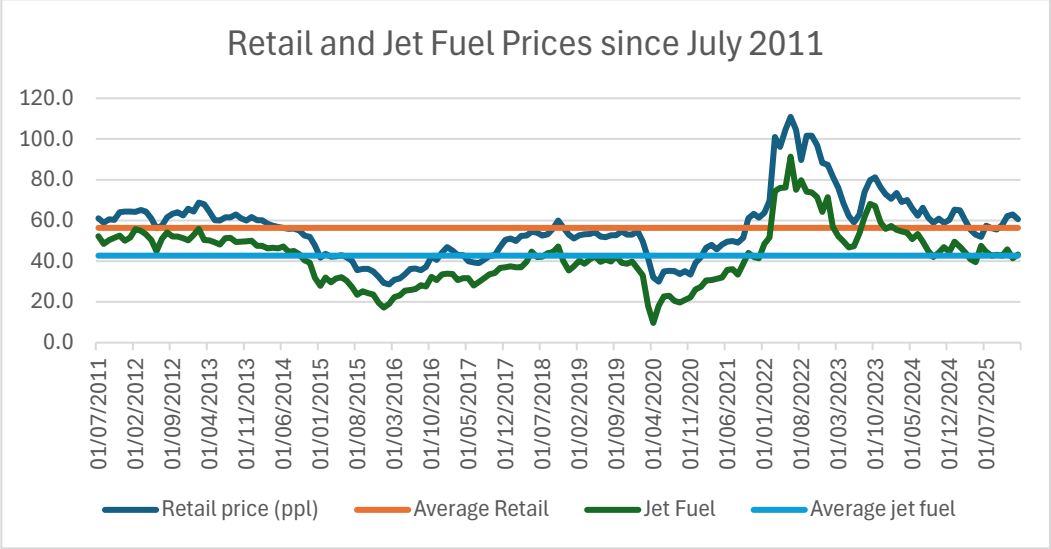
(vi) conducting a round of regional media interviews.

2 Industry structure

(a) UKIFDA considered it would assist the CMA to have a detailed overview of the industry's structure and operations, which provides essential context for the pricing and competition issues raised in the Statement of Scope.

(b) As the CMA will be aware, the OFT examined the structure and operation of the heating oil market in detail in the OFT Report. It considered the market to be highly competitive, with retail prices paid by consumers primarily driven by and tracking the wholesale costs paid by retailers. The market has continued to exhibit the same trends since 2011. This can be seen in Graph 5 below:

[4] https://ukifda.org/ukifda-consumer-advice-why-are-heating-oil-prices-going-up/



Graph 5: Sources: Jet fuel prices taken from market sources. Retail prices from July 2011 to Jan 2025 were derived from ONS data[5] and then data is taken from DESNZ energy prices table 2.1.3a column G[6]

(c) Much of the detailed work undertaken by the OFT remains, in UKIFDA's opinion, valid today. Rather than repeating the detailed findings in this section, the following sections focus on particularly important factors or areas where there have been developments since 2011.

(d) The supply chain as indicated by figure 4.3 in the OFT Report is still an accurate representation of how the industry operates. There have been some important changes with respect to numbers of refineries and terminals as explained at section 2.5 (c).

[5] https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/kj5u/mm23

[6] https://www.gov.uk/government/statistical-data-sets/monthly-domestic-energy-price-statistics

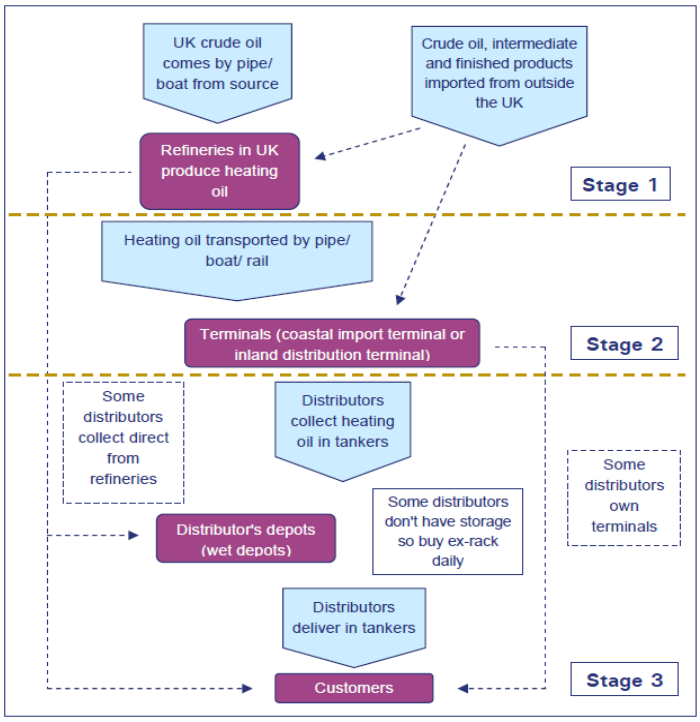


Figure 1: Source OFT Report 2011 (figure 4.3)

(e) The total market for kerosene based liquid fuels in the UK is c. 15,000 thousand tonnes of which 79% is used for jet fuel, 12% for domestic heating oil and 8% for industrial purposes.[7]

(f) Fuel distributors will deliver fuel to both the domestic and industrial heating oil market. Heating oil distributors will also deliver diesel and red diesel to sectors including farming, construction, retail and hospitality as well as to the emergency services and the military.

(g) As indicated in the OFT Report, distributor's assets (for example, depots) and costs (for example, staff, vehicle maintenance and fuel) are shared across these different products and customers. It is often therefore difficult to attribute cost to certain fuels.[8]

(h) Today UKIFDA represents over 100 distributors. There is currently c. 500 distribution depots across the country. A significant proportion of distributors are small family run businesses with one depot and less than 10 trucks:

[7] Energy Trends: UK oil and oil products table 3.4 https://www.gov.uk/government/statistics/oil-and-oil-products-section-3-energy-trends

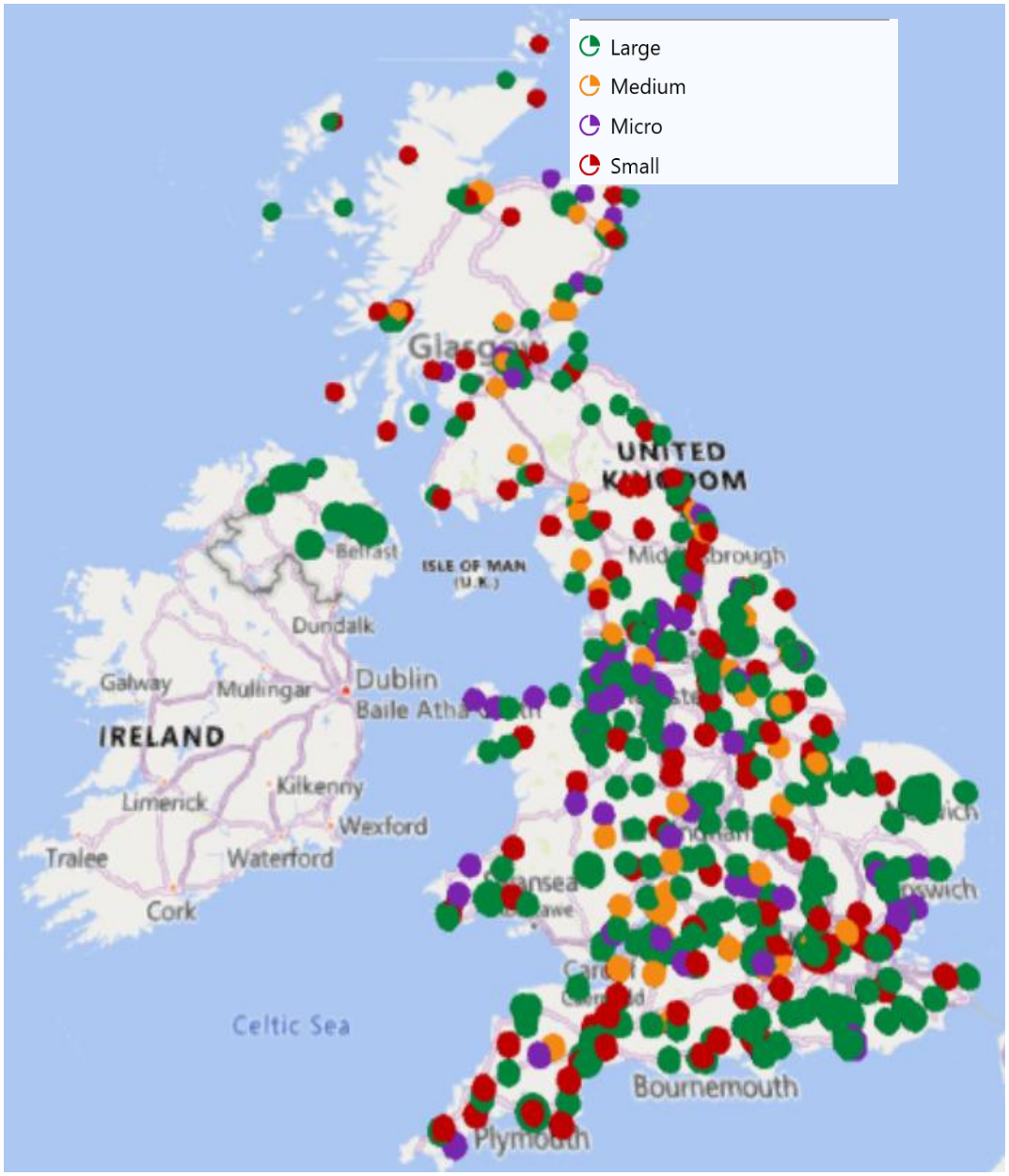
[8] See OFT Report at paragraph 4.111.

Truck Numbers	Number of Companies
0[9]	2
1-5	26
6-9	20
10-19	20
20-29	7
30-49	8
50-79	6
80-200	7
200+	1
400+	1

Table 1: Source: UKIFDA records

(i) In 2023, UKIFDA provided the Department of Energy Security and Net Zero (DESNZ) a pictorial representation of the concentration of UKIFDA member's depots in the UK based on the size of the distributor. This was as a part of a review of core resilience by the DESNZ.

[9] UKIFDA has some members which are better understood as marketplaces such as BoilerJuice. These companies have no trucks but offer a service to the customer. UKIFDA has two forms of members: distributors and associate members. In 2021, UKIFDA members decided to include these marketplaces as distributors rather than associate members in order that they were covered by the UKIFDA Code of Practice.



Number of trucks	Designation
1-10	Micro
11-50	Small
51-100	Medium
>100	Large

Figure 2: Source: UKIFDA records

(j) Examples of large companies include Rix Petroleum Ltd, NWF Fuels Ltd, Watson Fuels and Certas Energy UK Limited who will have a wide footprint. Examples of medium sized companies include Highland Fuels, Oilfast Ltd, Crown Oil Ltd, Ford Fuel Oils, WCF Ltd, Johnston Oils Ltd and Goff Petroleum who in the main have a regional focus (for example Cumbria, Scotland, Norfolk etc).

(k) The OFT Report commented that while firms are able to make profits at times of peak demand, competition will constrain the extent to which they do so over time and they had not found evidence of either market power or coordination problems, with a choice of supplier generally available to consumers.[10] UKIFDA believes this to be unchanged.

(l) In addition, consumers also have online purchase options, and many had local buying groups who shop around on their behalf and use the group's buying power to obtain the best prices. The growth of the internet was highlighted in the OFT Report which promotes shopping around.[11] The trend towards the use of the internet shopping around has only accelerated since then.

(m) There continues to be a competitive mix of distributors across the country.

2.1 The interaction between distributor, consumer and fuel supplier

(a) The relationship between a customer and distributor is very different to the relationship that exists between a customer and their electricity and gas supplier.

(b) In the heating oil market customers are not bound by any long-term formal arrangement to buy from a single distributor over a period. Typically, a customer will fill their tank two to four times a year and are free to purchase their fuel from any distributor in their local area each time. Many customers will choose based on price or past service levels. The lack of contractual barriers to switching supplier was highlighted in the OFT Report.[12]

(c) While distributors can estimate demand to some extent (e.g. seasonal demand), the absence of long-term contracts means they cannot predict volumes with the same degree of certainty as gas or electricity suppliers.

(d) Distributors collect their fuel from either a refinery or a terminal (the "suppliers").

(e) Across the distribution sector, storage capacity is very limited (typically no more than two days' supply), meaning all distributors, regardless of size, are heavily exposed to daily wholesale price movements. There is an important distinction between types of distributors. Many of the smaller distributors will not have storage facilities on their site and therefore pick-up fuel from suppliers and immediately deliver to their customers. This will impact on the way they contract with fuel suppliers.

[10] See OFT Report at paragraph 7.2.

[11] See OFT Report at paragraph 4.61.

[12] See OFT Report at paragraph 4.63.

(f) The larger distributors with better visibility of their overall demand position are likely to hold contracts with their suppliers which gives them a better level of comfort that they will be able to purchase stock (albeit this will be dependent on global availability of stock). These contracts are also likely to have a price mechanism which will be based on the prevailing traded European jet fuel price plus a known mark up from the supplier.

(g) Smaller distributors are unlikely to have volume-based contracts and buy their stock on the spot market. The price paid is likely to be at a premium to the European jet fuel price and variable depending on the fuel supplier.

(h) In times of supply limitation brought on by, for example, weather constraints contracted distributors will be supplied before spot purchasers.

(i) In most cases a distributor will contact the supplier the day ahead to agree the volume and the price.

(j) Suppliers will provide distributors of all sizes with credit limits and within the contracts the terms of payment.

(k) Distributors have a finite delivery capacity based on the number of vehicles that they operate. Industry delivery capacity is typically underutilised in the summer months and fully utilised in the colder winter months. However, at times of high demand (such as fuel shortages, price spikes and very bad weather) there can be insufficient delivery capacity to meet immediate demand, and this has an impact on the price.

2.2 Pricing

(a) UKIFDA notes the previous work by OFT and in particular the price make up diagram produced at Figure 3.

Figure 4.14: Estimated price decomposition based on 2010 data

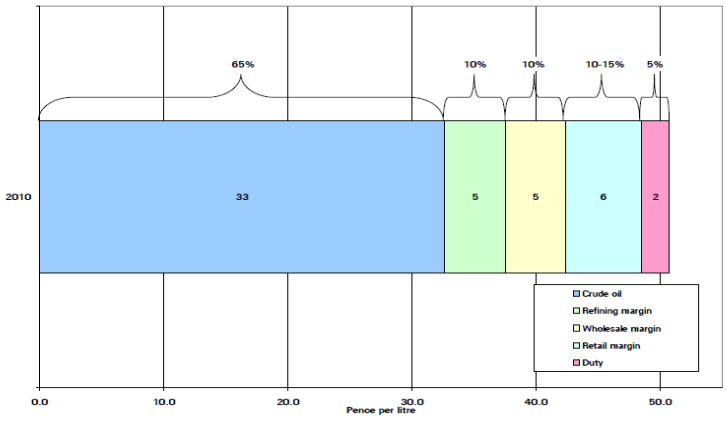


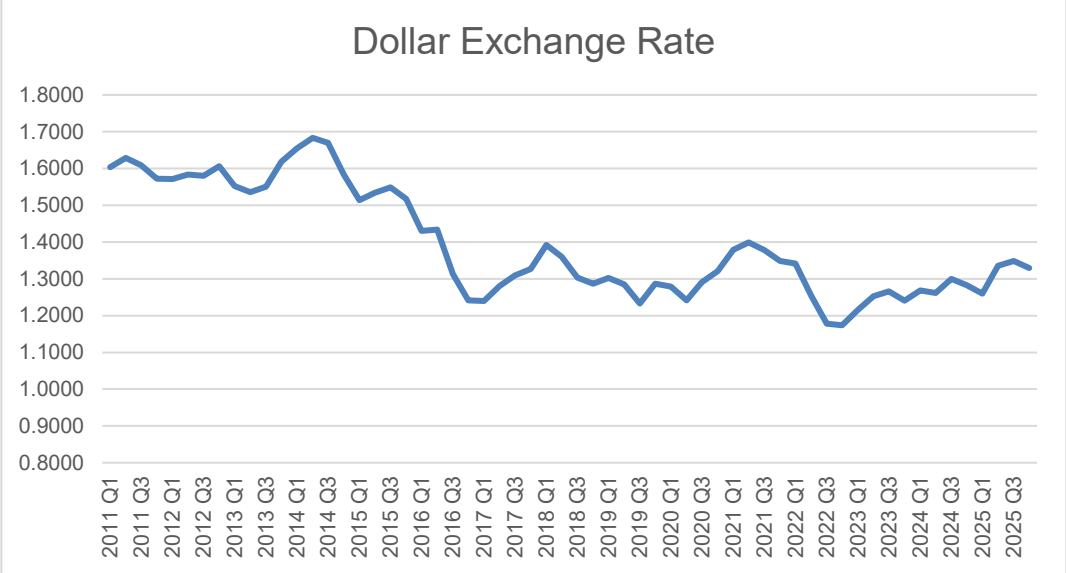
Figure 3: Source OFT Report (Figure 4.14)

(b) UKIFDA does not have all of the data to be able to replicate this diagram. However, using the data within Graph 5 above, UKIFDA have been able to calculate the difference between the wholesale price of jet fuel by month over the last 15 years and compare it to the retail price of heating oil. The average over the period indicates that the wholesale price of jet fuel made up 75% of the retail price. In the OFT diagram above this equates exactly to the crude oil percentage and refining margin combined.

(c) The retail price reflects several elements in addition to the underlying jet fuel price. This includes currency conversion costs (as jet fuel tends to be traded in USD); upstream supplier costs (including landing, storage, terminal costs and port fees); and distributor costs (including driver and fuel costs, administrative costs and other overheads); and VAT.

2.3 Exchange rates

(a) As the ultimate market price of jet fuel is denominated as US$/tonne the price of jet fuel to the UK is subject to variations in the dollar: sterling exchange rate. Graph 6 below traces the changes in the exchange rate from 2011 to 2025.



Graph 6: Source ONS[13]

(b) While the exchange rate has been relatively stable in the last decade it should be noted that since 2011, the movement in the exchange rate would have made jet fuel in sterling 17% more expensive.

[13] https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/timeseries/auss/mret

2.4 Supplier costs

Supplier costs and contractual arrangements are commercially confidential matters between suppliers and distributors. To the extent that the CMA would find it helpful to understand this portion of the cost base, it would need to obtain this information directly from suppliers as part of its review.

2.5 Distributor costs

(a) Outside of jet fuel, exchange rate movements and supplier costs, there are other issues which distributors need to manage but are outside of their direct control. Distributors have navigated these issues in a way that has substantially mitigated the impact on price and service to consumers.

(b) Each distributor will normally procure fuel from the closest refinery or terminal to the customer to reduce the costs of transportation. However, fuel suppliers will from time to time have operational issues such as plant failure, or more recently protest activity or permanent closures of plant which will mean distributors have to go further afield to replenish their stocks. This increases not only the scarcity value of the stock but also increases the cost of transportation.

(c) Some examples are included below. In the main, these disruptions will have increased transportation costs and required driver overtime due to longer distances required to pick up fuel. There will also have been a knock-on impact on other suppliers who would have had to restrict supply to all distributors to cope with the unexpected increased demand.

(i) **January 2023 – Storm Babet**

As a result of water ingress, the operator of Stanlow Refinery claimed force majeure due to Storm Babet. This resulted in a two-week period during high demand where distributors were forced to find fuel from other suppliers including at Grangemouth and Jarrow Terminal.

(ii) **March 2023 – Operational Issues at Grangemouth**

Operational issues arose at the Grangemouth Refinery in conjunction with the unavailability of import cargoes in the relevant supply window. As Grangemouth is the main source of fuel in Scotland, Scottish distributors were forced to lift fuel from other facilities including the Jarrow Terminal in Northeast England, leading to increased transportation costs and driver overtime.

(iii) **December 2024 – Closure of Dalston Terminal**

The fuel from Dalston supplied c. 10% of England's residential heating oil market and a significant number of farms, key MOD sites, nuclear facilities and hospitals in the region.

When it closed, distributors were forced to recontract and find alternative supplies including terminals and facilities in Manchester, Stanlow, Jarrow, Glasgow and Grangemouth.

(iv) **April 2025 – Closure of Grangemouth Refinery**

The closure of the Grangemouth refinery in Scotland has had a major impact on distributors in Scotland and Northern England and for the first time ever Scotland has become solely reliant on imported fuel.

The owner of Grangemouth had operated for some time an out of area discount which had been used to subsidise the cost of haulage from Northern Scotland to Grangemouth. These discounts were withdrawn as a result of the closure of the refinery.

When the site moved to an import facility the costs of most fuels were increased by c. 2ppl.

(v) **July 2025 – Closure of Lindsey Oil Refinery (LOR) and associated terminals**

In July 2025 LOR (and shortly afterwards three associated terminals) were put into liquidation with no notice to the industry.

LOR through Jarrow, Kingsbury and Lindsey terminals delivered c. 230,000kt of heating oil. This is the equivalent of 7.5% of the total heating oil consumption in the UK. UKIFDA estimated this would have impacted at least 30% of heating oil supplied in the geographic region close to the refinery.

Fortunately, this situation arose in the summer which meant that contracting strategies could be put in place ahead of the busier winter period. However, all distributors will have had to procure stock from further afield increasing their cost base.

(vi) **January 2026 – Effective closure of Aberdeen, Peterhead and Inverness terminals**

For a two-week period, oil tankers were not allowed to berth at Aberdeen and Inverness ports. These port terminals are critical for supply in Northern Scotland. Many distributors had moved their contracting strategy to the terminals at these ports as result of the loss of haulage discount being offered at Grangemouth (See section 2.5 (c) (iv)).

As a result, distributors were forced to send trucks to Grangemouth to pick up fuel. This required extra resource, driver hours and transportation costs all of which would have impacted heavily on the retail price.

(d) **Further impacts from disruption**

As indicated in section 2.1 many distributors will procure their fuel on the spot market because of the limited visibility of demand.

During periods of disruption as described above the spot market is likely to be severely restricted as fuel at terminals and refineries become more limited. This will increase the price and will also force distributors to find fuel further afield. This will require extra resource, driver hours and transportation costs all of which will affect the retail price.

2.6 Driver wages and availability

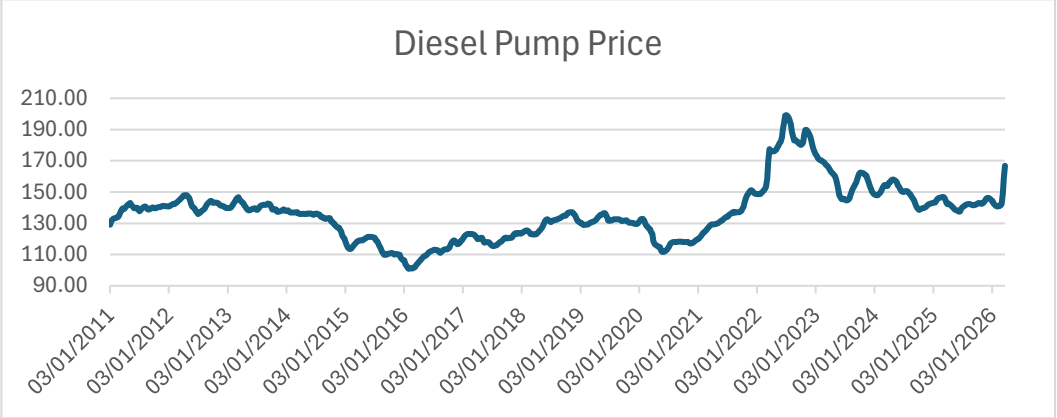
(a) UKIFDA annually surveys its members reporting on an anonymised basis driver wages with the last survey for the year 2025. This showed an increase from 2023 of 9.6%. Since 2025, there has also been a substantial increase in National Insurance.

(b) In autumn 2021, there was significant disruption to fuel distribution because of a driver shortage following Brexit. This resulted in forecourts not having sufficient fuel stocks. The Government activated several contingency measures to assist industry to ensure continuity of supply. The shortage at the forecourts was not caused by an overall shortage of fuel but driven by increased demand and an underlying shortage of HGV drivers.

(c) A fuel delivery driver's day is split between driving between depots and customers' homes and the physical act of delivering the fuel which can take up to 20 minutes per delivery.

2.7 Transportation costs

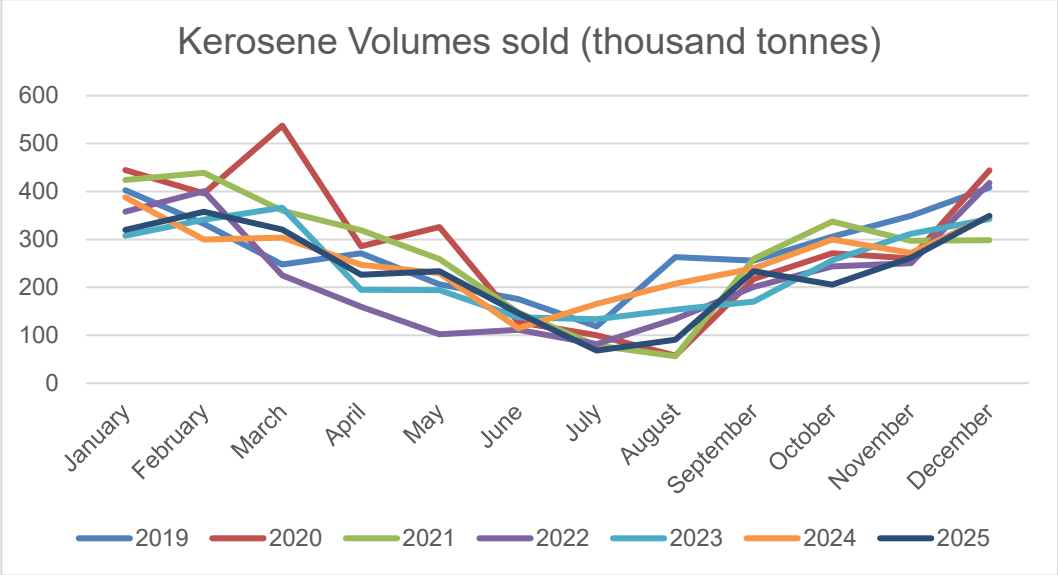
(a) Aside from substantial ongoing vehicle maintenance and licencing costs, the main variable cost with respect to moving fuel from terminals and refineries to depots and onwards to customers is the cost of diesel, which has trended upwards in recent years. Graph 7 below demonstrates the diesel pump price since 2011.



Graph 7: Source DESNZ weekly fuel prices[14]

2.8 Impact of weather and buying patterns

(a) The bulk of heating oil is sold in the six-month period between October and March as customers match their heating requirements to the levels of their tanks and the temperature. This is demonstrated in Graph 8 below.



Graph 8: Source Dukes Energy Trends table 3.13[15]

(b) There are two impacts of this. Firstly, distributors will need to cover the cost of their all-year-round operations during the period of highest purchasing. Most staff including drivers

[14] https://www.gov.uk/government/statistics/weekly-road-fuel-prices

[15] https://www.gov.uk/government/statistics/oil-and-oil-products-section-3-energy-trends

are full time employees, but they are significantly more utilised during the winter months than they are during the summer. This is noted in the OFT Report.[16]

(c) The period of highest selling also coincides with higher likelihood of severe weather especially in Northern Scotland (Snow) and Southwest England and Norfolk (flooding). Therefore, it becomes more difficult to replenish stock, with more hours being used up physically collecting stock and delivering to fewer homes.

2.9 Financial capacity of distributors

(a) Each distributor will have a designated credit limit with their supplier which will allow them a period to pay for the fuel purchased. Periods of disruption often coincide with higher prices and therefore distributor credit limits become consumed much quicker. For example, if wholesale prices double the effective credit limit is halved. The industry has also more recently had issues as the number of terminals and refineries has decreased with credit limits becoming more concentrated on a smaller number of suppliers. For the smaller distributor with potentially few supplier options this becomes very constraining, making it more important that they match up-front payments from customers with their designated credit limits.[17]

2.10 Delivery sizes and timescales

(a) Distributors will always seek to maximise the efficiency of their route management procedures i.e. reducing the travel between customer deliveries and where possible reducing the number of deliveries.

(b) As a result, many distributors will provide small discounts for customers that are prepared to order ahead and/or also order larger volumes.

(c) Distributors do try to assist customers who have urgent need for fuel, but this will mean making changes and disruptions to their delivery plans which unfortunately involves extra cost. Last minute changes can often mean routes are not scheduled in an efficient manner and therefore a premium is charged when a premium delivery service is required.

(d) In addition, distributors are required to comply with The Measuring Instruments (Liquid Fuel delivered from Road Tankers) Regulations 2006.[18] UKIFDA's industry guidance given the current technology mix with respect to calibration accuracy of metering equipment attached

[16] See OFT Report at paragraphs 4.106 to 4.110.

[17] UKIFDA note that this is touched on in OFT Report at paragraph 4 .35 as a "*barrier to entry*".

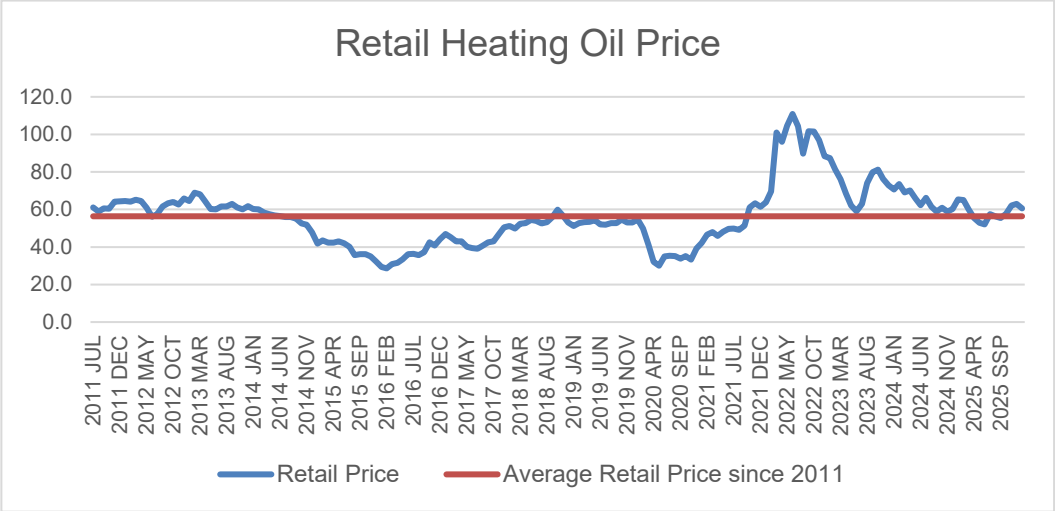
[18] https://www.legislation.gov.uk/uksi/2006/1269/part/I/made

to trucks is that the minimum order to satisfy the legislation is set at 500 litres. Members are of course able to take their own view depending on the equipment in their own trucks.

(e) During periods of heightened disruption UKIFDA has asked for members to be as flexible as possible and has advised customers to talk directly to their local distributors.

3 Impact of major events

(a) There have been three major events since the last OFT Report in 2011 which have materially changed the retail price of heating oil. Prior to the start of the recent conflict, two of these events led to substantial reductions in the retail price paid by consumers, while one led to an increase. This is demonstrated in Graph 9 below.



Graph 9: Sources: prices from July 2011 to Jan 2025 were derived from ONS data[19] and then data is taken from DESNZ energy prices table 2.1.3a column G[20]

(i) Booming U.S. shale oil production played a significant role in the oil price plunge from mid-2014 to early 2016. Efficiency gains in the sector lowered break-even prices considerably, making U.S. shale oil the de facto marginal cost producer on the international oil market.[21] This not only had an impact on jet fuel costs but also on diesel prices - both were seen to feed through to significant reductions in retail heating oil prices.

(ii) In 2020/21, during the Covid pandemic there was an immediate collapse in jet fuel demand due to global flight groundings. As a result in mid-July 2020, jet fuel prices

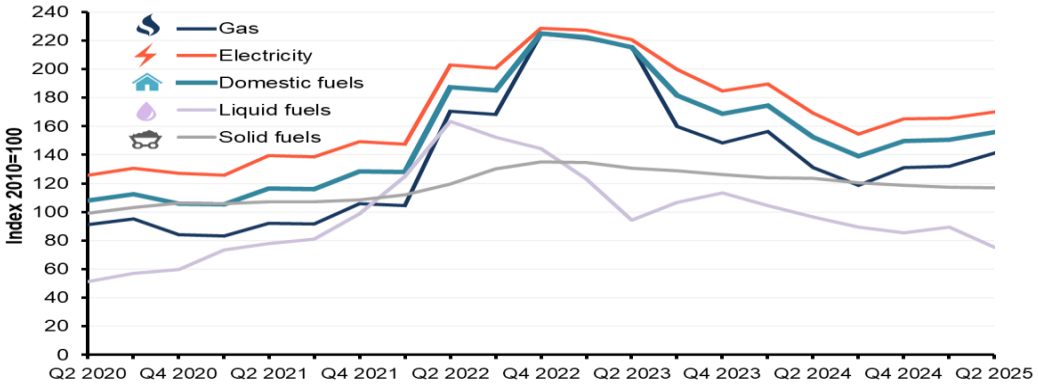
[19] https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/kj5u/mm23

[20] https://www.gov.uk/government/statistical-data-sets/monthly-domestic-energy-price-statistics

[21] https://blogs.worldbank.org/en/developmenttalk/what-triggered-oil-price-plunge-2014-2016-and-why-it-failed-deliver-economic-impetus-eight-charts

were roughly 45% lower than the previous year. This decline was only partially offset by increases in operational costs due to Covid and heating oil prices reached the lowest level ever.

(iii) February 2022 saw the start of the invasion of Ukraine which had a substantial impact on world fuel prices. However, following the disruption caused by the impact of the Ukraine invasion heating oil prices showed the quickest recovery to normal pricing of any energy commodity in the UK as demonstrated in Graph 10 below.[22]



Graph 10: Source ONS

(b) Despite all the upheavals, disruptions and cost increases outlined in section 3, retail heating oil prices in January 2026 were lower than prices in July 2011.

4 Key market characteristics as identified in the CMA's Statement of Scope documents

There are a number of features identified in the Statement of Scope document which are worth further consideration and comment.

4.1 Consumers in financial difficulty and payment methods

(a) The CMA identifies that there is a lack of protection for consumers in debt/suffering financial difficulty. It is true that UKIFDA members all recognise that some consumers will have difficulties from time to time especially during times of high prices.

(b) As part of its consultation response into a Treasury consultation on the regulation of buy-now pay later,[23] UKIFDA performed an exercise in 2022 reviewing the payment options offered by its members. At that point, c. 55% of heating oil distributors provided, direct to

[22] Heating oil is represented by the purple "liquid fuels" line.

[23] This can be provided on request.

their customers, short term interest free payment plans to help smooth the purchase of substantial quantities of heating oil over a longer period.

(c) To do this they utilise exemptions in the Financial Services and Markets Act 2000 (Regulated Activities Order) 2001 (RAO), primarily that under article 60F(2) of the RAO which facilitates the provision of fixed sum credit on a debtor-creditor-supplier basis, without Financial Conduct Authority (FCA) authorisation being required, provided that the credit is provided without interest or other charges and repaid over no more than 12 instalments over a period not exceeding 12 months. This exercise excluded the online purchasing sites.

(d) It is important to note that going further than this would require FCA authorisation which would add substantially to the administrative resource required and likely add additional cost to the consumer. As such, there is a balance to be struck. Many smaller distributors do not have the financial capacity or administrative resource to provide credit but provide a significant competitive constraint in the market and so help keep prices down.

4.2 Supplier of last resort and security of supply

(a) The CMA identifies that there is no supplier of last resort, or an obligation to price ongoing supply. Distributors do not have the ability to refine, import or store fuel; this is clearly acknowledged by government as the responsibility of the fuel suppliers. These powers are directed towards fuel suppliers and not distributors.

(b) This is recognised in the Energy Act 2023[24] which provides the Secretary of State with direction making powers to maintain continuity of core fuel supplies and ensure that industry maintains or improves its resilience to reduce the risk of emergencies affecting fuel supplies:

(i) A power to issue directions to individual enterprises and in some circumstances, to more than one enterprise. E.g. Secretary of State may direct an operator to prioritise the production of a particular fuel, if he/she considers there to be a supply threat.

(ii) A power to make regulations to impose similar requirements that can be imposed on individual companies by directions to apply to a class of enterprises.

4.3 Priority Services Register and advice on energy efficiency

(a) The CMA identifies that there is no Priority Services Register, or requirement to provide energy efficiency information. As identified earlier in this document heating oil customers

[24] https://www.legislation.gov.uk/ukpga/2023/52

are likely to hold several accounts which makes it difficult to compile and maintain a central register.

(b) Currently, 55% of all oil heated homes in England have someone over the age of 60 living in them, which is a higher percentage compared to gas (40%) and electricity (42%). The trend continues with those over 75, with 20% of oil heated homes compared to 16% for gas.[25] Older people, especially those over the age of 75, living in rural communities across the UK, are particularly vulnerable during the winter months.

(c) To help tackle this issue, UKIFDA and its members voluntarily decided to introduce the Cold Weather Priority scheme (CWP) which allows customers to self-identify with each fuel distributor. This industry-wide initiative is designed to identify the individuals most at risk and ensure that UKIFDA members can prioritise deliveries during cold weather or when there are supply shortages.[26]

(d) Each year UKIFDA publicises a get ready for winter campaign which includes advice on tank checks, boiler servicing, spreading payments, planning ahead and the CWP scheme.[27]

(e) As stated in this document, the majority of fuel distributors are small family run businesses and therefore have limited resources. They have limited or specialist knowledge of energy efficiency and therefore are less well placed to deliver sophisticated energy efficiency advice

(f) In terms of energy efficiency there are already government plans in place. In particular UKIFDA note recent government announcements to set up the Warm Homes Agency which is expected to be operating in 2027 and is designed to oversee consumer protection, provide advice, and simplify the process for residents upgrading the energy efficiency of their homes.

(g) Finally, UKIFDA note that the UK Government's Energy Company Obligation (ECO) scheme has faced significant criticism and reported failures, with the Public Accounts Committee (PAC) and National Audit Office (NAO) describing aspects of the scheme as having "catastrophic" failures.

[25] https://www.gov.uk/government/statistical-data-sets/energy-performance

[26] https://ukifda.org/cold-weather-priority-initiative/

[27] https://ukifda.org/ukifda-winter-heating-checklist-2025/

4.4 UKIFDA Code of Practice

(a) It is relevant at this point to mention the UKIFDA Code of Practice which is a mandatory requirement to allow members to use the UKIFDA logo on their website.

(b) All members should follow the UKIFDA Code of Practice and Customer Charter, which set clear standards for how distributors should operate. The code includes important protections around the prices consumers are quoted in addition to distributor's terms and conditions.

(c) The code was formulated with the help of Trading Standards and various advice bodies and sits within the consumer section of the UKIFDA website in addition to a link on the front page of the website.

(d) The code is clear when a customer is obtaining a quote, they are entitled to receive a clear price including VAT and all other charges, so that they can compare prices between distributors.

(e) With respect to the CMA's scope, the most relevant extracts from the UKIFDA Code of Practice are as follows:

(i) 3a. "*Fairness in contracts 3a Members' terms of business with domestic customers must be consistent with the provisions of this Code and comply with current law relating to the use of unfair terms in consumer contracts. Where this Code is in conflict with current UK legislation, UK legislation will take precedence*."

(ii) 5c. "*When taking an order and when requested by the end user, a final total price, agreed by both parties, will be given to a consumer, and will be the total cost of the order including all taxes. The unit price per litre will not be subject to change unless due to a change in duty or VAT which may be applied by HMRC between the time of order and delivery.*"

(iii) 5e. "*Where delivery times are disrupted, for example by fuel shortage or bad weather, the delivery may be subject to reasonable delay, but the agreed price will not be changed. During such disruption a customer should only be given a price once it can be agreed and will not be subject to change. If disruption is foreseen, then prices should not be fixed until such a time as the delivery can be made without altering the price unless due to a change in duty or VAT which may be applied by HMRC between the time of order and delivery."*

(f) If customers believe one of UKIFDA members has acted in breach of the Code of Practice or the Customer Charter, they are advised to follow the steps below:

(i) Firstly, contact the distributor directly with the complaint. Most complaints are resolved quickly at this stage. The distributor must acknowledge the complaint within five working days and give the customers the outcome of their investigation within 30 working days.

(ii) If the complaint is not resolved or if eight weeks has passed in which the complaint is not resolved the customer can come back to UKIFDA to investigate the complaint free of charge.

(iii) If the customer remains dissatisfied, they can take their case to Utilities ADR, an independent alternative dispute resolution body.

(iv) The customer also retains the right to pursue a claim through the civil courts at any point in the process.

(g) Historically UKIFDA receives less than 20 complaints a year. These complaints are normally sent to the distributor in the first instance to see if they can be resolved quickly.

5 Question 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?

(a) UKIFDA broadly agree with the CMA's proposed Statement of Scope but recommend some important refinements. In the first place, UKIFDA note that the CMA is considering the *effects of a sudden increase in global oil prices on heating oil distributors' retail prices and profit margins*. As set out in section 1, the Iran conflict has had a material shock effect on underlying kerosene costs. UKIFDA does not consider that the CMA will find evidence of increased profit margins of distributors, who have been managing a very challenging marketplace in recent weeks.

(b) In any event, the focus on recent price increases risks misinterpreting normal market dynamics, Heating oil prices to consumers – prior to the Iran war – were at or below the level in 2011, in circumstances where the proportion of the end cost attributable to the underlying wholesale price remained by far and away the most significant, and where competition remains vibrant. Prior shocks have passed, with price decreases passed through quickly due to the competitive nature of local and regional markets.[28]

[28] In 2011, the OFT wrote that: "*This is not to say that the spike in prices was driven entirely by increases in cost. In free markets prices will typically rise in response to increased demand, at least over the short term. In competitive markets the profits thus garnered can only ever be temporary, as high profits attract new firms to the industry*". See OFT Report at paragraph 4.129.

(c) **The CMA should place greater emphasis on end-to-end supply chain dynamics.** As noted at paragraph 1.1 above, UKIFDA considers that the CMA should bear in mind issues affecting the supply of heating oil upstream of the distributors providing oil to end consumers. This aligns with the CMA's perspective on assessing the *reasons* for recent price increases, but UKIFDA would urge the CMA to keep a broad perspective when considering that issue and not unduly focus on distribution only. Doing so would ignore the lion's share of the cost structures in issue.

(i) As identified in this document, there are many influences on the end user heating oil price.

(ii) Some of these influences have a much higher weighting than others. These include the availability of refined product, the ability to refine crude oil into jet fuel, the import dependency of the UK and Europe which leads to a significant influence on the wholesale price of jet fuel.

(iii) During periods of geopolitical disruption, wholesale costs can increase sharply and will be reflected on an intra-day basis by suppliers. Against this, distributors must continue to meet confirmed delivery commitments often at previously agreed prices creating margin constraints and actual financial losses (as was the case following the commencement of the conflict in the Middle East).

(iv) The UK is increasingly reliant on fewer assets, whether they are refineries or terminals - especially in certain regions of the country. This reliance means that any significant weather or operational event could lead to more severe consequences, particularly during winter.

(v) The CMA should therefore incorporate a full supply chain analysis, including wholesale procurement (covering both UK refining and the importation of finished product), terminal storage, and regional supply chain and distribution constraints including:

(A) international refined product markets and European supply / demand landscape;

(B) exchange rate movements (USD/GBP);

(C) the impact of the closures of Grangemouth and Lindsey oil refineries;

(D) the ability of the three remaining refineries (Humber Oil Refinery, Pembroke Refinery and Stanlow Refinery) to meet demand;

(E) reliance on import economics to bridge the supply / demand shortfall - particularly for Jet Kerosene and Diesel and associated cost to serve;

(F) stockholding and working capital requirements for suppliers including impact of interest rates and credit limits; and

(G) the increase in distributor input costs such as driver wages and diesel costs.

(vi) In addition, the current Statement of Scope focuses heavily on price and margins but gives less emphasis on:

(A) continuity of supply during peak winter demand;

(B) investment in road tanker fleet, bulk fuels depot storage infrastructure, health & safety and employment costs; and

(C) emergency delivery capability.

(d) **Information and advice provided to consumers**

(i) As noted above, UKIFDA regularly provides advice to consumers particularly in the run up to winter.[29]

(ii) The OFT Report commented that there are also steps consumers can take to smooth demand, reduce their exposure to short-term price spikes, and improve their preparedness for severe weather.[30] These included buying early, and buying larger amounts where possible. Much of this has been incorporated into UKIFDA's guidance.

(iii) The CMA is right to look at price transparency, but the CMA should also consider wider consumer advice, how it may have impacted consumer behaviour during the recent events, and to recommend additional areas where this advice could be extended and improved. This for example could cover matters such as the role of government in consumer communications, issues around panic buying, or more sophisticated communications relating to the effect of wholesale jet fuel prices on retail prices.

[29] https://ukifda.org/consumers/help-and-advice/

[30] See OFT Report at paragraph 4.134.

6 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?

(a) UKIFDA agrees with the CMA's view regarding a well-functioning market should have the characteristics set out in paragraph 10 of the Statement of Scope (namely, a choice of suppliers who compete with one another on price and service quality, and who are incentivised to treat customers fairly; where prices are transparent and inform consumer choice; and where there are appropriate consumer protection measures in place).

(b) A well-functioning heating oil market should also demonstrate the following characteristics:

(i) Fuel supply is provided viably across all regions – including remote and rural areas where lifeline services are being provided by distributors that directly support and serve communities; and

(ii) Investment continues in tank storage infrastructure, road tankers and service delivery to maintain the supply chain.

7 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? (Question 3)

(a) The heating oil market with respect to distribution is a well-functioning and highly competitive market exhibiting many similar characteristics to those explained in the OFT Report.

(b) This is best illustrated by two simple facts. Firstly, the retail price of heating oil in January 2026 was lower than the retail price in July 2011, despite all the ensuing inflationary pressures and changes to the market in the interim. Secondly that the heating oil market has consistently demonstrated resiliency in the face of disruptions.

(c) Customers have access to multiple suppliers, including, national and regional distributors. In some areas small local suppliers provide an important competitive constraint, ensuring consumers have adequate choice. Online marketplaces facilitate customers comparing and engaging with a range of options. This means that there is highly responsive pricing: wholesale price reductions are typically passed through rapidly due to competitive pressure. Consumers benefit from a good mix of larger and smaller distributors, competing on price and quality, and offering a range of payment options.

(d) Further, industry collaboration overseen by and facilitated by UKIFDA have voluntarily developed and delivered frameworks to protect consumers. For example, the Industry

Code of Practice and CWP arrangements to prioritise vulnerable customers during extreme weather (e.g. snow and storms).

8 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? (Question 4)

UKIFDA present below the key characteristics of each regional market. While there are differences, fundamentally they do not affect the key competitive dynamics illustrated in this document.

8.1 Scotland

(a) There is currently c. 140,000 heating oil homes (c. 5% of the population) and c. 80 depots across 22 brands.

(b) Scotland suffers greater exposure to weather disruption, and many regions are rural with significant lower population density than other parts of the UK.

(c) Scotland is now totally reliant on imported product (further to the closure of Grangemouth) and therefore weather dependent ports coupled with limited wholesale supply.

(d) Island communities are highly reliant on small ferries making crossings to deliver fuel. As a result, there is likely to be higher delivery costs both in terms of collecting the fuel and delivering to consumers homes and greater logistical complexity.

8.2 Northern Ireland

(a) There is currently a much higher reliance on heating oil in Northern Ireland (c. 70% of homes use heating oil, c. 520,000 homes). It has a higher number of distributors.

(b) Northern Ireland is totally reliant on imported product and therefore weather dependent ports coupled with limited wholesale supply.

(c) Northern Ireland has a different policy and regulatory landscape, and benefits from the ability to source fuel from the Republic of Ireland.

8.3 Wales

(a) There is currently c. 114,000 homes on heating oil (10%) with 17 distribution companies and c. 40 depots.

(b) In Wales, 28% of rural dwellings use oil, which is much higher than the overall proportion for the whole of Wales (10%).

(c) Wales benefits from greater proximity to refineries/terminals than Scotland.

8.4 England

(a) There is currently c. 850,000 homes on heating oil (5%). England has more densely populated markets with large concentrations of heating oil homes in the South West and Norfolk.

(b) This means that there are lower average delivery distances, and greater overlap between suppliers.

(c) England benefits from more refinery and terminal options.

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

(a) UKIFDA strongly support a focus on vulnerable consumers and would point to the work distributors and UKIFDA already perform together with external agencies.

(b) Agencies such as the Fuel Bank Foundation and Advice Direct Scotland and many local charities already provide direct support payments to vulnerable consumers across Scotland which distributors and UKIFDA help to facilitate.

(c) During 2022 UKIFDA worked closely with the UK Government to provide a mechanism to get support to customers impacted by the increase in prices arising from the Ukraine conflict. This was called the alternative fuel payment and was delivered to all oil heating customers in the UK at a set amount of £200 via electricity bills. UKIFDA's remit was to help solve the barrier that customer's held accounts with multiple distributors and that any mechanism must not impact the competitive nature of the market by favouring one distributor over another and be rolled out inconsistently. This was accomplished by working across the industry to identify data through the census that targeted heating oil areas.

(d) UKIFDA is now working with DWP and devolved governments on providing assistance to vulnerable customers with respect to accessing the recent funding announced. On 1 April, the Scottish government launched a scheme working with UKIFDA and Advice Direct Scotland that will provide at least £300 per vulnerable customer for the specific purchase of heating oil, which all UKIFDA members in Scotland are participating in.

(e) These campaigns are not without difficulty as many customers have multiple accounts.

(f) As indicated in section 4.3, there is a relatively high proportion of older customers using heating oil. To help tackle this issue, UKIFDA and its members introduced the Cold Weather Priority scheme (CWP). This industry-wide initiative is designed to identify the individuals most at risk and ensure that UKIFDA members can prioritise deliveries during cold weather or when there are supply shortages.[31]

10 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? (Question 6)

(a) As set out above, the heating oil market is highly competitive with the mixture of small local, regionally focused and national distributors competing on price which has successfully reduced the price post disruptions quickly and effectively. UKIFDA does not have any further suggestion on issues in this regard which the CMA should focus on.

11 Protection against price spikes

(a) UKIFDA is mindful that the CMA is planning to move at pace in conducting its review in heating oil, and that it envisages making recommendations to governments as to (for example) how best to deliver enhanced regulatory protections for consumers, and/or improved price transparency.

(b) At this stage, UKIFDA would note the findings in the OFT Report that regulation would be "*unlikely to have a significant impact on overall prices – probably no more than is currently achievable by shopping around. This is because a price regulator would have to allow the pass-through of legitimate input costs, most notably the crude oil price.*"[32]

(c) In particular, UKIFDA would note that any form of price regulation would be difficult to implement and would not have material effect in protecting consumers. A price cap does not ultimately reduce the price: it may defer price increases but cannot fundamentally alter the underlying kerosene cost that drives heating oil prices. If there is a price disparity, heating oil would be sold as jet fuel (as most kerosene is), potentially creating shortages in the market.[33] A UK-only, distributor level price cap could not constrain international hydrocarbon prices.

(d) Paragraph 1.4 above notes some difficulties associated with hedging strategies.

[31] https://ukifda.org/cold-weather-priority-initiative/

[32] See OFT Report at paragraph 4.141.

[33] In 2011, the OFT wrote that "*The price of freely traded products is set by supply and demand. In the case of heating oil, the core ingredient, kerosene, has more than one use and is subject to demand pressures from all of those uses, not just from heating*." (See OFT Report at paragraph 4.101).

(e) It may also be thought that increased storage capabilities would assist in reducing the effect of price spikes. However, while this is certainly an issue that the CMA should explore, it is less clear that this would have a meaningful impact on costs to consumers in a shock like the one caused by the Iran war.

(i) Distributor Storage: Many smaller distributors have no storage. One very short-term mitigation would be to build storage at each site. Recent figures obtained by UKIFDA suggests that the cost of installing three 100,000ltr tanks, bottom loading Gantry pipework and electric connections would cost in the region of £450,000. This level of capital is not an option for many smaller distributors and would only provide no more than 1-2 days of mitigation. It is also unclear whether distributors would have the space to accommodate this.

(ii) National Strategic Storage: The UK already has strategic stocks which the Government directs obligated companies to provide for. In other countries such as Ireland this function is undertaken by a standalone agency. In Ireland the consumer pays a flat fee of 2-euro cents per litre for the maintenance of this facility. The reality is these strategic stocks are there to cover supply chain losses rather than price movements and when they are released, they are released at the prevailing market prices. It is therefore unclear how they could help consumers with price spikes.

(iii) Storage by Consumers: UKIFDA alongside the rest of the industry actively encourages consumers to plan ahead and not leave purchases to the last minute. The more fuel that a customer has in their tank, the better placed they are to deal with a sudden price spike. This is especially important ahead of the winter period when delivery slots are at a premium and short-term deliveries are more expensive. Included in this advice is to ensure tanks and boilers are maintained as doing so aids efficiency.

(f) There is one solution that meets the needs of rural households while delivering meaningful carbon reductions and could play a role in reducing UK exposure to international fossil fuel price volatility. That is a renewable liquid heating fuel. Industry trials have proven its technical viability, and research from industry, the EU Commission, the Irish Government and the UK Government confirms that feedstock availability and supply chain requirements can be managed effectively. The distribution industry already has the skilled workforce and infrastructure to begin immediately. Implementing a renewable heating fuel blend under the Renewable Liquid Heating Fuel Obligation would allow the UK to start decarbonising all 1.7 million rural homes immediately with:

(i) no upfront cost;

(ii) no boiler or home fabric changes; and

(iii) limited ongoing cost, particularly if the Government, alongside the obligation, maintains the current excise duty rate by making a minor, no-cost change in legislation.