

Citizens Advice Response to the CMA's statement of scope on their heating oil market study



April 2026

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Executive Summary

Citizens Advice welcomes the opportunity to respond to the Competition & Markets Authority's statement of scope on their heating oil market study. The recent conflict in the Middle East has increased the cost of fuel which is particularly impacting households who rely on heating oil and LPG.

In the UK, around 25% of homes in rural areas, approximately 1.5 million properties, are not connected to the mains gas network and rely on fuels such as heating oil or LPG.¹ Households who rely on these fuels are not protected by the price cap, and are therefore at risk of sudden price increases when global markets are impacted.

Since the conflict in the Middle East, Citizens Advice advisors are seeing a significant increase in clients seeking support due to the rise in price of heating oil. The limited protections in the market leaves these clients at risk of unaffordable prices and poor conduct from suppliers. One client told us that where they had previously been paying £300 for 500 liters of oil from their supplier, they had now been quoted £833 - almost triple the price. Another told us that their supplier had cancelled their delivery, and when they went to rebook it the same oil had increased by 91%.

This increase in price has forced many into difficult financial situations. Our clients have told us how it has impacted their mental and physical wellbeing. One client who has health issues and needs to shower regularly told us that they have been unable to since February as they cannot afford to top up their oil. The only hot water they have is from boiling their kettle.

Households who rely on heating oil often face structural and societal disadvantages. They are more likely to live in rural locations, be elderly and/or have a disabled member of the household. It is therefore crucial that the CMA's analysis takes into consideration how the market can best support these households and what mechanisms could protect them from market volatility.

¹ CMA, [Heating Oil Market Study: Statement of Scope](#), March 2026.

We have outlined our full recommendations for how the CMA can improve the heating oil market in our consultation response below.

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?

Yes, we broadly agree with the proposed scope for this market study, however we believe it should also focus on barriers to consumer engagement and behaviour. The CMA should also consider exploring how households who rely on LPG could be included.

We agree with the CMA's assessment to focus on: the effects of a sudden increase in global oil prices on heating oil distributors' retail prices and profit margins; and whether there is sufficient price transparency for customers; and evidence of poor conduct on the part of suppliers, or of other aspects of the functioning of the market, that may harm customers, including during periods of volatile input costs.

Citizens Advice advisors are seeing an increase in people who are no longer able to buy their heating oil. This is either due to the increase in price or because suppliers are only accepting bulk orders. Unlike in the gas and electricity market, consumers are not protected by the price cap and suppliers are not subject to Ofgem-style consumer protection measures. Because of this, clients are being charged almost double the market rate for their heating oil, or have had their orders rejected by suppliers for not making the minimum order quantity.

We have also heard that suppliers are not providing transparent quotes or informing consumers about cheaper or more standard alternatives. This will likely have a detrimental impact, especially on consumers less able to engage in the market, for example elderly people or disabled people.

In addition, previous research conducted by Gill Wales Research on heating fuel buying behaviour among consumers without mains gas has found that many do not engage in consumer behaviours that can help to encourage competition and keep prices low. For example, evidence shows that many off-grid consumers do not regularly compare prices, are not aware of their heating costs, and rarely choose a different supplier. We therefore suggest that the study also reviews the barriers to consumer engagement, such as improving consumer knowledge,

purchasing constraints (for example, bulk buying and storage), and behavioural factors. This will help to understand how the market operates in practice, and will enable the CMA to understand how competition in the market could improve and the extent to which this can drive better outcomes for consumers.

We also note that previous research conducted by Gill Wales Research and the Office for Fair Trading was conducted over ten years ago. As there is limited recent research on consumers who rely on heating oil, we recommend that this study undertakes some updated analysis.

While we understand this consultation is in response to the current situation, we believe there should also be a future thinking piece of work to support households to move off of heating oil and LPG to other forms of heating. This will provide rural households with greater security and ensure their energy bills are not impacted by volatile global energy markets in the future. The implementation of the Warm Homes Plan (WHP) offers possible avenues of support for households wishing to transition away from heating oil and LPG. We would encourage the CMA to proactively share any evidence of detriment faced by particular groups within this market with the government, to inform the delivery of aspects of the WHP such as low-interest loans and the future fuel poverty scheme.

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?

Yes, we broadly agree with the CMA's description of the characteristics of a well-functioning heating oil market. Paragraph 9 emphasises that the heating oil market should deliver positive outcomes for consumers, and the role of competition is highlighted as a key factor in achieving this outcome. With heating oil powering around 1.5 million homes in the UK,² a well-functioning market must allow suppliers to compete for customers. A 2011 report by the Office for Fair Trading found that almost all off-grid households in the UK live in areas where at least four suppliers operate.³

² CMA, 2026.

³ Office of Fair Trading, [Off-Grid Energy: An OFT market study](#), October 2011.

Moreover, a 2016 report by Citizens Advice and Citizens Advice Scotland found that prices quoted by oil suppliers for 1,000 litres of kerosene differed by as much as 40%.⁴ This indicates that consumers can save money by shopping around for the best deal, and the transparency of supplier prices is key to ensuring that consumers are able to make an informed decision.

However, suppliers are often competing for consumers within specific local areas, so competition is far more limited compared to the whole domestic gas and electricity markets.⁵ The limited number of suppliers in a local area may not create a strong enough incentive for suppliers to treat customers fairly, nor offer the lowest price possible. Because of this, there may be scope for amending point d) in paragraph 10 to ensure where competition is weak, consumer protections are preserved or further government support is needed.

While this action is needed in the immediate term, consumers who face limited choice in suppliers should also be supported to move onto another heating type. We believe there is a role for the advice sector to help people consider moving onto an alternative heating source and support access to locally distributed support. This should fit within a wider framework for advice and funding, such as statutory advice services, which could seamlessly transition conversations about consumer problems to longer term solutions schemes they may be eligible for.

In addition, the Office for Fair Trading also noted that the barriers to entry in the heating oil market were low in most areas. However, many consumers tend to stay with the same supplier (see response to question 5), and the heating oil market is gradually declining. In such circumstances, there is a question of how competition can be preserved when suppliers are competing in small numbers along with a low probability that new firms will enter the market.

⁴ Citizens Advice and Citizens Advice Scotland, [Living without mains gas](#), November 2016.

⁵ Office of Fair Trading, 2011.

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.

As set out in this consultation, the baseline for a well-functioning market is one that delivers positive outcomes for consumers. This consultation was enacted off the back of evidence of poor consumer outcomes, particularly around opportunistic pricing during the conflict in the Middle East. Prior to this, earlier research suggests that dissatisfaction is higher with oil fuelled systems, with levels of dissatisfaction higher among more vulnerable households, such as those in receipt of state benefits, or those with dependent children⁶, though these figures have not been updated in some time.

The structure of this market presents several inherent challenges. While around 150 suppliers exist in the market, many heating oil consumers live in rural areas and could face significant barriers to switching, where choice is limited to a small number of local suppliers. This reduces competitive pressure on suppliers to offer consumers distinct, competitively-priced offerings.

Purchasing can also be time-sensitive, with consumers ordering stock when existing supplies are low. Under these circumstances, the best option becomes the one which is able to be delivered within the required timeframe. Where automatic delivery arrangements are in place, this can create a significant pool of 'sticky', disengaged consumers. Research exists to show that a significant majority of consumers implied they were 'loyal' (or contracted) to one supplier in particular, though these figures have not been updated in some time⁷ Taken together, supplier incentives to act in consumers' best interests may be reduced.

There are also particular challenges around price transparency and informed consumer choice, which we explore in more detail in Question 6. We note that the heating oil sector is not currently regulated by Ofgem in Great Britain or the

⁶ Gill Wales Research, Heating fuel buying behaviour among consumers who do not use mains gas, May 2011.

⁷ Gill Wales Research, 2011.

Utility Regulator in Northern Ireland, and that consumer protection largely falls to more generic consumer laws and voluntary codes. We also note that heating oil consumers are not covered by the Energy Ombudsman, significantly limiting their ability to escalate complaints about poor practice around pricing.

Because of this, we do not feel the heating oil market meets the desired characteristics set out in the consultation. Consumers face barriers to switching suppliers and making informed choices, while suppliers face weaker incentives to compete actively on price and service. This appears to be driven by a combination of structural constraints, limited consumer engagement and reduced transparency.

Unlike the gas, electricity and heat network market, there is no statutory advice service for the heating oil or LPG market. This service helps to triage and support consumers with problems and escalate necessary complaints to the Ombudsman.

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?

It's estimated that across the UK, 1.5 million households rely on heating oil. We know that the majority of these households are in rural locations, where consumers are also more likely to depend on a single fuel, face higher delivery constraints and have fewer practical alternatives.⁸

The use of heating oil is more prominent in Northern Ireland, where it is the primary heating source for two thirds of households. Although Citizens Advice does not operate in Northern Ireland, we would expect that with more households relying on heating oil, consumers in Northern Ireland have more choice and competition than consumers in other areas of the UK. This means that they will have a different experience which should be reflected in the CMA's analysis.

⁸ Gill Wales Research, 2011.

In addition, the use of heating oil is more widespread in rural areas of the UK where there is low gas grid penetration. These areas will have geographical and structural variations. For example, how relevant the role of local supply is and how that impacts consumer behaviour. Understanding the difference in each nation will help to provide more insightful analysis than treating the UK heating oil market as a single, homogeneous system.

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

The Office for Fair Trading noted that a proportion of all off-grid consumers are located in more rural areas with lower incomes and fewer suppliers. This group of consumers are more likely to be vulnerable to high prices both during short term supply shocks as well as over the long term.⁹ Moreover, these vulnerable consumers are likely to have been using the same supplier for some time, and as such there is a need to ensure that supplier's complaint systems are accessible. Given that the heating oil market is not regulated in the same way as the main gas and electricity sectors, vulnerable consumers are not registered through the Priority Service Register (PSR) (although a voluntary code of code has existed since 2010) which provides additional services for people who need additional protection.¹⁰ Hence, vulnerable customers may be negatively impacted by both less competition and less protection compared to other regulatory environments.

In addition, a report by Gill Wales Research found that 77% of non-gas users with low incomes spent at least 5% of their income on heating oil, while half spent at least 10% of their income on heating oil.¹¹ Furthermore, a higher proportion of off-grid households are in fuel poverty. The Office for Fair Trading found that 32% of off-grid households are in fuel poverty compared to 15% of on-grid households. A slightly higher proportion of off-grid rural households use heating oil in Wales (around 60%) relative to Scotland and England.¹²

⁹ Office of Fair Trading, 2011.

¹⁰ Consumer Focus. [Off-grid fuels: An investigation of the off-grid energy market](#). February 2012.

¹¹ Gill Wales Research, 2011.

¹² Office of Fair Trading, 2011.

Historically, off-grid fuels have tended to be more expensive than mains gas. For example, the average cost of heating an average-size three-bedroom house in 2011 was 47% higher for oil relative to gas.¹³ Prior to the conflict in the Middle East, the per litre price of heating oil was around 62p. Since the conflict began, consumers are typically quoted around £1.73 per litre.¹⁴ In light of these increasing prices, having access to fewer suppliers is not the only factor that may disproportionately affect vulnerable consumers. Lower prices tend to be offered to consumers that are able to pay for large volumes.¹⁵ Hence, there is a possibility that the gap between the price of larger purchases of heating oil and smaller orders will increase further. Given that vulnerable consumers tend to live in lower income, rural areas they are less likely to benefit from such deals.

We know that for our clients on low incomes, especially those in Wales, the core issue for them is the ability to bulk buy. For some vulnerable households, joining oil clubs or neighbourhood collectives can help reduce the price of heating oil, or deal with the challenges associated with minimum orders, by combining orders with other households.¹⁶ However, we have heard from some clients that they are not able to access these, either due to digital exclusion as neighbours tend to organise online, or because it is impossible for people on the lowest income as they can't make a consistent spending undertaking.

More generally, off-gas consumers are able to switch between suppliers with relative ease, but this is unlikely to be the case in areas with fewer suppliers. Not only are there issues with less competition in some areas, but there is also a high barrier to switching fuel supply. Customers using heating oil tend to stay with their suppliers for a relatively long period, with survey evidence showing that 63% of UK heating oil consumers have used the same fuel source for ten years, with a majority using heating oil since they have moved into their home.¹⁷

¹³ Office of Fair Trading, 2011.

¹⁴ The Guardian. [UK households that use heating oil face 'frightening' surge in bills over Iran war.](#) March 2026

¹⁵ Consumer Focus, 2012.

¹⁶ Consumer Focus, 2012.

¹⁷ Office of Fair Trading, 2011.

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?

The CMA should first explore the extent to which competition can function effectively in practice, for the reasons outlined in our response to Question 3.

Given this sector is not currently regulated by Ofgem or the Utility Regulator, there may be scope to explore the extent to which improving price transparency could boost competition as a first step. We note that in regulated markets, a combination of regulatory price protections and publicly accessible price comparison tools enable consumers to access fair prices, compare offers and switch suppliers easily. The absence of real-time pricing information in the heating oil sector limits capabilities for informed decision making by consumers, and may weaken competitive pressure on suppliers as a result.

Requiring access to an Ombudsman could also address transparency issues around pricing, offering consumers a means of addressing sharp practice in the sector.

We also think the role of brokers and intermediaries should be brought into scope of this work, to explore whether they improve access to competitive offers, or further obscure pricing transparency.

Given supply and purchasing is highly localised in this sector, the CMA may want to explore how competition operates on a local level, particularly in areas where consumer choice is restricted. Close attention should be given to how pricing behaves in these contexts, particularly where actual prices differ from initial quotes.

As part of this work, we encourage the CMA to explore options to tackle issues relating to price transparency and comparability, to support consumer engagement in the market.

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Published August 2025.

Citizens Advice is an operating name of The National Association of Citizens Advice Bureaux.

Registered charity number 279057.