



NEWS STATEMENT

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18 OCTOBER 2011

STATEMENT ISSUED BY THE FEDERATION OF PETROLEUM SUPPLIERS ON THE OFT OFF GRID ENERGY STUDY

BY CHIEF EXECUTIVE – MARK ASKEW

FPS (The Federation of Petroleum Suppliers) the trade association for the oil distribution industry has today received the OFT's statement regarding their study of the off grid energy sector and we fully support their findings.

The FPS and its members welcomed the findings that the oil distribution industry does not need price regulation and that competition in the industry works well.

Over the last year the FPS and its members have worked closely with the Dept of Energy & Climate Change (DECC) and the OFT to assist in the study.

Both the FPS and its members want to do everything they can to help consumers in rural areas. Supplying essential heating oil to consumers and fuel for farms etc., is the mainstay of our members' business and they do their utmost to support customers.

In fact many of the drivers go to great lengths to get fuel to their customers as we witnessed during the bad weather last year when drivers struggled through some appalling road conditions to ensure their customers had enough fuel.

Over the coming year the FPS and its council members will continue to work closely with the OFT in ensuring any recommendations are implemented.



Already the FPS has launched a new Code of Conduct which aims to raise standards in the industry and encourage the implementation of best practice. The new code of conduct will ensure member companies make a commitment to maintain and improve the professionalism of the industry by adhering to the new FPS Code of Conduct.

FPS believes its members compete fairly and have co-operated fully with the OFT throughout its study and will continue to work with the OFT on any further recommendations or enquiries they wish to undertake. We are reassured that the OFT has concluded that on the whole competition in the industry is working well, with consumers offered a good choice of suppliers and importantly that the off-grid sector does not need price regulation. Indeed the OFT has said that the industry is competitive and 97% of consumers who are off grid have access to at least four different suppliers. In their studies the OFT also concluded that overall customer satisfaction is high. 94% of customers are very or fairly satisfied with the service they received.

When looking at heating oil price The OFT said: “ ...the OFT found that the primary driver of price increases to be the crude oil price, which accounts for over 90 per cent of the variation in the retail price of heating oil.”

The OFT recognised the conditions of last winter that the oil distributors endured and the reasons for the ‘short lived’ price increase. The OFT went on to say “... that competition has constrained prices over the year as a whole and that profit margins have not been excessive.”

The FPS and its members try every year to encourage consumers to buy oil early and not wait until the bad weather hits. This year the FPS joined forces with DECC and consumer bodies Citizens Advice Bureau, Consumer Focus Wales and Scotland and ACRE (Action for Communities in Rural England) on a campaign to encourage consumers to buy heating oil early. Last year many people left filling up to the last minute and were caught out by the bad weather in November and December. Filling



up their tank now is a good idea, especially as the price of oil is lower and demand is not as high.

The OFT welcomed this initiative and the FPS' further work with Consumer bodies will continue to ensure we are aware of any consumer related issues.

The FPS and its members will work with the OFT to deal with the relatively small number of complaints around the difference on prices quoted and prices charged on delivery and will be ensuring that our members are complying with consumer law.

Oil, like most other commodities, is traded globally. The UK refineries no longer produce sufficient heating oil (kerosene) to meet the country's needs (it is also used as aviation fuel) and so it has to be imported. The prices therefore vary daily, depending on the international market, which is affected by geopolitics, climate, speculation and other factors, as is the stock market in general.

In a rising market, when quoting for a delivery some time in advance, the distributor needs to factor this into his price: he does not know what he will be paying for the fuel by the time of the delivery. This is not very satisfactory for distributors or their customers but it is the way the market has gone in the last few years and is something over which distributors have no control.

Supply and demand within the UK also affect the price of heating oil. If there is a surge in demand, for example because of an unexpected cold snap like last winter, terminals may run short of product and most of them cannot respond quickly to replenish stocks – product has to be brought in by rail, road or ship to many and so scheduled in advance. If there are shortages at one terminal, distributors have to travel further to get supply from another terminal, which puts up costs. Drivers may also have to queue at the terminal to get their tanker loaded when demand is high and time costs money in terms of drivers' wages and drivers' hours – drivers can only work a certain number of hours each week under EU legislation. In last winter's



bad weather, the UK Government had to relax this legislation as productivity fell in the harsh conditions in order to ensure as few people as possible went without heating.

Following this important confirmation of the OFT's findings, we now look forward to working even more closely with our members, the OFT, DECC and consumer bodies to meet the continuing challenges of the oil heating market.

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EDITORS NOTE

The FPS will issue a further statement once the report has been examined fully and discussions take place with FPS Council Members.

FPS (Federation of Petroleum Suppliers) represents the majority of oil distribution companies in Great Britain, who are, in the main, small family businesses responsible for deliveries of almost all the home heating oil used in Great Britain, in addition to marine, agricultural, commercial, industrial and forecourt deliveries. There are currently over 230 members of the FPS across the United Kingdom and the Republic of Ireland.