



Clubbing together: the potential for heating oil buying clubs in Highland Scotland



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About us

The Consumer Futures Unit (CFU), part of Citizens Advice Scotland, uses research and evidence to put consumers at the heart of policy and regulation in the energy, post and water sectors in Scotland. We work with government, regulators and business to put consumers first, designing policy and practice around their needs and aspirations. Our advocacy work is underpinned by a set of seven consumer principles which are shown below.

The Citizens Advice network plays a vital role as an advice provider for energy consumers, through the Extra Help Unit, Citizens Advice Consumer Service, and the 60 Citizens Advice Bureaux across Scotland. In 2017-18, our services helped clients with almost 40,500 energy issues and secured over £1.6 million in financial gain for these consumers.

Consumer Principles



Executive Summary

This report considers the issue of choice, access and cost of heating oil for householders who are reliant on heating oil in the Scottish Highlands. House holders who do not have access to mains gas rely instead on other fuels such as heating oil (delivered by tanker), liquefied gas (LPG), logs, coal, electricity, biomass, or newer technologies such as heat pumps to heat their homes. This is a salient consumer issue because, as previous CAS research has shown, these off-gas households are more likely to experience fuel poverty, poor energy efficiency, be in a rural area and include householders over 60 years old¹.

Six per cent of all Scottish households (around 159,000) and 25% of Highland and Islands households rely on heating oil as their main heating fuel with the Western Isles having the highest proportion, followed by Orkney, Shetland, the Highlands, and Aberdeenshire².

One of the main challenges for heating oil consumers is price volatility. The heating oil price closely tracks that of crude oil and can vary daily. Although prices decreased significantly in 2015, they are rising once more with a 74% increase between January 2016 and January 2018³.

One model to achieve discounts on heating oil is through an 'oil buying club' where a community coordinator obtains different price quotes on behalf of local households aiming to achieve a discount by shopping around and placing a bulk order. This has the added benefit of reducing deliveries and CO₂ emissions and, it has been suggested, bringing the community closer together.

Following a suggestion from a Citizens Advice Bureau (CAB) to investigate high energy prices in rural Scotland and the Scottish Government's Rural Fuel Poverty Taskforce recommendation of support for oil clubs in 2016, Citizens Advice Scotland wanted a better understanding of the barriers and benefits of such a model⁴. Four CABs were recruited to undertake research between November 2017 and February 2018 in the following areas: Badenoch & Strathspey; Nairn; East and Central Sutherland; and Skye and Lochalsh.

There were 3 stages to the research:

- > the collection of prices from suppliers for different volumes on set dates - 7 November 2017, 5 December 2017, and 9 January 2018;
- > a paper and online survey of existing heating oil users and;
- > interviews or written communication with existing oil clubs, locally or elsewhere in Scotland where this was not possible.

This insight report summarises the research and Citizens Advice Scotland's policy responses to its findings. A more detailed report on the research Oil Buying Clubs: The Highland Experience is also available alongside this document.

Findings

The research found that bulk orders of heating oil can achieve discounts. Comparing a 500 litre order with a 10,000 litre order divided twenty times, savings of 6-20% were achievable, showing the theoretical savings an oil club could make.

As expected prices were volatile and in one location increased by 30% between November 2017 and January 2018. Furthermore, prices were higher in the Highlands than the rest of Scotland, with particularly limited competition in Skye and Lochalsh. Orders of 1000 litres were

¹ Off-gas consumers: Updated information on households without mains gas heating: CAS Research https://www.cas.org.uk/system/files/publications/2018-08-15_off-gas_report_final.pdf

² Non Gas Map <https://www.nongasmap.org.uk/download/uta/-48.1640625/65.82446243083898/36.21093749999999/43.642444170971714> Off-gas consumers: Updated information on households without mains gas heating: CAS Research https://www.cas.org.uk/system/files/publications/off-gas_consumers_methodology_cas.pdf

³ Retail Prices Index - Average Price Heating Oil 1000 litres <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/kj5u/mm23>

⁴ An action plan to deliver affordable warmth in rural Scotland <http://www.gov.scot/Resource/0050/00508120.pdf>

between £10 and £70 higher in the parts of the Highlands in this research than Scotland as a whole.

Some existing oil clubs had found the running of an oil club administratively burdensome and required additional support. Some of those surveyed felt they didn't have enough information about how oil clubs work and were therefore unsure about joining one. Another barrier was the upfront cost of paying for heating oil through a club, whereas payment plans are more commonly available for individual oil consumers. In areas where houses are more dispersed, it may be harder for an oil club to achieve savings.

Nevertheless, the research found that where appropriately sited and supported oil clubs can save consumers money, bring communities together and reduce the number of oil deliveries. Based on this report's insights, we make a series of policy recommendations to various groups as follows:

Scottish and Local Government

- > Local Heat and Energy Efficiency Strategies (LHEES) should identify and target support at areas where oil clubs could be viable.
- > Local strategies to build stronger communities should consider oil clubs and additional services they could deliver.
- > The Scottish Government should develop an off-gas decarbonisation strategy. Careful consideration must be given to existing oil-heating users and how they are supported and incentivised to switching heating systems, given the Scottish Government's expectation for them to decarbonise as set out in the Energy Strategy and Climate Change Plan⁵.

Suppliers

- > Payment plans should be offered by heating oil suppliers to all individual consumers, where not already available, in the interests of making heating oil more affordable to those who may struggle with upfront payment.
- > Where a consumer in a vulnerable situation is identified by an oil club and it is safe to do so (the speed at which an oil tanker pumps means low volumes are more at risk of spillages), suppliers should aim to offer delivery volumes of less than 500 litres.
- > Suppliers should consider allowing payments for oil club orders to be divided over several months to ease upfront costs. Where this is not possible, Credit Unions could also break up payments into several instalments.

Local Organisations

- > Organisations that have a good community reach and operate at a local level in the Highlands and Islands could facilitate communication between oil clubs and provide administrative support.

The Consumer Council of Northern Ireland (CCNI) publishes a weekly benchmark of oil prices by region to allow consumers to gauge whether they are getting a good deal. CAS would welcome the exploration of a similar publication of average regional prices in Scotland and will work with the Scottish Government and other stakeholders to investigate the viability of such an approach with the aim of promoting transparency and competition in the market. Additionally CAS will look to increase the provision of advice aimed at communities seeking information on how to set up an oil club.

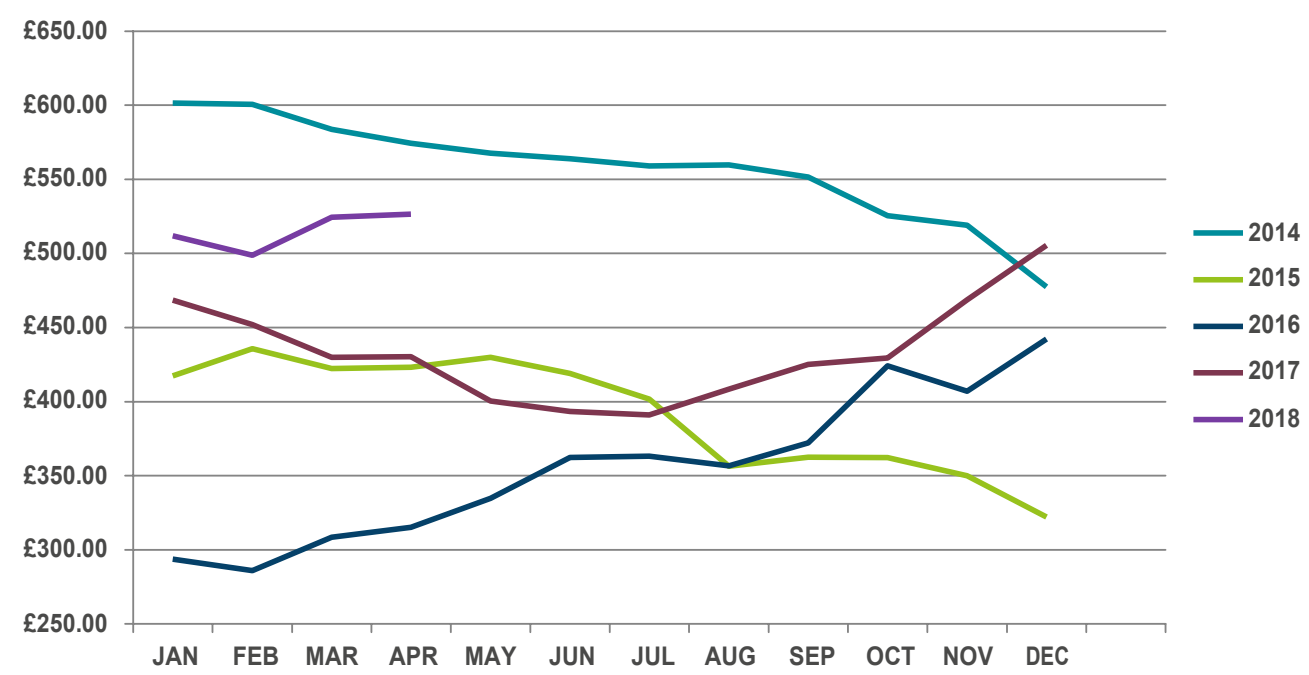
⁵ Energy Strategy, <https://www.gov.scot/Resource/0052/00529523.pdf>; Climate Change Plan, <https://www.gov.scot/Resource/0053/00532096.pdf>

1. Background

1.1 The majority of homes in the Highland council area (62%) are not connected to the gas grid, relying instead on heating oil (delivered by tanker), liquefied gas (LPG), logs, coal, electricity, biomass, or newer technologies such as heat pumps to heat their homes.⁶ No Scottish islands have mains gas, although there is a localised gas network in Stornoway using LPG delivered by ship. CAS research into the physical and household characteristics of off-gas consumers showed that they are more likely to: experience fuel poverty and poor energy efficiency; be in a rural area; and include householders over 60 years old⁷.

1.2 Six per cent of all Scottish households (around 159,000), and 25% of Highland and Islands households rely on heating oil as their main heating fuel⁸. These households are faced with volatile heating oil prices – which can vary annually, monthly or even daily (see Figure 1 below) – and smaller orders tend to be more expensive. Although heating oil prices were still 15% lower in January 2018 than January 2014, they are rising once more. For example there was a 74% increase in prices between January 2016 and January 2018⁹.

Figure 1¹⁰ Retail Prices Index: Price per 1000 litres of heating oil



⁶ Scottish House Condition Survey Local Authority Tables <http://www.gov.scot/Resource/0053/00532144.pdf>

⁷ CAS, Off-gas consumers: Updated information on households without mains gas heating https://www.cas.org.uk/system/files/publications/2018-08-15_off-gas_report_final.pdf

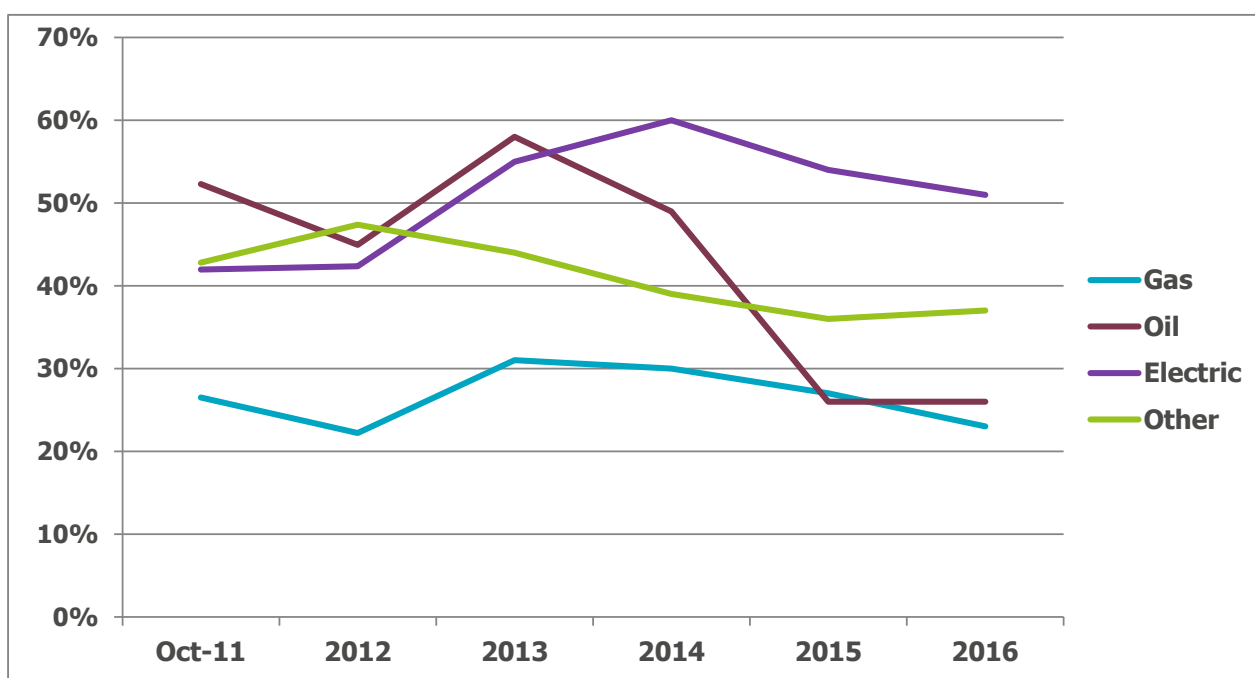
⁸ Non Gas Map <https://www.nongasmap.org.uk/download/uta/48.1640625/65.82446243083898/36.210937499999999/43.642444170971714> CAS, Off-gas consumers: Updated information on households without mains gas heating https://www.cas.org.uk/system/files/publications/2018-08-15_off-gas_report_final.pdf

⁹ BEIS: Monthly and annual prices of road fuels and petroleum products <https://www.gov.uk/government/statistical-data-sets/oil-and-petroleum-products-monthly-statistics>

¹⁰ Retail Prices Index – Average Price Heating Oil 1000 litres <https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/kj5u/mm23>

1.3 This price volatility can make it challenging for oil-users to budget for fuel, and put additional pressure on those who are in, or at risk of fuel poverty. Higher oil costs have been reported in the Highlands, attributed to more remote, spread out settlements and the corresponding cost of transporting fuel¹¹. As figure 2 shows, while fuel poverty rates have fallen for those using heating oil since 2013, they have historically been higher than for those using gas, which has been tended to be the cheapest way to heat a home.

Figure 2: Fuel Poverty Rates by Main Heating Fuel, Scottish House Condition Survey 2011-2016



1.4 Heating oil is not regulated like gas and electricity. Price controls, channels of redress, support for vulnerable consumers, and debt protection are not mandatory as they are in the regulated energy market, although a voluntary industry code of practice and customer charter cover members of the Federation of Petroleum Suppliers. Since early 2017, the FPS' Customer Charter has included an Alternative Dispute Resolution scheme providing consumers access to the Retail Ombudsman¹².

1.5 One way to decrease costs is for oil users to pool together with friends, neighbours, or others nearby in the community, and form an 'oil club.' A club can order a larger volume than an individual could afford, achieving a discount by ordering in bulk and dividing deliveries amongst its members. This can also mean fewer lorries on the road and potentially a stronger sense of community through more social engagement.

11 Lochalsh and Skye Energy Advice Service Evidence to Rural Fuel Poverty Task Force <http://www.gov.scot/Resource/0050/00508139.pdf>

12 FPS Customer Charter and Code of Practice <https://www.oilsave.org.uk/wp-content/uploads/2017/07/fps-customer-charter.pdf>, <https://fpsonline.co.uk/wp-content/uploads/2017/11/code-of-practice.pdf>

It can be run by members of the community, suppliers, or online. There is no reliable database of the total number of oil clubs, however they appear to be less prevalent in the Highlands than England and Southern Scotland.

In Northern Ireland where 68% of households are reliant on heating oil, the oil club model is well established, with the national facilitator Bryson Energy having set up 27 community oil clubs with 4,800 members¹³.

1.6 In 2016, the Rural Fuel Poverty Task Force (RFPTF), set up by the Scottish Government to consider the specific issues that affect fuel poor households in rural and remote rural Scotland, suggested that:

“The Scottish Government should promote, support through advice line information and grant-incentivise collective buying clubs for domestic oil and LPG.”¹⁴

¹³ Bryson Energy <http://www.brysonenergy.org/what-we-do/our-services/oil-buying-clubs>

¹⁴ An action plan to deliver affordable warmth in rural Scotland <http://www.gov.scot/Resource/0050/00508120.pdf>



2. Our Research

2.1 Given that there has been limited research to date, CAS wanted to test the RFPTF's recommendation at a practical level to see what the barriers and benefits of oil clubs in rural Scotland are. Citizens Advice Bureaux (CABs) were therefore invited to investigate in more detail, and the following four CABs were recruited to undertake research:

- > Badenoch & Strathspey
- > Nairn
- > East and Central Sutherland
- > Skye and Lochalsh

2.2 The CABs identified suppliers and contacted them on 3 set dates - 7 November 2017, 5 December 2017, and 9 January 2018. They asked for price quotes for theoretical orders of 500, 1000, 2500 and 10,000 litres, minimum delivery volumes, and whether there were any additional benefits for oil clubs. They also surveyed existing oil users, with 111 responses, 15 of whom said that they were currently, or had been, oil club members. Coordinators of existing oil clubs were interviewed or written to in the CAB area, or elsewhere in Scotland where this was not possible. An attempt was made to see which community bodies might be interested in setting up an oil club, although this proved more difficult to quantify. For more detail on methodology, see the full research report *Oil Buying Clubs: The Highland Experience*, published alongside this report.



3. Findings and recommendations

Findings

Price

- > Prices were highly volatile. They increased by up to 30% over the course of the 3 month research period (November 2017-January 2018).
- > Online price comparison websites such as BoilerJuice did not cover most of the areas considered in the research and do not include all suppliers. Consumers therefore do not have full, impartial information to determine whether they are getting a good price.
- > Prices are higher in the parts of the Highlands studied than the rest of Scotland. Prices for 1000 litres were between £10 and £70 higher than BoilerJuice's rest of Scotland benchmark¹⁵.
- > Prices can vary significantly by region. Prices for 1000 litres varied by up to £148 between the areas when prices were captured in January 2018.
- > Competition was limited in Skye where there were two suppliers, and for delivery volumes below 700 litres, only one supplier. This does not meet the Office of Fair Trading's definition of four heating oil suppliers required in an area to effect competition, although this was met in the other mainland postcodes investigated in the research¹⁶.
- > Discounts on larger orders are available. Although price quotes on larger volumes were not available from all suppliers, when comparing a 500 litre order with a 10,000 litre order divided twenty times, savings of 6-20% were achievable during the research period. This shows the savings that are in theory available to oil clubs.

- > A typical minimum delivery volume of 500 litres had a price tag of £250-£300 during the research, which CAB evidence indicates some consumers, not on payment plans, find unaffordable.
- > Convenience, flexibility and reliability can be as, or more important than cost for oil users.

Barriers and Benefits

The main barriers to oil clubs in parts of the Highlands are:

- > **Geographic.** Houses being too dispersed to achieve discounts through an oil club.
- > **Administrative.** Some oil club coordinators have needed additional administrative support.
- > **Financial.** Oil clubs can require upfront payment which is not always possible for those on payment plans with an existing supplier.
- > **Informational.** Some consumers feel they don't have enough information to know how oil clubs work.

Nevertheless existing oil club coordinators and members reported successful price savings, that the club was a useful reminder to order oil and provided a log of recent prices, and that there were fewer tankers resulting in safer roads.

¹⁵ BoilerJuice - Average Home Heating Oil Prices for Scotland
<https://www.boilerjuice.com/heating-oil-prices-scotland/>

¹⁶ Office of Fair Trading: Off-Grid Energy: An OFT Market Study
http://webarchive.nationalarchives.gov.uk/2014040222541/http://www.oft.gov.uk/shared_ofi/market-studies/off-grid/OFT1380.pdf

Recommendations

Following these findings and the evidence included in this report CAS makes recommendations to the following groups.

Scottish and Local Government

- > Local Heat and Energy Efficiency Strategies (LHEES) should identify and target support at areas where oil clubs could be viable. This would help to identify households which are too geographically dispersed for an oil club to be viable and those which are more suitable.
- > Local strategies to build stronger communities should consider oil clubs and additional services they could deliver. Such additional services could include community broadband or boiler servicing.
- > Develop an off-gas decarbonisation strategy for the domestic sector. There is not a clear pathway for how current heating oil users can help to meet the Scottish Government's climate change mitigation ambitions, with limits to the efficacy of heat pumps in less energy efficient households and to the scalability of bio-fuels. Careful consideration must therefore be given to existing oil-heating users and how they are supported and incentivised to switch to lower carbon heating systems.

Suppliers

- > Payment plans should be offered by heating oil suppliers to all individual consumers, where not already available, in the interests of making heating oil more affordable to those who may struggle with upfront payment.
- > Where a consumer in a vulnerable situation is identified by an oil club and it is safe to do so, (the speed at which an oil tanker pumps means low volumes are more at risk of spillages), deliveries of less than 500 litres should be offered to help ease their financial strain.

- > While oil clubs may require more significant upfront payments for a delivery, this could be mitigated if suppliers allowed payment for oil club orders to be divided over several months between orders. Should a supplier not be able to offer such an option, Credit Unions could also provide upfront payment on behalf of oil clubs and spread out repayments into several instalments¹⁷.

Local Organisations

- > Organisations that have a good community reach and operate at a local level in the Highlands and Islands could facilitate communication between oil clubs and provide administrative support to new and existing oil clubs.

The Consumer Council of Northern Ireland (CCNI) publishes a weekly benchmark of oil prices by region to allow consumers to gauge whether they are getting a good deal. CAS would welcome the exploration of a similar publication of average regional prices in Scotland and will work with the Scottish Government and other stakeholders to investigate the viability of such an approach with the aim of promoting transparency and competition in the market.

Citizens Advice Scotland will also explore the viability of publishing average regional oil prices on a monthly basis to encourage transparency and competition in the market. This is a model used by the Consumer Council of Northern Ireland (CCNI) where heating oil is used more widely than in Scotland. Additionally CAS will look to increase the provision of advice aimed at communities about how to set up an oil club.

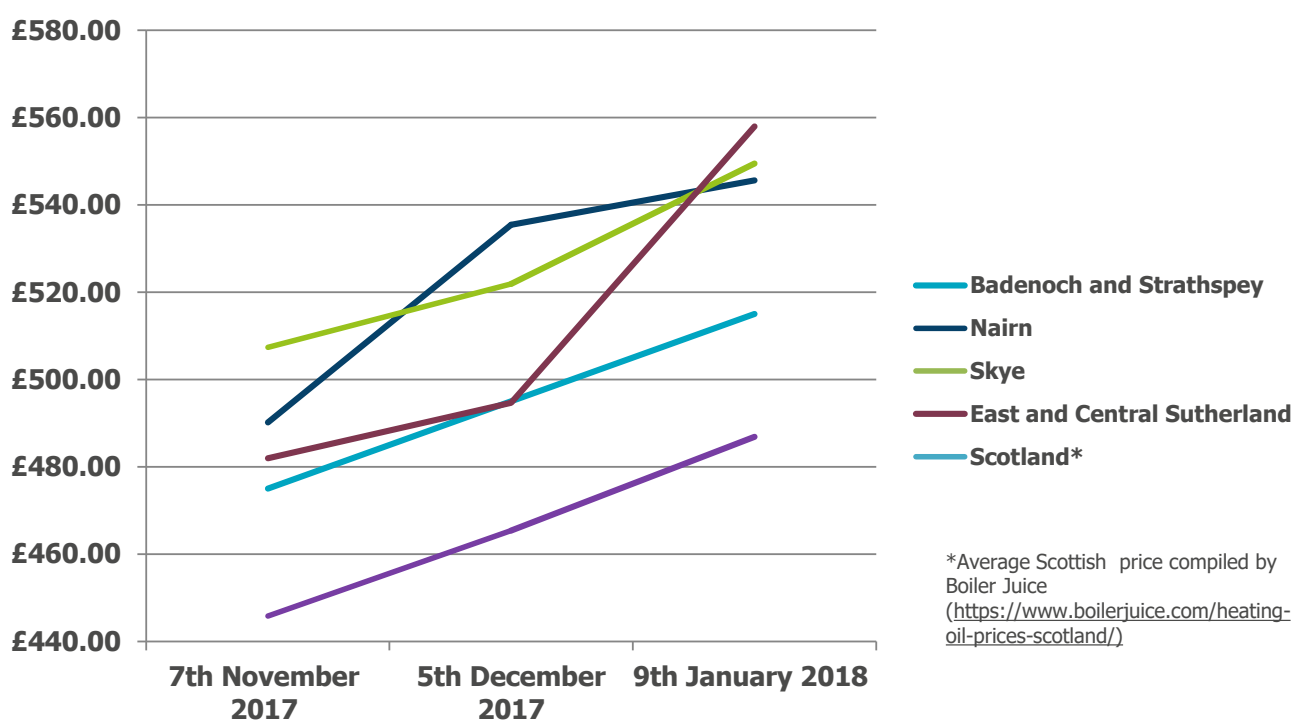
¹⁷ The Scottish Government stated its commitment to an awareness-raising campaign on credit unions in its Programme for Government 2018. <https://beta.gov.scot/publications/delivering-today-investing-tomorrow-governments-programme-scotland-2018-19/pages/9/>

4. Oil Prices

Price Volatility

4.1 In the last decade heating oil has been the most volatile fuel source, and figure 2 shows volatility even over the course of the research. It also shows that Highlands and Islands prices were considerably higher than the overall Scottish average price. In parts of East and Central Sutherland, a striking increase of 30% (£141.80 for a 1000l order) was recorded between November 2017 and January 2018. In Nairn last minute orders were found to be particularly volatile, with deliveries made with five days' notice increasing by 21% (£94) - a worrying trend for those in an emergency with no or limited heating and/or under financial strain. Although lower demand and prices have previously been observed in summer months, figure 1 shows that this has not occurred consistently over the last four years. Overall, volatile prices can make it hard for consumers to know when it is best to buy their heating oil. As one survey respondent said: "It [the price] can fluctuate a lot and has been very expensive."

Figure 3. Average price for 1000 litres of heating oil excluding VAT ¹⁸



¹⁸ The figures in the graph are averages of prices obtained by CABs from suppliers on the set dates. These are largely prices obtained over the phone, although Nairn CAB also obtained online quotes including express deliveries. While these are not included in the graph, they are reported on in section 5.11. The average compiled by BoilerJuice only covers regions and suppliers registered with the website.

Regional variation and competition levels

4.2 Higher oil prices have previously been observed in more remote areas, and figure 2 reinforces this showing that prices were between £10 and £70 higher for 1000 litres in the parts of the Highlands we considered than BoilerJuice's rest of Scotland benchmark¹⁹. Within the Highlands significant variation in prices also existed. There was a £148.60 difference between the cheapest price in Badenoch and Strathspey and the most expensive price in Sutherland in January 2018 for a 1000 litres order. In November, there was a £70 difference between the lowest price in Nairn and the highest price in Skye and Lochalsh, and in December 2017, a £87.80 difference between the cheapest prices in Sutherland and most expensive price in Skye and Lochalsh.

4.3 The Office of Fair Trading in 2011 found that a minimum of four heating oil suppliers was needed to effect competition²⁰. In Skye there are only two suppliers and one has a minimum delivery volume of 700 litres making an effective monopoly on orders of 500 litres. Four suppliers were found who would deliver to Badenoch and Strathspey (PH22), five to Nairn (IV12) and six to East and Central Sutherland (KW10, KW8, IV25 and IV27), although not all six suppliers covered all postcodes.

Sutherland Tables provide comparison of heating costs for households depending on fuel type in the UK and Ireland although there is a fee to access this information. While price comparison websites such as BoilerJuice, Fuel Tool, and Cheapest Oil allow for some comparison of prices, they tend not to offer quotes for islands or more remote parts of the mainland and do not include all suppliers. This makes it hard for consumers in such areas to know whether they are getting a good deal.

¹⁹ BoilerJuice: Average Home Heating Oil Prices for Scotland <https://www.boilerjuice.com/heating-oil-prices-scotland/>

²⁰ Office of Fair Trading: Off-Grid Energy: An OFT Market Study http://webarchive.nationalarchives.gov.uk/2014040222541/http://www.offt.gov.uk/shared_offt/market-studies/off-grid/OFT1380.pdf

Recommendation

4.4 Transparency of pricing should be improved to allow consumers to compare prices within their region and more widely. The Consumer Council of Northern Ireland (CCNI) publishes a weekly benchmark of oil prices by region and BoilerJuice provides a Scottish average figure, although this does not include all suppliers or regions²¹. CAS would welcome the exploration of a similar publication of average regional prices in Scotland and will work with the Scottish Government and other stakeholders to investigate the viability of such an approach with the aim of promoting transparency and competition in the market.

Upfront Costs

4.5 Householders in an existing oil club or users of heating oil were asked how much they typically spend on heating oil. Although the survey found spending on a delivery of heating oil to range from below £250 to over £1000, the most common response was between £250 and £500. Five hundred litres was almost universally the minimum delivery volume offered by suppliers with price quotes ranging from £226 to £312. The upfront cost of a heating oil delivery can therefore be significant, and several CABs have recently reported that there are a number of clients who find a minimum delivery volume unaffordable, and have required crisis grants, as shown in the following case from the North of Scotland:

"The clients are also unable to pay for heating oil for their central heating system and are paying a significant amount to heat their home with electric heaters. They were advised of possible entitlement to a crisis grant to buy some heating oil on the basis of being unable to accumulate enough money to buy the minimum delivery of 600 litres."

Furthermore, survey respondents most commonly said they purchased heating oil 'as needed' and while we cannot be certain how often this means they buy, an inability to plan purchases could expose them to price fluctuations and put household budgets under strain.

²¹ Consumer Council of Northern Ireland <http://www.consumerCouncil.org.uk/consumers/save-money/energy/home-heating-oil>

Recommendation

4.6 Monthly payment plans allow consumers to make regular payments to spread the cost of paying for oil, reducing the upfront cost. While many Scottish suppliers offer payment plans, these should be offered as the norm²².

Another way to increase the affordability of heating oil is to decrease the minimum delivery volume allowed for those in greatest financial need. While individual delivery volumes smaller than 500 litres will be typically more expensive and not all vehicles can safely pump such a volume, weights and measures rules do allow for smaller deliveries. Suppliers should therefore, where safe to do so, aim to offer delivery of smaller volumes to consumers in vulnerable situations who may not be able to afford a larger order, ideally with discounts achieved through an oil club.

Finally, suppliers should also explore the viability of other innovative approaches to reduce the upfront costs of heating oil that exist in Northern Ireland including pre-payment plans (either using payment stamps, a card, or a direct debit) and pay-as-you go schemes (where oil is paid for and released from a tank as needed).

Available savings

Collective Buying

4.7 CAS wanted to find out what discounts are available on bulk orders for oil clubs, so CABs were required to contact suppliers to ask for price quotes on orders of 500, 1000, 2500 and 10,000 litres. Not all suppliers were able to give quotes for 10,000 litre orders with one stating this was because it would depend on “the total distance required to travel, the number and size of individual drops that may be within such an order, the lead time, the payment details and a whole range of other factors”²³.

Nevertheless, the data gathered helps to give some indication of savings available, and in all CAB areas discounts were available.

4.8 By comparing a 10,000 litre delivery (assumed to be divided between 20 households in one delivery run) and individual 500 litre orders, the following savings were demonstrated²⁴:

	Cost saving per household	Percentage saving per household
Badenoch and Strathspey	£47.50	17%
Badenoch and Strathspey	17%	6%
Skye and Lochalsh	£46.30	16%
Nairn	£53.35	20%

4.9 A similar comparison between individual 1000 litre orders and bulk 10,000 litre orders (i.e. 10 households in one delivery run) showed savings of 6-10% (£30-£55).

4.10 In some areas even greater possible savings are demonstrable by comparing the most expensive 500 litre prices with the cheapest 10,000 litre orders. While in Badenoch and Strathspey and Nairn this showed similar saving levels of £47.50 (17%) and £53.55 (19%) respectively, in East and Central Sutherland £35.50 could be saved (13%) and on Skye and Lochalsh, £50.80 (18%).

4.11 Survey respondents were asked what level of percentage saving they would consider worthwhile to join an oil club. The survey found that the largest saving that would be ‘worth it’ to join an oil club was 10% and as has been shown, this may be achievable in the areas studied.

²² The Federation of Petroleum Suppliers’ Customer Charter <https://fpsonline.co.uk/wp-content/uploads/2017/11/FPS-CUSTOMER-CHARTER-final-version-large-.pdf>

²³ Advice from Oil Save, an initiative run by the Federation of Petroleum Suppliers and OFTEC (Oil Firing Technical Association), provides further detail on the need for those placing orders through an oil club to be close together, only include orders for those who need fuel and for precise volumes to achieve maximum discounts <https://www.oilsave.org.uk/wp-content/uploads/2017/07/guidance-for-small-buying-groups.pdf>

²⁴ These figures are based on the oil price quotes gathered during the course of research in November 2017, December 2017 and January 2018.

Recommendation

4.12 Given oil clubs' potential to save consumers money, Local Heat and Energy Efficiency Strategies (LHEES) should identify areas where there is a sufficient density of dwellings and heating oil users to make oil-buying clubs attractive. Local authorities should then target information about oil clubs and the range of other options to help reduce bills in off-gas areas to existing bodies such as community councils.

Individual Savings

4.13 The research was also able to identify individual savings from shopping around and switching supplier. Although a saving of £62.60 (20%) on a 500 litre order in Langwell, Sutherland was atypical, a £35 saving was possible in Badenoch and Strathspey (12%), £42.80 saving in Nairn (16%), and £23.30 saving in Skye and Lochalsh (8%). It is therefore possible to make savings even where oil club membership is less viable through shopping around.

Survey respondents were asked if they shopped around and compared heating oil prices before buying and there were a number of reasons for not doing so. Whereas in Skye and Lochalsh no choice of supplier was the main reason given for not shopping around, reflecting the lack of competition in the area, elsewhere preference for an existing supplier was most common. Other reasons for not switching were:

- > “We over budgeted and they [the oil supplier] have circa £1000 of my money and just feel safer knowing that we have it banked”
- > “Like to use local depot to keep it busy and locals in employment.”

4.14 The majority of respondents also felt heating oil is reasonable value for money, perhaps a sign of lower recent oil prices. However, only a sixth felt that value for money was good and figures 1 shows an upward trend in prices.



5. Viability of oil clubs

5.1 Through engaging with existing oil clubs and surveying current oil users, the research provided an insight into the perceived and actual barriers to joining oil clubs, as well as their benefits. Our findings can be summarised in five main categories:

- > Finance and convenience
- > Administration
- > Geography and community
- > Information
- > Additional services

Finance and convenience

5.2 Some consumers felt that the savings available via an oil club are not significant enough to encourage them to join an oil club. One respondent said:

“I don’t think they would ever really be successful until significant savings would be available.”

5.3 A further barrier to oil club membership is that some consumers are tied to an existing supplier through monthly payment plans. An existing oil club coordinator explained this issue saying:

“People who are on pay monthly arrangements do not benefit as they are tied in to suppliers. It is these people who often are in most need of reduced prices but need the cost spread so we are unable to help them. That is one downside of how we work as we would like to help everyone but the oil club does not allow for people to pay monthly, they have to pay their bill when it comes and this can be several hundred pounds.”

5.4 One respondent to the survey said that “being able to use direct debits” was something that needed to be introduced to make an oil club successful. Flexibility, convenience, and reliability could be as or more important than cost alone. This was apparent when a respondent said they were:

“Happy with [their] supplier as they know my tank location and accessibility so I don’t have to be home.”

5.5 Despite these barriers, oil club membership can itself be convenient. As one oil club member put it, being in a club “reminds me to order [and] informs me of updated prices.” Similarly, another oil club member said “I’ve used them with no problem and always found them to be much cheaper.”

Recommendation

5.6 While oil clubs may require more significant upfront payments for a delivery, this could be mitigated if suppliers allowed oil club orders to be divided over several months between orders. Should a supplier not be able to offer such an option, Credit Unions could also provide upfront payment on behalf of an oil clubs and spread out repayments into several instalments.

Administration

5.7 Several survey respondents felt that organising an oil club would take a lot of time and effort by already stretched community volunteers. As one person put it:

“It would take someone to organise and run it. People are very busy.”

5.8 One existing oil club coordinator found the time required too burdensome and so handed over its running to the factors of a local estate. Similarly, another club’s coordinator said he considered giving up at one stage as it was difficult to balance with his full-time job, and that any additional new members would be difficult to manage.

5.9 Nevertheless he also said a new ordering system could make the job easier, and the coordinator of another smaller club said it cost them little time or money to run. Time requirements varied from around an hour to five hours per month, although one larger club took forty hours a month to run.

5.10 One coordinator reported that initial set-up was challenging, but once a club became established its running was smoother. One of the biggest initial challenges mentioned by existing oil clubs was getting usage patterns in sync with different properties in the habit of ordering oil at different times.

5.11 Those who had had negative experiences of oil club membership cited “coordination of deliveries,” “having to wait until enough people need delivery,” and “timing issues.”

Larger orders can take longer for a supplier to coordinate, making oil clubs less suitable for last-minute orders. Some consumers may be uncomfortable revealing to a member of the community that they are struggling to afford oil, and some may also not be able to access the internet if a club requires them to order online. As the quote above shows, some consumers didn’t want too much information about their delivery time to be known more widely in case it attracted thieves. The coordinator of an oil club must therefore not only have the time and skill to manage orders, but also be trustworthy.

Recommendation

5.12 The research found that some coordinators have found running an oil club administratively burdensome and have needed additional support. One model that is used in Northern Ireland is for a national facilitator to set up and run oil clubs. A social enterprise called Bryson Energy was appointed by the Northern Irish Housing, has set up 27 clubs since 2014, and claims an average saving of 9% against average prices recorded by CCNI²⁵. While such a model is not necessarily directly transferrable to Scotland, where there are proportionally fewer oil users, organisations with a broad community reach could encourage the sharing of best practice between oil clubs and help with administrative support.

Geography and community

5.13 One barrier to oil clubs is that delivering to more remote, dispersed households can undermine the level of discounts available. One person responded to the survey that they did not think oil clubs would work in their area because the “community [is] too small, houses use different suppliers at different times.”

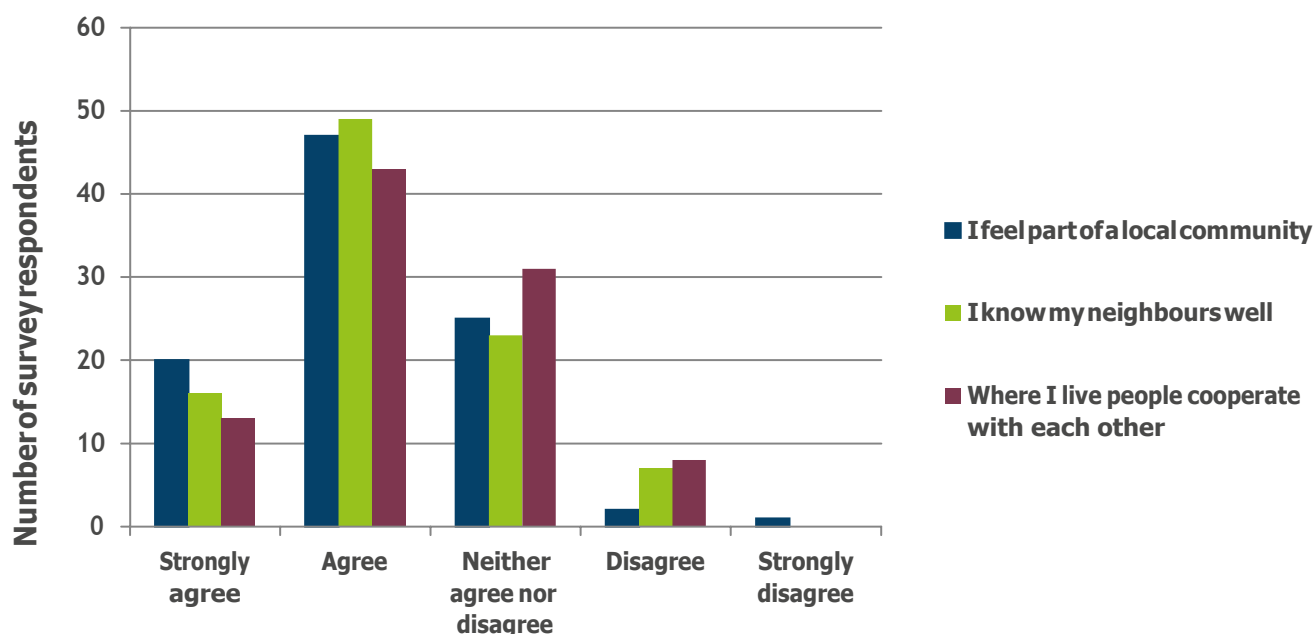
5.14 A lack of community cohesion can also make setting up an oil club challenging. As one consumer put it:

“Lots of people in this area are very insular and struggle to do anything communally.”

However, improved community cohesion came across strongly as one of the perceived benefits of oil clubs, and as figure 4 shows most people surveyed felt their community was close and cooperative.

²⁵ Bryson Energy <http://www.brysonenergy.org/what-we-do/our-services/oil-buying-clubs>

Figure 4 CABs' survey, oil-user views on community cohesion



5.15 Oil clubs can make for safer, less polluted areas also. One existing oil club organiser said a factor in setting up his club was to make the roads safer for cyclists and his children, by decreasing the number of oil-tankers on single-track roads. Although suppliers will group some deliveries together, if ten houses close together order, the number of deliveries could be reduced from ten to one, and vehicle emissions could also be reduced.

Information

5.16 Some consumers felt they do not have sufficient information to decide whether to join an oil club. One person commented that they are “not sure how an oil buying club works,” and others that existing clubs do not advertise widely enough. Although most people surveyed had heard of oil-buying clubs, a sizeable minority (36%) had not.

Recommendation

5.17 One existing oil club coordinator developed their own information leaflets, and a number of guidance documents from Citizens Advice, oil suppliers, local authorities, and government departments exist²⁶. This research can complement advice available, so as well as this report, CAS will look to increase the provision of advice aimed at communities about how to set up an oil club.

26 Citizens Advice, Best Practice for Oil Buying Groups https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/pdf-cam-oc-buyingguide-2011.pdf, OilSave, Guidance for Communities on Local Oil Buying Groups <https://www.oilsave.org.uk/wp-content/uploads/2017/07/guidance-for-small-buying-groups.pdf>, BIS, Guidance for Community Buying Groups https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/31881/12-593-guide-for-community-buying-groups.pdf

Additional Services

5.18 Respondents were asked whether they could think of any ways apart from cheaper fuel that their community would (or does) benefit from a collective buying group. Although one respondent suggested that “it would be ‘trite’ to overstate any ‘social gain’” from oil clubs, others suggested associated services that could be provided in conjunction with oil buying clubs. These included: saving on electricity or broadband; people becoming better informed; loyalty schemes; coal, LPG or wood buying clubs; boiler servicing. A couple of responses focused on tackling fuel poverty and helping potentially more vulnerable elderly consumers.

Recommendation

5.19 Local strategies to build stronger communities should consider oil clubs and additional services they could deliver. Such groups should consider ways in which oil clubs could be delivered in conjunction with enhanced additional services such as community broadband or boiler servicing.

6. The Future of Heating Oil

6.1 As a fossil fuel, heating oil use will be expected to decrease as the UK Government implements its Clean Growth Strategy, and the Scottish Government implements its Energy Strategy. The Energy Strategy model for 2030 aims for renewable heat to grow to around 20% of non-electrical demand, targeting a significant rise in heat pumps and continued growth in biomass²⁷. The UK Government stated its ambition to phase out the installation of heating oil in buildings off the gas grid during the 2020s and suggested electric heat pumps as an alternative²⁸. The latest Energy Company Obligation, coming into force on 1st October 2018 places limits on support for heating oil boilers, although these are not as extensive as the initial UK Government consultation suggested. New heating oil boilers will be allowed, although these will be part of the broken heating system cap of 35,000 systems per year and the repair of broken boilers will also be subject to a 5% cap for all boiler repairs²⁹.

Recommendation

6.2 Given that heat pumps work best in more energy efficient buildings, and those who use heating oil tend to live in harder-to-heat properties, this will not be a viable solution for all homes. Similarly there may be limits to the scalability of bio-fuels³⁰. The Scottish Government's Energy Strategy doesn't explicitly mention heating oil, noting instead that 'new and innovative ways of using hydrocarbons are already emerging and will continue during the coming decades.' CAS would welcome an off-gas decarbonisation strategy to complement the Scottish Government's Energy Strategy and set out a clear pathway for how current heating oil users can help to meet its climate ambitions. As CAS' recent *Changing Behaviour in a Changing Climate* report³¹ recommended, there is a need for the Scottish Government to put consumers' behaviour at the heart of policy, and provide further clarity for consumers on what behaviour change is expected from them to achieve emissions reductions.

²⁷ Scottish Government Energy Strategy, <https://www.gov.scot/Resource/0052/00529523.pdf>

²⁸ BEIS: A future framework for heat in buildings: call for evidence <https://www.gov.uk/government/consultations/a-future-framework-for-heat-in-buildings-call-for-evidence>

²⁹ BEIS Response to the ECO3 2018 to 2022 Consultation https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/727065/Energy_Company_Obligation_ECO3_2018-2022.pdf

³⁰ World Resources Institute <http://www.wri.org/publication/avoiding-bioenergy-competition-food-crops-and-land>

³¹ CAS, Changing Behaviour in a Changing Climate <https://www.cas.org.uk/publications/changing-behaviour-changing-climate>

7. Conclusion

7.1 As long as consumers in rural areas rely on heating oil, oil clubs can play a part in helping them navigate the price peaks and troughs of the market. Existing oil club coordinators have reported a track record of saving consumers money and oil club members also said it reminded them to order oil and provided a useful log of recent prices. Improved community cohesion came across strongly as one of the perceived benefits of oil clubs and the desire for fewer lorries on the road was a strong motivation for one coordinator set up their club.

7.2 The research also identified some challenges for heating oil consumers with price volatility the main issue. Geographic, financial, administrative, and informational challenges to setting up oil clubs in the Highlands have also been explored in the body of this report. Nevertheless, our recommendations seek to overcome some of these, improve the affordability of heating oil and increase information and support for oil clubs - both new and existing. With recent price rises, improving the affordability of heating oil will be an increasingly important issue for households in rural Scotland.

8. Opportunities for further research

8.1 While this research has focused on the Highlands, there are other areas of Scotland with high oil usage which would be beneficial to study, such as Shetland Aberdeenshire, Orkney, the Western Isles, Dumfries and Galloway and the Scottish Borders. Furthermore, given the lack of comprehensive data and contact details for oil clubs, there will be a number of oil clubs that this research has not been able to engage, who might be able to share valuable insights. Further research is therefore required to find out how many, and where, oil clubs exist and to document the experience of heating oil users in other parts of Scotland.

8.2 The overall appetite for local partners to set up new oil clubs is currently unknown, therefore following this research CAS will look to engage further with relevant interested community bodies.

8.3 Citizens Advice surveyed 49 oil clubs in England and Wales in 2012 and repeating a wider survey of this nature could also add further detail into the experience of club coordinators.³²

8.4 The issue of the cost of emergency oil orders was touched on in this research and it is known that in Northern Ireland those struggling with payments often fill up small 20 litre drums locally.³³ More research is therefore required to explore the experience of Scottish heating oil users who find themselves in an emergency and supplier approaches to emergency situations. This could include an assessment of the number of consumers not able to access payment plans, supplier contingency plans to deal with severe weather, and consumer ability to monitor and respond to low oil levels.

8.5 It has been reported anecdotally that a number of heating oil users find it hard to monitor the amount of heating oil left in their tank, with many tanks lacking a meter or unit markings leading to a reliance on 'dipsticks.' At a time when smart meters are being encouraged for gas and electricity usage as a means of reducing energy usage, similar measures could be considered for heating oil users. Several varieties of ultrasonic monitors for heating oil tanks exist which can link up to a smartphone app, providing alerts when oil is running low and in some cases an oil theft alarm. Further research would be informative to pilot such technology and whether grant support would be beneficial.

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³² Citizens Advice <https://www.citizensadvice.org.uk/about-us/how-citizens-advice-works/media/press-releases/oil-clubs-buying-power-yields-better-price/>

³³ Northern Irish Housing Executive, House Condition Survey https://www.nihe.gov.uk/index/corporate/housing_research/house_condition_survey.htm



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