Consumer Futures Unit

Oil Buying Clubs: The Highland Experience

citizens advice scotland

October 2018
Consumer Futures Unit publication series: 2018/19 - 12

Contents

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.

Executive Summary

62% of homes in the Highland council area are not connected to the gas grid and rely on alternative fuels to heat their homes such as heating oil, liquefied gas (LPG), logs, coal, electricity, biomass, or newer technologies such as heat pumps

Around 25% of households in the Highlands rely on heating oil, delivered by tanker.[1] However, heating oil prices are volatile – varying annually, monthly or daily and smaller orders tend to be more expensive. While oil prices have fallen in recent years, they have risen in recent months. Higher costs have been reported in the Highlands, attributed to more remote, spread out settlements.[2] A quarter of Scottish heating oil users are in fuel poverty and overall fuel poverty rates are 52% in the Highlands. [3]

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 buying 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 a stronger sense of community.

In 2016, the Rural Fuel Poverty Task Force (RFPTF), set up by the Scottish Government suggested that:

"The Scottish Government should promote, support through advice line information and grant-incentivise collective buying clubs for domestic oil and LPG."[4]

Citizens Advice Scotland (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 there were four successful bids:

- Badenoch & Strathspey
- Nairn

[1] Scottish House Condition Survey, p.21
http://www.gov.scot/Resource/0052/00528448.pdf
Citizens Advice Scotland and Citizens Advice Research on Off Gas Consumers (soon to be published)
[2] Lochalsh and Skye Energy Advice Service Evidence to Rural Fuel Poverty Task Force
http://www.gov.scot/Resource/0050/00508139.pdf
[3] Scottish House Condition Survey, Table 36
http://www.gov.scot/Publications/2017/12/5401/downloads
Scottish House Condition Survey Local Authority Tables, Table 26 http://www.gov.scot/Resource/0053/00532144.pdf
[4] Rural Fuel Poverty Task Force, 'An Action Plan to Deliver Affordable Warmth in Rural Scotland,' p.19
http://www.gov.scot/Resource/0050/00508120.pdf

- East and Central Sutherland
- Skye and Lochalsh

The CABs identified suppliers and contacted them on 3 set dates - 7th November 2017, 5th December 2017, and 9th 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, and contacted existing oil clubs in their area, or elsewhere in Scotland where this was not possible.

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, so consumers 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 the rest of Scotland.
- **Prices can vary significantly by region.** Prices for 1000 litres varied by up to £148 between the areas researched.
- **Competition was limited in Skye and Lochalsh 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 research. [5]
- **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. This shows the savings that are in theory available to oil clubs.
- **A typical minimum delivery volume of 500 litres has a price tag of around £250-£300, which CAB evidence indicates some consumers, not on payment plans, find unaffordable.**

Barriers and Benefits

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.

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[5] http://webarchive.nationalarchives.gov.uk/20140402222541/http:/www.oft.gov.uk/shared_oft/market-studies/off-grid/OFT1380.pdf

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.

1 Introduction

Households in Scotland use a range of fuels to heat their homes. Although mains gas is by far the most common of the main heating fuels, for households that do not have a connection to the mains gas grid – known as "off-gas" households – heating oil has been a common but historically expensive way to provide space heating.

The Scottish Government's Rural Fuel Poverty Task Force (RFPTF), of which CAS was a member, identified a wide range of measures needed to provide affordable energy in areas without access to mains gas. One persistent concern has been the higher cost of heating oil in remote areas. For example, analysis done by the Lochalsh and Skye Housing Association Energy Advice Service in 2015 estimated that oil prices were £100-£120 higher for the Highlands and Islands than central Scotland and even higher premiums have been reported on the islands.[6] 159,000 Scottish households are reliant on heating oil (6% of all housing stock), making it the second most common off-gas fuel after electric heating. 62% of households in the Highland Council area are off the gas grid, and the rate of fuel poverty in the area is well above the national average at 52%. [7]

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. [8] Heating oil users face a number of distinct challenges including:

- Oil has to be purchased in advance of being used.
- Smaller orders tend to have a higher price per litre cost.
- Spending on oil is not always spread across the year.

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[6] http://www.gov.scot/Resource/0050/00508139.pdf
[7] http://www.gov.scot/Topics/Statistics/SHCS/keyanalyses
Scottish House Condition Survey: 2016 Key Findings
http://www.gov.scot/Resource/0052/00528448.pdf
[8] 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

- Prices are volatile and not standardised making it harder for consumers to compare prices. 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 2018.[9]
- Heating oil suppliers do not buy ahead in the same way as large gas and electricity suppliers do, meaning short-term fluctuations more directly affect price.
- Emergency last minute orders can be particularly expensive.
- Competition levels may be limited in remote, rural locations with a smaller choice of suppliers.

One way of tackling these problems is for oil users, generally in rural areas, to pool together with other nearby households to coordinate deliveries and negotiate cheaper prices with an oil supplier – forming an "oil-buying club". This potentially offers a number of advantages such as:

- Increasing the collective buying-power of householders; suppliers can use economies of scale to offer discounts to a group of oil-users.
- Decreasing the number of lorries on the road, bringing environmental and safety benefits.
- Allowing smaller delivery volumes.
- Promoting community cohesion and activity.
- Improving the skills of organisers.
- Devolving purchasing decisions from individuals to group organisers, benefiting those who lack the confidence or time to negotiate prices.
- Changing buying habits, encouraging budgeting and reducing over reliance on expensive emergency orders.

However, some studies [10] have identified potential barriers to oil clubs such as:

- Consumer apathy and scepticism.
- A high number of people needed to sign up in order to generate savings.
- An administrative burden on a volunteer to coordinate deliveries.
- A lack of supplier capacity to supply clubs.
- The need to coordinate usage patterns. Varying needs within the group can mean more frequent, less cost effective drops.
- Delivering to more remote, dispersed households may negate discounts available.
- Data protection issues.
- Customer loyalty to current suppliers.
- Concerns that delivery times being more widely known will increase the risk of theft.
- Smaller savings at times of lower oil prices.

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[9] https://www.gov.uk/government/statistical-data-sets/oil-and-petroleum-products-monthly-statistics

[10] University of Ulster and Bryson Energy, *Energy Brokering: Final Report to Oak Foundation,* October 2014; Harriet Thompson and Professor Christine Liddell, *An Evidence Review of Energy Brokering Options for Households in Northern Ireland,* September 2015. https://www.oilsave.org.uk/wp-content/uploads/2017/07/guidance-for-small-buying-groups.pdf

1.1 Types of oil club

There are several different models for the collective buying of heating oil:

- **Community buying groups**. These are generally founded and run by individuals in the community, usually composed of groups of neighbours or friends.
- **Supplier buying groups**. Some suppliers may have an employee who takes on the coordination and administrative responsibilities once local clubs are formed.
- **Online buying groups**. Online software groups orders from smaller clubs across the country together then contacts suppliers on their behalf and aims to provide a discount to all members. Examples include www.oil-club.co.uk.
- **Oil Ring.** An oil ring can include farmers, estates, contractors, small businesses, and some individuals, and generally operates on a larger scale than community buying groups. A ring may also purchase machinery and a range of commodities including heating oil. There is normally a membership fee, but a ring will have dedicated staff with contacts in every supplier.

A number of online price comparison websites exist which generate quotes for to a given postcode, although they only include participating suppliers and not all parts of Scotland are covered. Quotes are generally valid for 24 hours. Examples include www.heatingoilshop.com and www.boilerjuice.com.

1.2 Research objectives

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 (see section 4.4 – the Northern Irish experience). Furthermore, no comprehensive study of oil clubs in Scotland has been produced to test the possible benefits and barriers listed. Given that there has been limited research, CAS wanted to test at a practical level the Rural Fuel Poverty Task Force's recommendation (see section 3.1 for more detail) for oil clubs to be supported, seeing what the barriers and benefits there are in rural Scotland. Citizens Advice Bureaux (CABs) were therefore invited to investigate in more detail, aiming to find out:

1. The number of suppliers in a given area.
2. The potential for oil clubs to save consumers money and level of discounts available.
3. Variation in oil prices and 'minimum order' volume between suppliers, locations, and times.
4. The volume of heating oil, or number of customers, different suppliers might regard as sufficient to provide a quote to supply members of a club.
5. Whether other benefits would be available such as delivery of smaller amounts of oil or flexibility in payment methods.

6. The level of savings desired by consumers.
7. Barriers to setting up oil clubs.
8. The time required to run an oil buying club.
9. The experience of oil users and existing clubs.
10. Whether oil club membership could be used to provide a wider range of benefits to members.

Four CABs were recruited to undertake research:

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

2. Methodology

The CABs conducted research between the start of November 2017 and the end of January 2018, using the following methodology:

- **Identifying and contacting suppliers.** All CABs identified and contacted suppliers in their area via phone, email, online, or using the yellow pages, ascertaining the number of active suppliers in their region.

- **Price data collection.** 3 dates for collecting price data were agreed between the researchers and CAS - 7th November, 5th December, and 9th January - and each CAB set fixed postcodes for delivery quotes to be captured (as set out in section 5.1). On each of these dates, the CABs asked suppliers for pence per litre price quotes excluding VAT on different volumes – 500 litres, 1000 litres, 2500 litres and 10,000 litres. They also asked what minimum delivery volumes would be and whether there are any additional benefits of group purchasing such as flexibility in payment or smaller delivery volumes.

- **Surveying oil users.** A set of survey questions was agreed between CAS and the researchers (see section Appendix, section 13.1), although there was the flexibility to ask additional questions. For example, Nairn CAB added questions on payment methods and tried to find out which groups might be interested in running an oil club. All the researchers circulated the survey online and using paper copies. Sutherland CAB placed an advert in a local newsletter and also alerted local voluntary groups to the survey, as well as advertising the survey online. Nairn CAB delivered paper copies of the survey to properties in areas that contained a large number of oil users and produced posters to advertise the research. Skye and Lochalsh CAB advertised the survey through their Facebook page, the Skye Free Ads website, and also through a newspaper article. Paper copies were also distributed at the CAB office and Library in Portree. Badenoch and Strathspey advertised their survey on Facebook and Twitter, with the local MP, Drew Hendry also tweeting a link to the survey.

- **Documenting the experience of existing oil clubs.** Contact was made with existing oil clubs via telephone interviews and in person. The researchers were given the flexibility to contact oil clubs outwith their region if it was difficult to find more local oil clubs. For example, oil clubs in Muthill (near to Crieff), Ross and Cromarty, Kirkhill and Bunchrew, and Skye were contacted.

- **Engaging with groups who might be interested in oil clubs.** This included phoning or meeting with Home Energy Scotland, community councils, local community partnerships, local development trusts, factors on rural estates, and friendship groups.[11]

2.1 Limitations

As would be expected in a piece of research of this nature, there have been some limitations as to what it has been able to achieve. The price data obtained was only able to provide a snapshot over the course of 3 months, and we weren't able to fully compare winter and summer prices to see the full extent of volatility. Suppliers were also not able to provide price data for every volume requested, particularly 10,000 litres and there was some overlap in the suppliers contacted by each CAB. A large order's pricing will depend on the total distance required to travel, the number of delivery runs, and payment details, so calculations around bulk discounts are only an indication and may not reflect the final price consumers would pay.

Due to research budget limitations, we were unable to provide a Scotland-wide picture, but rather the research was focused in the Highlands. Although overall we received over 100 survey responses, in some CAB areas getting people to engage with the surveys was a challenge. Furthermore, the overall appetite for local partners to set up new oil clubs is currently unknown. Although the survey provides useful qualitative insight into views on oil clubs, it may be that those who took the time to respond were more engaged in oil buying, or consider themselves more knowledgeable on the topic, so they are not fully representative of the full range of households in each area.

3. The policy context

3.1 Office of Fair Trading investigation

The severe winter of 2010 increased political and media interest in the heating oil market. Increased demand led to problems with supply and price increases were as high as 70 per cent

[11] Home Energy Scotland is a network of local advice centres covering all of Scotland. Its advisors offer free, impartial advice on energy saving, renewable energy, sustainable transport, waste prevention and more.

over three months.[12] Following accusations of 'profiteering' an investigation by the Office of Fair Trading (OFT) (a precursor to the Competition and Markets Authority), reported in October 2011.[13] It concluded that 'regulation would be unlikely to have a significant impact on overall prices,' expressed concern over the independence of price comparison websites, and suggested that 'retail margins over the year as a whole do not appear to be excessive.' However, it found that a minimum of four suppliers was needed to effect competition in the heating oil market. It also found that 90 per cent of the variation in heating oil prices is due to fluctuations in crude oil costs.

On oil clubs it stated that 'some suppliers prefer not to deal with buying groups (for example because they believe it damages customer relationships and loyalty, or because the large orders involved are impractical).' It also found that 'the savings the [oil buying] group can achieve may depend on the composition of the group and the knowledge and negotiating skill of the administrator.'[14]

3.2 Rural Fuel Poverty Task Force

In a Scottish context, the Rural Fuel Poverty Task Force (convened by the Scottish Government) reported in October 2016 and recommended that:

- "The Scottish Government should promote, support through advice line information and grant-incentivise collective buying clubs for domestic oil and LPG."
- "The Scottish Government should change the criteria for Warmer Homes Scotland to include funding for enabling measures such as domestic oil and LPG tanks, electrical upgrades, flue lining and the installation of the most efficient storage heaters."[15]

This followed an SNP manifesto commitment in 2016 that:

- 'We will develop creative approaches – for example, we will examine collective switching models and group buying of energy with an emphasis on those off-grid'.[16]

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[12] http://www.telegraph.co.uk/finance/personalfinance/money-saving-tips/8194367/Central-heating-oil-price-shoots-up-by-70pc.html

[13] Office of Fair Trading, *Off-Grid Energy: An OFT Market Study,* October 2011, http://webarchive.nationalarchives.gov.uk/20140402222541/http:/www.oft.gov.uk/shared_oft/market-studies/off-grid/OFT1380.pdf

[14] http://webarchive.nationalarchives.gov.uk/20140402222541/http:/www.oft.gov.uk/shared_oft/market-studies/off-grid/OFT1380.pdf

[15] http://www.gov.scot/Publications/2017/03/1009/11
http://www.gov.scot/Resource/0050/00508120.pdf

[16] SNP Manifesto 2016, https://d3n8a8pro7vhmx.cloudfront.net/thesnp/pages/5540/attachments/original/1485880018/SNP_Manifesto2016-web_(1).pdf?1485880018

3.3 Collective switching

Collective switching in the gas and electricity markets operates on the same principle as oil clubs. Websites such as 'One Big Switch' attempt to harness the collective bargaining power of multiple consumers.[17]

In 2012, the then Energy Secretary Ed Davey, published advice for energy consumers on collective switching and organisations wanting to launch their own collective purchasing schemes. He said:

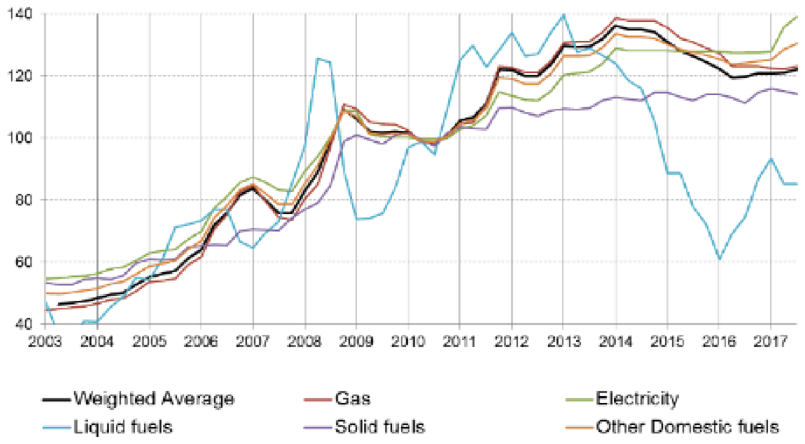
- 'I want to help make collective purchasing become a permanent feature of the UK energy market. This can be a really useful tool for consumers by making it easier to move to a better deal and to get real savings on gas and electricity bills, as well as helping boost competition.'[18]

4. Background

4.1 Price volatility

Heating oil prices are considerably more volatile than those of gas and electricity, as demonstrated by the blue line labelled 'liquid fuels' in the UK Government's department for Business Energy and Industrial Strategy (BEIS) graph in figure 1.[19]

Figure 1: BEIS fuel price indices and a weighted average for Scotland: 2003 to September 2017



A number of factors influence heating oil price including:

[17] https://www.onebigswitch.co.uk/

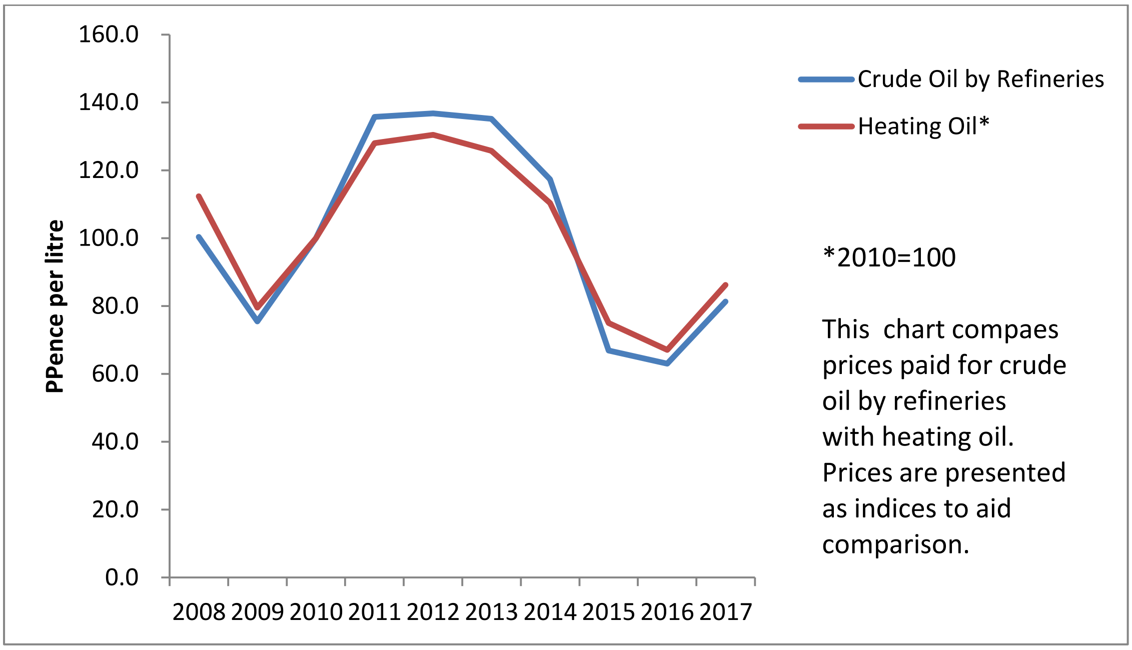
[18] https://www.gov.uk/government/news/davey-next-steps-on-collective-purchasing-for-a-better-energy-deal

[19] http://www.gov.scot/Resource/0052/00528448.pdf

- Delivery location
- Refining costs
- Marketing and distribution
- The profits of refiners, wholesalers and dealers. Level of supplier competition
- The price of crude oil

Heating oil prices tend to closely follow that of crude oil (see figure 2). The Office of Fair Trading found in 2011 that 90 per cent of the variation in heating oil prices is due to crude oil costs.[20] Brent Crude increased by 21% over the course of the research (November 2017-January 2018) from $58 per barrel to $70, in line with a general upward trend over the last twelve months.[21] Volatility makes timing the purchase of heating oil particularly challenging for consumers to secure the cheapest rate and to budget effectively.

Figure 2 Crude oil and heating oil prices 2008-2017[22]



It is often said that heating oil prices are higher in the winter than they are in the summer, and while this pattern was generally true in 2017, figure 3 indicates that between 2014 and 2018 there have been times in the annual cycle when summer prices have exceeded winter ones.[23] Prices for 1000 litres of heating oil increased by 74% between January 2016 and January 2018 showing volatility and un upward pattern in prices. [24]

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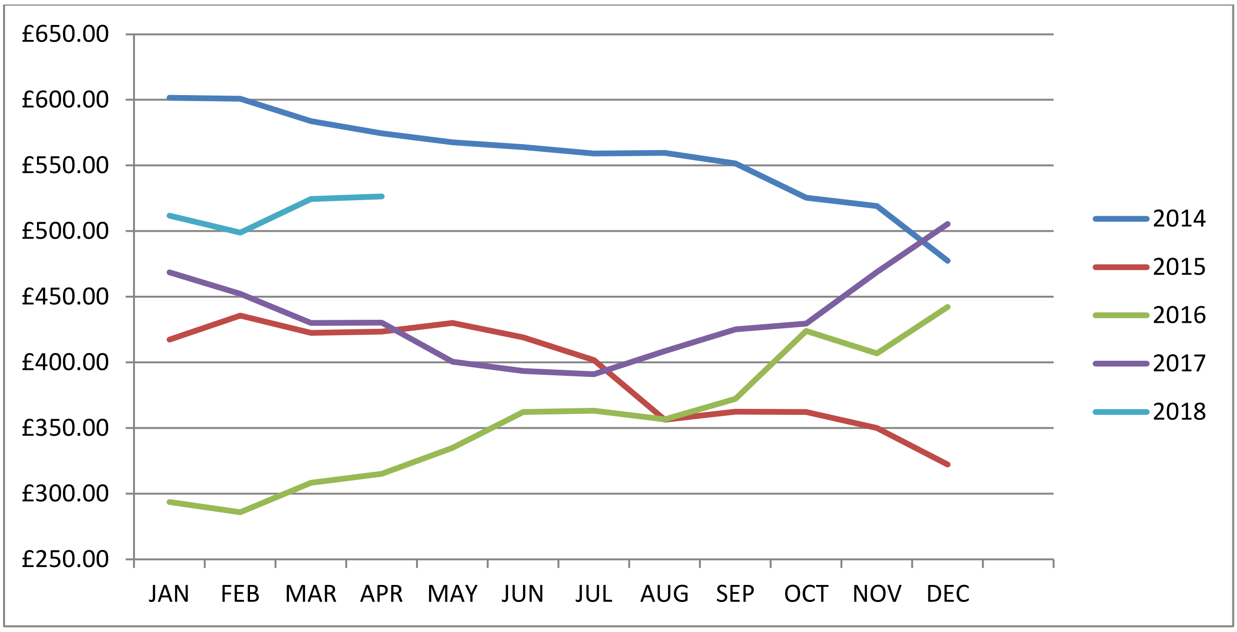
[20] https://www.changeworks.org.uk/sites/default/files/21st_Century_Heating_in_rural_homes.pdf
[21] http://www.bbc.co.uk/news/business/market_data/commodities/143908/twelve_month.stm
[22] https://www.gov.uk/government/statistical-data-sets/oil-and-petroleum-products-monthly-statistics
[23] https://www.gov.uk/government/news/energy-minister-backs-buy-heating-oil-early-campaign
[24] https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/kj5u/mm23/previous

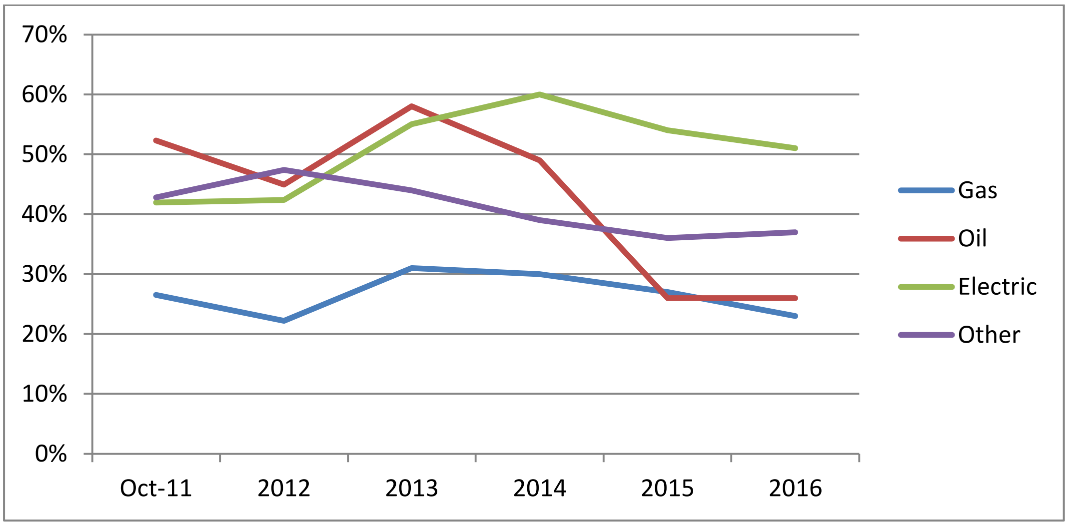
Figure 3: Retail Prices Index: price per 1000 litres of heating oil



4.2 Fuel poverty

Although the price of oil has fallen sharply compared to its peak in 2013, in the last two years it has started to rise again, leaving those reliant on oil heating exposed to price increases. While fuel poverty rates fell quicker amongst oil users in Scotland than other consumers between 2014 and 2016, a quarter of oil-using households are still in fuel poverty (41,000).[25] As figure 4 shows, fuel poverty rates have historically been much higher.

Figure 4: Fuel poverty rates by main heating fuel, Scottish House Condition Survey 2011-2015

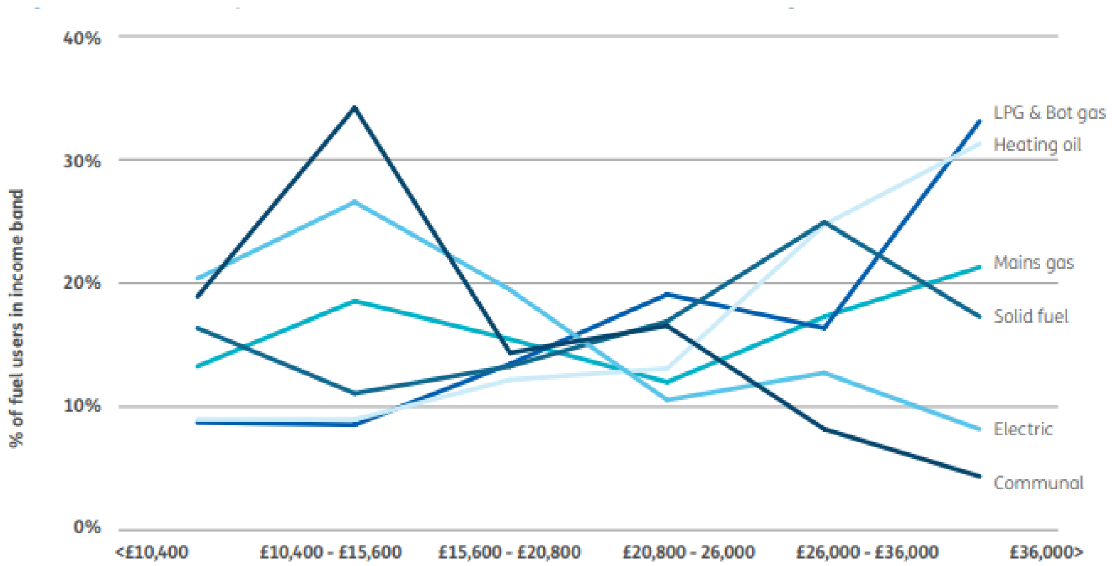


[25] Scottish House Condition Survey: 2016 Key Findings
http://www.gov.scot/Resource/0052/00528448.pdf
http://www.gov.scot/Resource/0051/00511081.pdf

4.3 Characteristics of households using heating oil

Joint research between CAS and Citizens Advice England and Wales into off-gas consumers found that in Scotland, England and Wales, compared to other fuels, households using heating oil are more likely to be in higher income bands.[26] Despite this, as the data in figure 5, taken from the Scottish House Condition Survey shows, around 30% of heating oil users had incomes below £20,800 (see figure 5)

Figure 5: Income profile of households with different main heating fuels in Scotland



Those who primarily rely on oil for heating also tend to live in harder to heat homes, with 93% having poorer energy performance certificates of bands D-G increasing the likelihood of fuel poverty.[27] Heating oil users are also most commonly far away from a mains gas connection. 52.7% live over 2 kilometres away from mains gas, and only 12.6% are within 23 metres of the grid. Furthermore, almost all heating oil users were in the private rented or owner occupied sectors.[28]

4.4 The Northern Irish experience

68% of households (c. 530,000) in Northern Ireland rely on heating oil – the highest proportion in Western Europe - compared to 6% of Scottish households (c.159,000).[29] Given this, there has been more detailed research in Northern Ireland than Scotland into oil buying which has established both detriment and examples of more innovative solutions. The Consumer Council of

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[26] 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_0.pdf
[27] Scottish House Condition Survey: 2016 Key Findings http://www.gov.scot/Resource/0052/00528448.pdf
[28] Scottish House Condition Survey, Table 5 http://www.gov.scot/Resource/0051/00511081.pdf
[29] http://www.consumercouncil.org.uk/filestore/documents/CCNI_Gas_v_Oil_Cost_Comparison_Final_Brief_May_2013.pdf

Northern Ireland have documented anecdotal evidence of customers who cannot afford a larger order having no option but to use significantly more expensive, emergency 20 litre drums.[30] While we have not been able to establish whether such a practice occurs among Highland oil users, this shows that those least able to pay in Northern Ireland can end up paying the most.

Various methods have been documented in Northern Ireland in an effort to improve the affordability of oil including:

- Oil stamp schemes - where oil stamps are bought on a saving card to put towards future purchases.
- Payment plans - spreading the cost of oil over 12 months
- Pre-payment schemes - a card tied to a set supplier is used to pre-pay for oil
- Pay-as-you-go - a mechanism releases oil from a tank as needed, allowing smaller quantities to be consumed, and payment is made over the phone.
- Oil monitoring technology – a device allows consumers to monitor the amount of oil in their tank, transmitting the information to them via text, email or a smartphone app.[31]
- Oil buying clubs - with a number facilitated by Bryson energy (detailed in section 4.5).

4.5 Northern Irish oil clubs facilitator

In October 2014, social enterprise Bryson Energy was appointed as the facilitator of an oil club network in Northern Ireland by the Housing Executive. Its initial funding ran until 2017 and has subsequently been extended for a further two years. It takes on all of the administration of running oil clubs, which it will ultimately aim to pass on to communities. Bryson Energy has at the time of writing set up 27 community oil clubs with 4,800 members, claiming an average saving of over 9% for 500 litre orders compared to the average Consumer Council for Northern Ireland (CCNI) prices.[32] CCNI provides a weekly benchmarking service where they set out cheapest, most expensive, and average prices.[33] A national facilitator has proven to be a good way of getting oil clubs off the ground in Northern Ireland by taking some of the administration away from individuals in the community. However, funding for Bryson Energy as the facilitator will end shortly, so efforts will have to be made to pass on the running of oil clubs to communities.

[30] https://www.nihe.gov.uk/index/corporate/housing_research/house_condition_survey.htm
[31] https://www.belfasttelegraph.co.uk/business/news/oil-monitor-device-set-to-go-global-29791189.html
[32] http://www.brysonenergy.org/what-we-do/our-services/oil-buying-clubs
[33] http://www.consumercouncil.org.uk/energy/home-heating-oil/

5. Price data

Suppliers were contacted on 7th November 2017, 5th December 2017 and 9th January 2018 and asked for pence per litre price quotes excluding VAT on different volumes – 500 litres, 1000 litres, 2500 litres and 10,000 litres. They also asked what minimum delivery volumes would be and whether there are any additional benefits of group purchasing such as flexibility in payment or smaller delivery volumes.

The aim was to find out:

1. The number of suppliers in a given area.
2. The potential for oil clubs to save consumers money and level of discounts available.
3. Variation in oil prices and 'minimum order' volume between suppliers, locations, and times.
4. The volume of heating oil, or number of customers, different suppliers might regard as sufficient to provide a quote to supply members of a club.
5. Whether other benefits would be available such as delivery of smaller amounts of oil or flexibility in payment methods.

5.1 Number of suppliers

East and Central Sutherland. As the CAB covers a relatively large geographical area, taking in several postcode areas, test addresses were chosen to ensure any variations in price across the different areas was covered. The test addresses included KW10, KW8, IV25 and IV27. Six suppliers were identified which would deliver to the area, although not all suppliers would deliver to all postcode areas. As two of the suppliers identified are part of the same national company and as the researcher was told there would be no difference between the data, only one is included here. As the research progressed, one supplier decided to pull out so this research contained data from four suppliers.

Skye and Lochalsh. There are only two suppliers on Skye and one has a minimum delivery of 700 litres meaning that for orders of 500 litres there is only one supplier available, creating an effective monopoly.

Nairn. It was identified that five local suppliers would be able to deliver to the IV12 postcode including through 3 comparison sites and two online oil clubs, once membership/registration had been achieved.

Badenoch and Strathspey. 4 suppliers were identified as being able to deliver to the chosen PH22 postcode.

5.2 Discounts available for bulk orders

The research was not able to gather complete data for bulk orders of 10,000 litres, divisible through an oil club, with some suppliers unable to give quotes or only able to state that prices were 'variable.' One supplier commented that they couldn't provide the information as there are too many factors involved such as '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.' Nevertheless, the data does help to give some indication of bulk buying through an oil club.

A 10,000 litre order divided into 500 litre deliveries (i.e. to 20 households in one delivery run), compared against an individual 500 litre order could achieve savings of up to:

- 17% in Badenoch and Strathspey (a saving of £47.50 per household))
- 6% in Sutherland (a £15 saving)
- 16% in Skye and Lochalsh (a £46.30 saving)
- 20% in Nairn (a £53.35 saving)

Similarly, comparing an individual 1000 litres order (the most common delivery volume in survey responses) with a bulk 10,000 litre order (i.e. to 10 households in one delivery run), shows potential savings even at a higher volume:

- 9% in Badenoch and Strathspey (a saving of £46 per household)
- 6% in Sutherland (a £30 saving)
- 10% in Skye and Lochalsh (a £55 saving)
- 8% in Nairn (a £39.90 saving)

However, for those currently paying the highest prices for heating oil, potential savings are greater, as shown by calculating the difference between the most expensive 500 litre price and the cheapest bulk 10,000 litre order. Savings using this calculation were:

- 17% in Badenoch and Strathspey in January 2018 (a saving of £47.50 per household)
- 13% in Sutherland in November 2017 (a £35.50 saving)
- 18% in Skye and Lochalsh in November 2017 (a £50.80 saving)
- 19% in Nairn in December 2018 (£53.55)

We know from the survey data that the most common volume that would be 'worth it' to join an oil club was 10%, and the data above shows that such savings could be achievable for those consumers who are currently paying the most for a 500 litres delivery. Savings seem least apparent in Sutherland and Badenoch and Strathspey, but it is worth noting that we have the least price data available in these areas. It is known that some oil clubs achieve discounts by building up relations with a supplier, so it could be that as an oil club became established, it may be able to access greater savings from those suppliers who were not able to engage with this part of the research.

5.3 Savings by individuals shopping around

Savings are also possible where individuals shop around. We can see this by considering the difference in the maximum and minimum prices provided by suppliers during the research for 500 and 1000 litre orders (the most common order volumes).

The maximum saving available was for a 500 litre order in Langwell, Sutherland – 20% (£62.60 off a £310.10 order). While this level of saving was not common in other areas, the maximum possible savings in other areas were:

- Badenoch and Strathspey was 12% (£35 off a £285 order)
- Nairn 16% (£42.80 off a £268.35 order)
- Skye and Lochalsh 8% (£23.30 off a £290.80 order).

Overall, even in areas, such as the Highlands, typically with lower levels of competition than other parts of Scotland, savings are available to those who have the time to shop around. However, we know from the survey data, that there are a range of reasons why people do not shop around including:

- a belief that they have achieved the cheapest price available;
- lack of savings;
- lack of time;
- payment plans;
- preference for a trusted supplier;
- credit with a current supplier;
- and the quality of oil provided.

5.4 Minimum delivery volumes

One supplier on Skye has a minimum delivery volume of 700 litres, although every other supplier surveyed stated that 500 litres was their minimum delivery volume. Weights and measures rules do permit smaller volumes, although not all vehicles can safely pump such a volume.

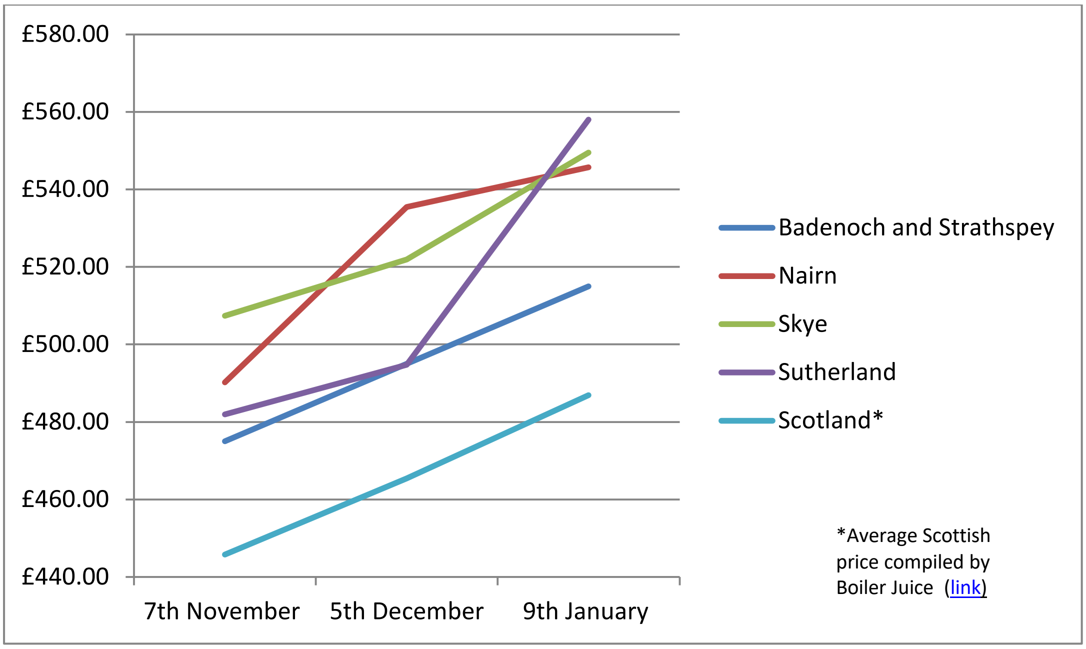
One CAB recently reported that there are a number of clients who are struggling to purchase heating oil or LPG to replenish their tanks as 500 litres is unaffordable for them. The adviser recommended a scheme where a valve releases oil from a tank as needed, allowing smaller quantities to be consumed and paid for, as was described earlier in Northern Ireland. They suggested this would allow easier budgeting and give local authorities the opportunity to help people with smaller crisis grants in emergencies. An oil supplier could also choose to give a customer emergency credit in extenuating circumstances.

5.4 Volatility

As noted in the introduction, the price of crude oil increased by around 21% over the course of this research and heating oil prices generally closely track those of crude oil. From the price quotes obtained by the researchers on this project, we can see that the price of heating oil increased across the board between November 2017 and January 2018, except for a handful of cases in Sutherland and Badenoch and Strathspey. Of 28 price quotes in Sutherland, only 4 decreased over the course of the research and only 1 of 13 decreased in Badenoch and Strathspey.

Significantly, in parts of Sutherland there were price increases of up to 30% over the course of the research for order volumes of 1000 litres – equivalent to a £141.80 increase. Similarly, over the same period there was a 17% increase in one quote in Nairn (£75) and a 13% increase in Badenoch and Strathspey (£62.90). Given the survey's result which suggests that 1000 litres is the most common order volume, the research demonstrates that even over the course of a few months prices were volatile.

Figure 6: Average price for 1000 litres of heating oil excluding VAT [34]



Last minute orders were particularly volatile with a 1000 litre five day delivery in Nairn increasing by 21% (£94), a 4 day delivery by 18% (£89), and 10 day delivery by 16% (£72). Four day delivery orders of 500 litres increased by 20% (£50.50) and 5 day delivery by 16% (£37.50). This is concerning for those who are forced to make emergency payments and may be least able to pay.

5.6 Price variations by geography

Prices varied significantly by location. There was a £148.60 difference between the cheapest price in Badenoch and Strathspey and the most expensive price in Sutherland in January for a 1000 litres order. In November, there was a £70 difference between the lowest Nairn and highest Skye and Lochalsh prices, and in December, a £87.80 difference between the cheapest Sutherland and most expensive Skye and Lochalsh price. Average prices for 1000 litres were between £10 and £70 higher in the Highland locations in our research compared to Scotland as a whole (see figure 2). This reinforces the conclusion of Highlands and Islands Enterprise that 'the budgets that

[34] 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 5.4. The average compiled by BoilerJuice only covers regions and suppliers registered with the website.

households need to achieve a minimum acceptable living standard in remote rural Scotland are typically 10-40 per cent higher than elsewhere in the UK.' [35]

5.7 Conclusions

Overall the data from this research gives a general indication of how prices compare across different volumes, locations, and times. Prices increased significantly, almost across the board from the start to the end of the research over 3 months which highlights the volatile price of heating oil. Furthermore, costs seem to be higher in more remote areas and there are concerns over lack of competition, particularly on Skye. Despite incomplete data however, savings are possible both by ordering higher volumes (and dividing them through an oil club) and individually shopping around for the best deal.

6. Survey data

The researchers used the survey in the appendix (see section 13.1) with some small variations, as noted in the methodology section) and overall 111 responses were received. It sought to build a picture of: consumers' tank capacity and purchasing habits; spending on heating oil; willingness to shop around; views on the value for money of heating oil; awareness, experience and views on oil clubs; desired level of savings from an oil club; levels of community cohesion; and views on any additional benefits of oil clubs. It also aimed to answer the following questions, as set out at the start of the research:

- The level of savings desired by consumers.
- Barriers to setting up oil clubs.
- The experience of oil users and clubs.
- Whether oil club membership could be used to provide a wider range of benefits to members.

6.1 Tank capacity

Survey respondents were asked about the size of their heating oil tank and answers ranged from 800 litres to 3000 litres. The most common size of tank appeared to be 1000 or 1200 litres, with 53 out of 106 respondents selecting this option (see figure 6). At the other end of the range, 37 people had a tank size over 1500 litres.

[35] http://www.hie.co.uk/regional-information/economic-reports-and-research/archive/a-minimum-income-standard-for-remote-rural-scotland---a-policy-update.html

Figure 7: Survey results on tank capacity

Heating oil tank capacity (litres)	Badenoch and Strathspey	Nairn	Skye and Lochalsh	Sutherland	Total
< 1000	1	-	-	1	2
1000 – 1200	3	5	29	16	53
1250 - 1500	-	3	2	7	12
> 1500	10	7	9	11	37
Don't know	-	1	-	1	2
Total	**14**	**16**	**40**	**36**	**106**

6.2 Oil purchasing

Responses on regularity of purchasing heating oil ranged from once a year to monthly. However, it is likely that oil is paid for, rather than purchased monthly. Forty respondents said they purchased 'as needed' and while we can't be certain how regularly these oil users purchased oil, this would imply that many are not able to plan their oil purchasing and may end up paying higher rates if prices have fluctuated. Forty five consumers purchased oil once or twice a year and 23 consumers purchased their oil more than twice a year. The surveys in Badenoch and Strathspey and Sutherland gathered dates when oil is purchased, which further showed that purchasing patterns are varied throughout the year.

Figure 8: Responses to survey question: 'How often do you buy heating oil?'

	Badenoch and Strathspey	Nairn	Skye and Lochalsh	Sutherland	Total
As needed	11	1	9	19	40
1 x a year	1	2	4	5	12
1-2 x a year	-	1	1	-	2
2 x a year	4	7	13	7	31
> 2 x a year	2	4	13	4	23
Total	**18**	**15**	**40**	**35**	**108**

6.3 How much oil is ordered?

By far the most common order volume from across all 4 CAB areas was 1000 litres, (42% of the total 109 respondents) followed by 500 litres (17% of respondents).

<u>Ordering patterns</u>

Fourteen of those who had 1000 litre tanks also order 1000 litres, suggesting they let their tank run dry or almost dry before filling it. However 8 of those with 1000 litre capacity ordered 500 litres regularly, perhaps finding a full tank of oil unaffordable. The fact there were 3 respondents with tank volumes over 2000 litres ordering 500 litre at a time further demonstrates this pattern.

Other responses were:

- 'It varies – I am on a top up scheme.'
- 'However much I can afford at the time'
- 'Whatever is needed to fill the tank.'

6.4 Spending on heating oil

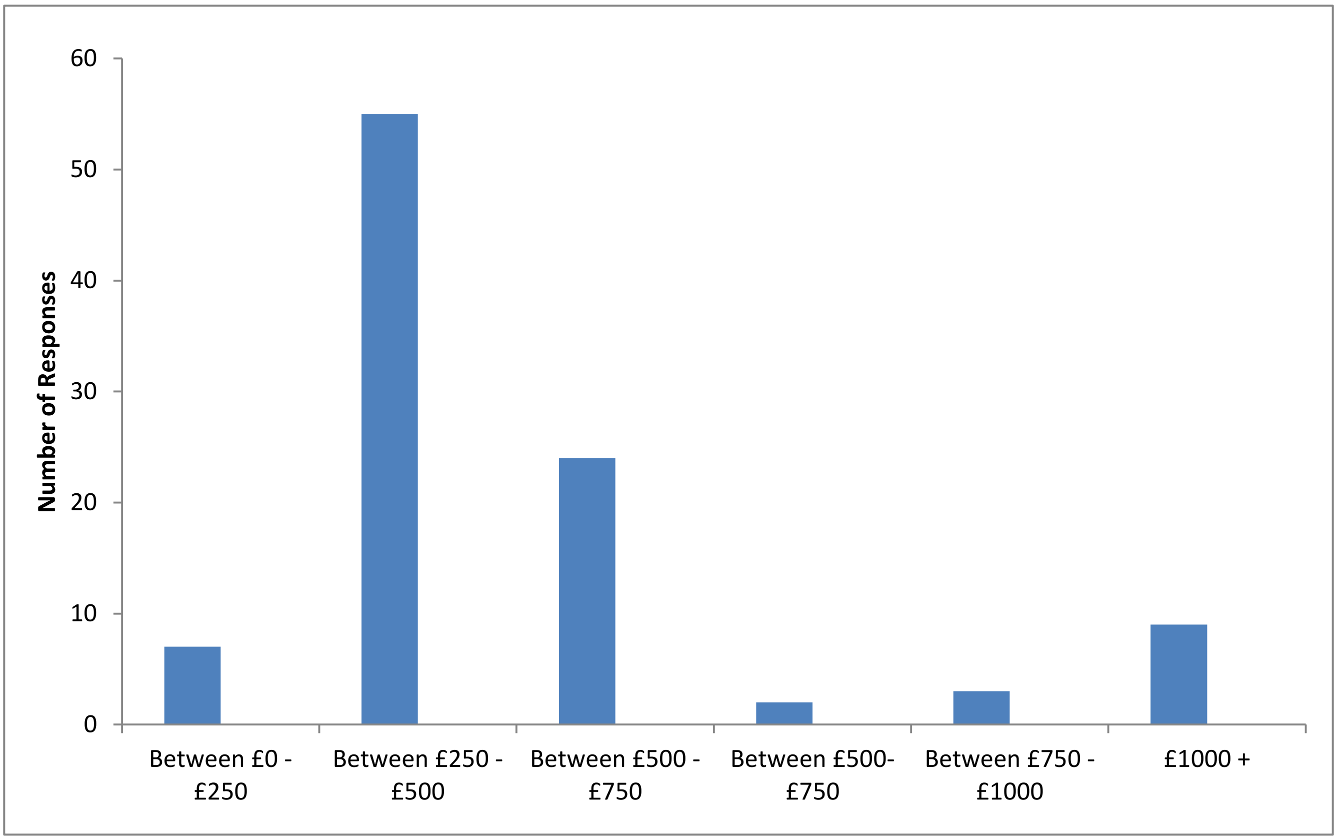
The amount that consumers spend each time they get a delivery varies from below £250 to over £1000, but the most common survey response was between £250 and £500, as shown in figure 8. One consumer pays £100 per month and this is likely to be on a direct debit affordability plan arranged with their supplier.

One respondent stated they spend 'as little as possible – between £250 and £1000' implying either that they like to shop around, or that there are times when oil is unaffordable. Another respondent stated that they spend £340-£700 depending on price per litre, suggesting fairly significant price volatility from purchase to purchase.

Some consumers are spending a significant amount over the course of a year with one paying over £1,000 three times a year and 4 spending £1,000 twice a year. Although these may be particularly heavy users, the spending data suggests that buying heating oil is a significant purchase to make, if full payment is required upfront.

Nairn CAB chose to ask an additional question about payment methods and found that 5 out of 16 of those surveyed were on a direct debit payment plan, suggesting some supplier flexibility in payment methods.

Figure 9: Responses to survey question: 'When you order heating oil, how much do you usually spend in pounds?'



6.5 Shopping around

Figure 10: Responses to survey question: 'Do you shop around and compare prices before buying?'

	Badenoch and Strathspey	Nairn	Skye and Lochalsh	Sutherland	Total
Yes	2	2	10	17	31
No	10	8	28	11	57
Sometimes	7	6	2	8	23
Total	**19**	**16**	**40**	**36**	**111**

Fifty four out of 111 respondents at least sometimes shop around, although several more said they did not compare prices. Given that there are only two suppliers to households in Skye, it is unsurprising that ten respondents selected 'no choice of supplier' as a reason for not shopping around. Preference for existing suppliers came across as the most prevalent reason not to shop around, suggesting that some customers may be wary of joining an oil club when they have built up a relationship with their current supplier. Those who lack the time to shop around are unlikely to want to administer an oil club, but could be most likely to benefit from it negotiating deals on their behalf. The fact that some felt savings are not worth the effort might be representative of lower oil prices in recent times. Only a couple of respondents felt they did not know how to shop around.

Figure 11: Responses to survey question: 'Why do you not always shop around?'

	Badenoch and Strathspey	Nairn	Skye and Lochalsh	Sutherland	Total
No choice of supplier	-	-	10	3	13
Prefer to use a trusted supplier	11	3	10	5	29
Lack of time	4	4	2	4	14
Savings not worth the effort	-	4	4	3	11
Don't know how to	-	-	2	-	2
Total	15	11	28	15	69

Further comments showed that some feel they are already getting the best price or that when they have shopped around, savings have not been significant. A number of people were on payment plans to allow budgeting through a direct debit, so did not shop around, while others were in credit with suppliers. One person liked to spend locally to encourage employment in their area, another bought in summer, and another was a member of an existing oil ring. The quality of oil was an issue for another consumer with additives required to oil supplied through an oil club to make it compatible with their AGA.

Responses to survey question: Why do you not always shop around?

- "We over budgeted and they 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
- "Have a monthly direct debit with one company"
- "My supplier has always been cheapest"
- "Quality of oil. Clubs suggest additive for AGAs"

6.6 Value for money

Respondents to the survey were asked to comment whether they felt heating oil was good, reasonable or poor value for money, as shown in figure 11. The majority of respondents felt heating oil is reasonable value for money - perhaps a sign of lower recent oil prices. Nearly two-thirds of those who felt value for money was poor were located in Skye and Lochalsh and only 16 out of 91 felt value for money was good.

Volatility remains an issue for some with one commenting that 'it [the price] can fluctuate a lot and has been very expensive' and another that prices were 'poor at the moment due to the price of crude.'

Figure 12: Responses to survey question: 'Do you think heating oil is good, reasonable or poor value for money?'

	Badenoch and Strathspey	Nairn	Skye and Lochalsh	Sutherland	Total
Good value for money	8	-	2	6	16
Reasonable value for money	10	-	25	23	58
Poor value for money	1	-	11	5	17
Total	**19**		**38**	**34**	**91**

6.7 Awareness of oil clubs

Although most people had heard of oil clubs, a sizeable minority (39 out of 109 respondents) had not. Furthermore, in their local area, only 18 of 74 people actually knew of any oil clubs in their area. This reinforces what was thought at the start of the research - that oil clubs can be harder to find in the Highlands than other parts of the UK.

Figure 13: Responses to survey question: 'Have you heard of heating oil clubs?'

	Badenoch and Strathspey	Nairn	Skye and Lochalsh	Sutherland	Total
Yes	8	9	26	27	70
No	10	7	13	9	39
Total	**18**	**16**	**39**	**36**	**109**

Figure 14: Responses to survey question: 'Do you know of any oil clubs?'

	Badenoch and Strathspey	Nairn	Skye and Lochalsh	Sutherland	Total
Yes	3	-	3	12	18
No	5	-	36	15	56
Total	**8**		**39**	**27**	**74**

Only 10 people responding to the survey across all areas were currently oil club members, with the majority of these concentrated in Sutherland and none in Badenoch and Strathspey. A couple of these were members through the website oilclub.co.uk (see introduction for further detail on online oil clubs). Only 2 respondents in isolated settlements were members of oil clubs, perhaps tying into the expected pattern that oil clubs are less viable in more dispersed settlements, although this must be set in the context of a low number of responses.

Figure 15: Responses to survey question: 'Are you a member of an oil club?'

	Badenoch and Strathspey	Nairn	Skye and Lochalsh	Sutherland	Total
Yes	-	2	1	7	10
No	9	14	39	20	82
Total	**9**	**16**	**40**	**27**	**92**

6.8 Experience of oil clubs

Of those respondents who were currently, or had previously been members of an oil club, there were a low number of responses on whether their experience had been positive or negative, with views fairly mixed. Whereas everyone who responded in Sutherland had had a positive experience, all respondents in Badenoch and Strathspey had had negative experiences.

Those who had negative experiences cited 'timing issues' and 'coordination of deliveries' and similarly that they did not like 'having to wait until enough people need delivery.' Another respondent commented that there was 'better price on the whole, but [the club was] not always ordering at time of need.' More positive responses tended to focus on price savings, reliability and the fact a club reminds you to order.

Figure 16: Responses to survey question: Has your experience of being part of an oil buying club been positive or negative?

	Badenoch and Strathspey	Nairn	Skye and Lochalsh	Sutherland	Total
Positive	-	1	1	7	9
Negative	4	1	1	-	6
Total	**4**	**2**	**2**	**7**	**15**

<u>Responses to survey question: Why do you say that [your experience of oil-buying has been positive or negative]?</u>

Positive

- 'They deliver on time and good value for money'
- 'I've used them with no problem and always found them to be much cheaper'
- 'Reminds me to order, informs me of updated prices'

Negative

- 'Coordination of deliveries'
- 'Can't use a club as pay for oil monthly'
- 'Having to wait until enough people need delivery'

6.9 Views on viability of oil clubs

Generally respondents were unsure as to whether an oil club would work in their community, as shown by the amount of 'maybe' responses in figure 17, although responses in Skye and Lochalsh were significantly more positive. This could perhaps be explained by lower levels of competition and sometimes higher prices on Skye than on the mainland, leading to a greater desire to achieve savings.

Figure 17: Responses to survey question: 'Do you think an oil buying club would work in your community?'

	Badenoch and Strathspey	Nairn	Skye and Lochalsh	Sutherland	Total
Yes	3	2	22	4	31
No	7	4	1	6	18
Maybe	9	10	16	11	46
Total	**19**	**16**	**39**	**21**	**95**

<u>Survey question: Do you think an oil buying club would work in your community?</u>

Positive responses focused on:

- **The success of existing clubs**. Clubs were seen to have delivered price savings and reduced the number of lorries on the road.
- **Good conditions for growth.** They also suggested an appetite for cost savings in their area and conditions for the growth of oil clubs, such as sufficient demand and strong community networks.

Those who were less certain about the viability of oil clubs focused on:

- **A lack of information.** Some didn't know how a club works or the views on them of others in the community.
- **The need for someone to organise a club under time pressure.** There was a feeling that people are 'time poor.'
- **Uncertain price savings.** Some believe they are already achieving the cheapest price possible with their current supplier.
- **Sufficient numbers.** The need to coordinate usage and a 'critical mass' of people to join.
- **The need to work with others in the community.** While some saw the opportunity to work more closely with their neighbours, others felt community cohesion was lacking.
- **Geographic limits to clubs.** Dispersed settlements could make pooling deliveries less viable.

Those who thought oil clubs would not work in their area focused on:

- **Lack of community cohesion.** There was evidence of some discord in the community.
- **Organisational requirements.** There was a lack of willingness among some to organise.
- **Geographic restrictions.** Some settlements were too remote to benefit.
- **Perceived lack of savings and payment method restrictions.** Some are tied to a supplier via a payment plan and therefore do not want to shop around.
- **The need to coordinate usage patterns.** Some felt it was hard to get usage patterns in sync.
- **Concerns over theft.** Some didn't want the time of their delivery to be known more widely in case it attracted thieves.

Responses to survey question: Do you think an oil buying club would work in your community?

Yes

- 'Because you could get one big delivery to the street instead of lots of deliveries at different times'
- 'No mains gas and lot of retired residents who are involved in the community'
- 'People are always keen to save money'
- 'Enough houses but would need good communication and organisation and time'

Maybe

- 'I think it could work if people heard how it had worked in a similar local community'
- 'Not sure how an oil buying club works'
- 'If a coordinator was willing to take on responsibility'
- 'My supplier are generally cheapest in this area, would they be willing to reduce costs further for an oil club?'
- 'Would need enough people to join club to make it work. Some households go through more oil than others so not sure how that would work.'
- 'Lots of people in this area are very insular and struggle to do anything communally.'

No

- ‘Neighbours don't speak to each other’
- ‘It would take someone to organise and run it. People are very busy’
- ‘Community too small, houses use different suppliers at different times’
- ‘Distrust of knowing when oil deliveries arrive due to theft of heating oil’

Factors suggested to make an oil club successful or more successful were:

- **Organisation.** The need for someone with the time, expertise and reliability to run an oil club.
- **Information/Communication.** Advertising the benefits of existing clubs and good communication as to how an oil club works.
- **Better cooperation** between groups in the community who do not always currently get on.
- **Flexibility** in timing and payment methods.
- **A track record of making savings**

Responses to survey question: What would need to change to make an oil buying club successful in your community?

- ‘A strong leader, someone who had time to run one.’
- ‘The one we have is already successful and has a good following … but doesn't advertise enough.’
- ‘All the neighbours would have to get on at the moment some are friendly and others are just plain nasty!’
- ‘Being able to use direct debits’
- ‘I don't think they would ever really be successful until significant savings would be available.’
- ‘I feel it is as successful as it can be for a voluntary run community project.’

6.10 Views on joining an oil club

There was not a majority in favour of joining an oil buying club, although only 21% completely ruled it out. Positive reasons around joining oil clubs included the potential to save money and benefits to the wider community. One oil user stated that they had tried to set up an oil club in the past, but had struggled to get enough people to join. Several people said they lacked the time to organise an oil club or wanted more information on how such a club would work. Those who didn’t want to join an oil club felt savings were not worth the effort, were either happy with their current situation, preferred to deal with deliveries themselves, or did not want to have to coordinate with others in the community. People in different settlement types (e.g. being part of a village or town, part of a group of 2-3 houses, or isolated) seemed equally likely or unlikely to want to join an oil club, although this is based on a small number of responses.

Figure 18: Responses to survey question: 'If you're not already a member, would you be interested in joining an oil buying club?'

	Badenoch and Strathspey	Nairn	Skye and Lochalsh	Sutherland	Total	Percentage
Yes	2	4	22	7	35	35%
Maybe	7	7	15	10	39	39%
No	10	5	-	6	21	21%
Not applicable/I'm already a member	-	-	-	4	4	4%
Total	**19**	**16**	**37**	**27**	**99**	

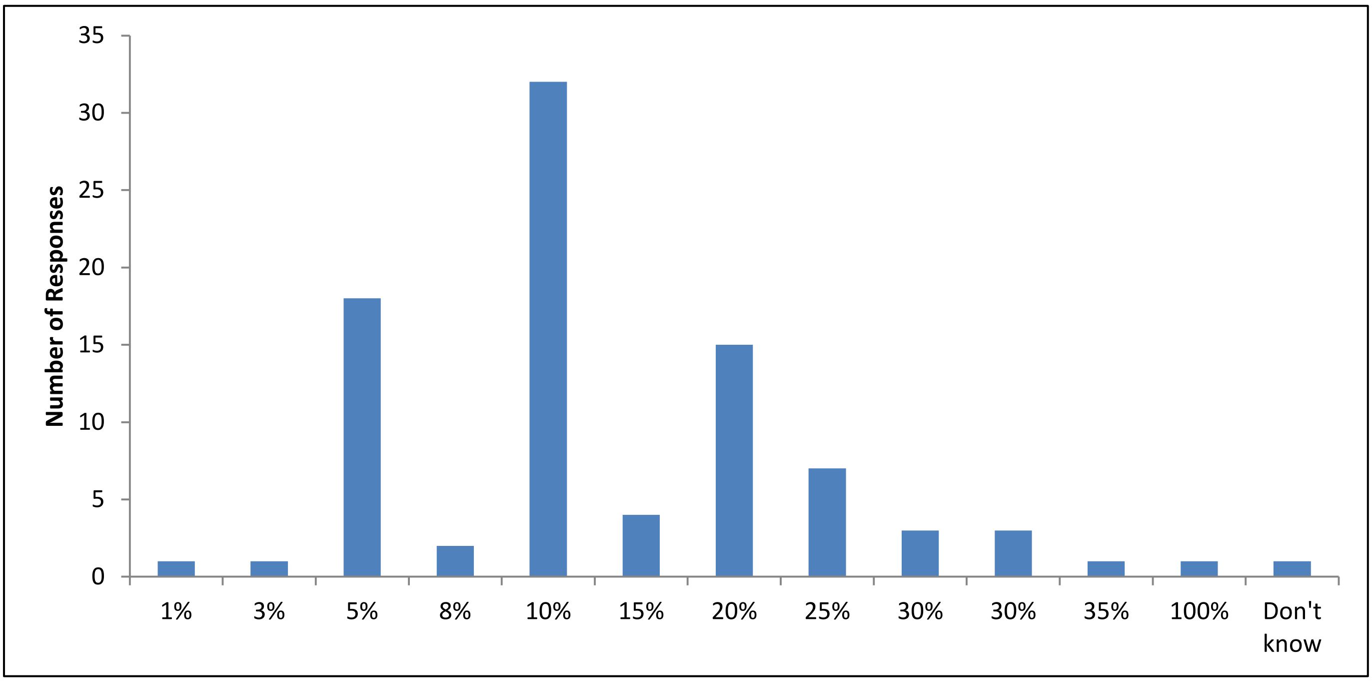
Responses to survey question: Why do you say that? [you would/wouldn't be interested in joining an oil buying club]

- 'If it is cheaper to purchase my oil and fit in with my lifestyle - why not'
- 'I was unable to convince enough people (in the time I had available for such a task) to join to make it cheaper than me buying alone.'
- 'I would want to know all the details and pros and cons.'
- 'Can't use current payment option.'
- 'No time and prefer to do my own thing.'
- 'Happy with supplier as they know my tank location and accessibility so don't have to be home.'
- 'Wouldn't want to wait for delivery. Prefer to use established supplier.'

6.11 Desired level of savings

By far the most common level of discount that would get people interested in collective oil buying was 10% off the price of their order, as shown in figure 19 (36% of respondents). A similar number (34%) wanted discounts of 15% or over, whereas 24% would find a figure of less than 10% to be worth it. One person commented that they wanted '5% or more, but flexibility of ordering is vital.' Another said that 'any would be good' and another similarly said 'any discount, even a few % would be better than none.'

Figure 19 Responses to survey question: 'What level of savings would be worth it?'



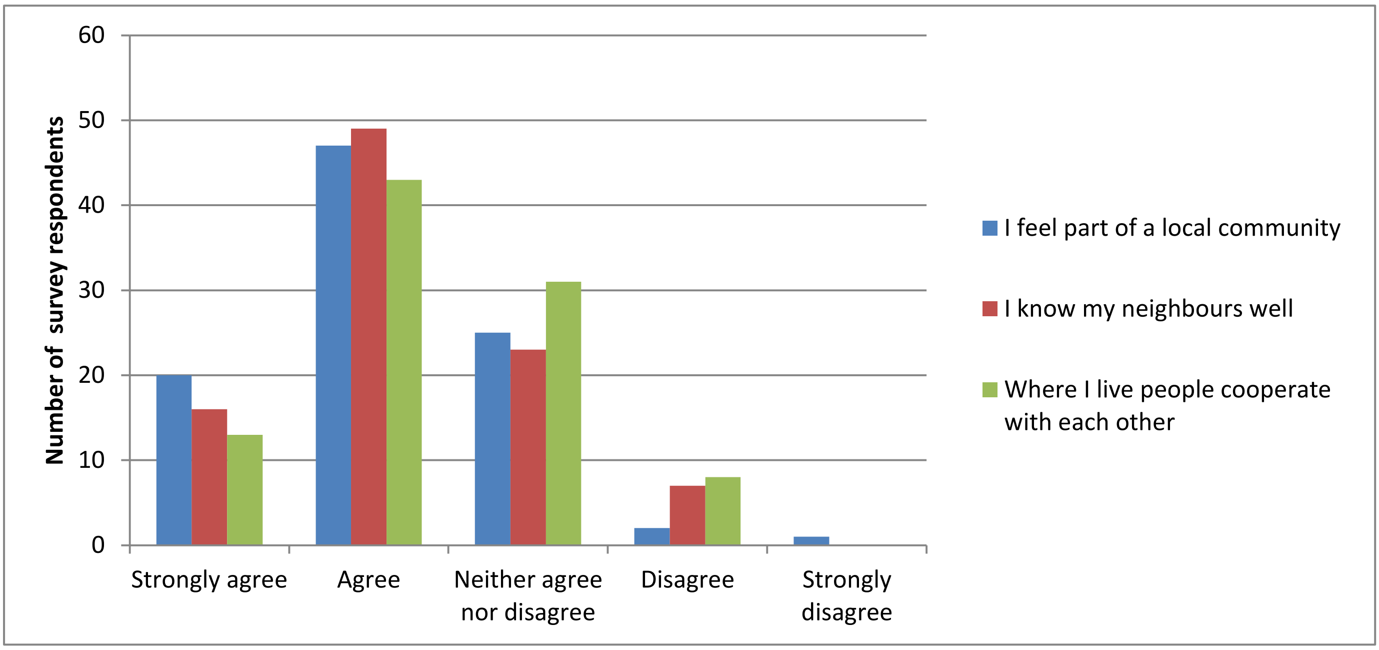
6.12 Community cohesion

The survey asked how strongly people agreed with the statements "I feel part of a local community,' 'I know my neighbours well' and 'where I live people cooperate with each other.' 67 out of 95 either agreed or strongly agreed with the statement 'I feel part of a local community.' Similarly 65 out of 95 respondents said either agreed or strongly agreed with the statement 'I know my neighbours well' and 56 with the statement 'where I live people cooperate with each other'. Although this would suggest communities that are cooperative and close, there are certainly areas where a lack of community cohesion is an issue and possible barrier to oil clubs. In other open ended parts of the survey comments included:

- 'All the neighbours would have to get on at the moment some are friendly and others are just plain nasty!'
- 'Neighbours don't speak to each other'
- '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 figure 20 shows, very few people disagreed or strongly disagreed with any of the questions, so these barriers are not necessarily insurmountable.

Figure 20: Responses to survey questions on community cohesion.



6.13 Running an oil club

Figure 21: Survey responses to statement: 'There are existing local groups that may be able to run an oil club.'

	Badenoch and Strathspey	Skye and Localsh	Sutherland	Total
Strongly agree	-	2	2	4
Agree	4	10	7	21
Neither agree nor disagree	12	25	19	56
Disagree	2	2	7	11
Strongly disagree	1	-	-	1
Total	**19**	**39**	**35**	**93**

People seemed largely uncertain as to whether there are existing local groups that may be able to run an oil club with 56 out of 93 neither agreeing nor disagreeing. This perhaps indicates a general lack of information or experience of setting up oil clubs in the Highlands, although only 13% of respondents disagreed or strongly disagreed that existing groups could run an oil club.

Nairn CAB were more specific in their survey, asking for examples of groups that could run an oil club, but only received the responses 'no' 'don't know' and 'not that I'm aware of.'

6.14 Oil clubs and additional benefits

Some respondents to the survey indicated other associated services that could be provided in conjunction with oil clubs. These included:

- Saving on electricity or broadband
- People becoming better informed
- Loyalty schemes
- Coal or wood buying clubs
- Boiler servicing

During cold weather after the research was completed, difficulties with LPG delivery were reported in the media, and there may be scope for collective buying of LPG as stated in the Rural Fuel Poverty Taskforce's findings, although that has not been the focus of this research.[36]

Bringing the community together was mentioned by many as an additional benefit. The feeling that 'any saving would be a bonus' was mentioned as a benefit by one person as was the ability to order at cheaper times such as the summer. A couple of responses focused on tackling fuel poverty and helping potentially more vulnerable elderly consumers. However several people didn't think there were any other benefits to oil clubs and one even said 'it would be trite to overstate any "social gain."'

Responses to survey question: Can you think of any ways, apart from cheaper fuel, that your community would (or does) benefit from a collective oil buying group?

- 'Better community feeling of helping those less fortunate than one's self.'
- 'Any community initiatives should make it easier to create stronger communities.'
- 'It would be trite to overstate any '"social gain"'
- 'More money in the pockets of the community to buy other important things like electric'
- 'Cash back - get cash/ points for every purchase, like a Co-op card.'
- 'Check older people have oil for heating.'
- 'Would help households which might be struggling to heat homes.'
- 'Servicing contract'
- 'It may lead to other saving initiatives (best tariff for electricity, broadband etc) and people become more informed about these issues but it will still rely on people doing the work to run the club.'

[36] https://www.thecourier.co.uk/fp/news/local/fife/608505/elderly-fife-couple-face-bitterly-cold-spell-with-no-fuel/?utm_source=dlvr.it&utm_medium=twitter

7. Existing oil clubs

The CABs made contact with existing oil clubs to document their experience. Some struggled to identify clubs in their area, so approached those which were further afield. While some clubs were run by a member of the community, others were supplier-run, and alternative models such as an oil ring (defined on p.7) or development trust-supported club were also identified.

Size. The smallest club identified served 20 households, while the largest catered for 300. The two supplier-run oil clubs had between 40 and 50 members. Although one club had 120 signed up members, only 15 of these ordered oil regularly. One organiser commented that having 100 members was probably peak capacity with enough members to get good savings for all, yet not an administratively unmanageable number.

Administration. 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. 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. While email, MailChimp, and Facebook are used by some clubs to take orders, one uses the phone to contact those without the internet. Where the internet is solely relied on for orders the digitally excluded will not be able to access the benefits of oil clubs. One issue with online buying clubs can be there is no local representative to answer questions or deal with issues quickly.

Coordination. Clubs reported that members sometimes stop them in the street to discuss orders. One of the coordinators mentioned that there have been some 'mix-ups' in the past when consumers think they have ordered oil yet haven't actually confirmed the order and so one of his pieces of advice was to ensure that there is a paper trail to ensure this doesn't happen in future.

Payment plans. One coordinator commented that people those on payment plans may not be able to join an oil club as they are tied to an existing supplier. He said: "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."

Safety and environmental benefits. One of the main drivers behind one of the community clubs was a desire to make roads safer. As in many communities across the country, children play in the street and the coordinator was concerned for the safety of his children when multiple oil lorries were travelling through the village, sometimes daily. As a keen cyclist he also had concerns for the road safety of others. As well as these safety reasons he also appreciated that it could help reduce vehicle emissions and save people money. Having fewer lorries on the road is particularly important in the area given the large amount of single track roads not built for use by large lorries. In terms of the environment, if 10 houses are ordering then the number of deliveries could be reduced from 10 to 1. Of course, oil suppliers do tend to group deliveries anyway but there is definitely an environmental argument to be made for oil clubs.

Usage Patterns. 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 at different times. One club initially waited for orders to reach 5,000 litres to achieve a sufficient discount, although now orders of 20,000 litres are common, or even up to 30,000 litres,

Confidentiality. Some consumers may not be comfortable revealing to a member of the community that they are struggling to afford oil and would therefore want to organise a smaller order or a payment plan. With one supplier club it is possible to set up a direct debit and they can also offer an interest free payment plan to spread the cost. It's less possible to have this level of confidentiality with community clubs as the coordinator needs details on who is ordering, delivery volumes and location.

Information. For a local club to be successful it is imperative that all this information is available to potential members. The founder of one oil club produced some informative documents available for anyone interested in joining.

Delivery times. One supplier mentioned that larger orders usually have longer lead times because they need to be coordinated both at the buyers end and at the distributors end. Indeed, one respondent who uses an online oil club ran out of oil completely after waiting for 3 weeks. This seems to be a rare occurrence but highlights the fact that with oil clubs better management of oil usage may be required and consumers may need a greater level of forward planning.

Alternative models

Oil Ring. An oil ring was identified which trades 7-8 million litres of fuel a year for both domestic and commercial use, although it does not consider itself an oil club.[37] There is however a membership fee, although it could be possible for the oil club to join as a single member. The oil ring benefits from dedicated staff with contacts in every supplier, aiming to ensure the greatest discount.

[37] http://www.hbsring.co.uk/index.asp

8. Advice provision

There are several guides on setting up oil clubs from across the UK, which include:

- **Citizens Advice, Action with Communities in Rural England, Federation of Petroleum Suppliers:** Best Practice for Oil Buying Groups.[38]
- **Oilsave**: Guidance for Communities on Local Oil Buying Groups.[39]
- **Belfast City Council**: Oil Buying Club.[40]
- **Northern Ireland Housing Executive:** Oil Buying Clubs[41]
- **Bryson Energy:** Guidance Note – Setting up an Oil Club.[42]
- **Community First:** Saving you money on your heating oil[43]
- **Department of Business, Innovation and Skills:** Guide for Community Buying Groups[44]

The advice provided in these leaflets includes:

- Keeping a club local and working with local partners.
- Considering time available to organise.
- Publicising an oil club.
- Establishing good communication/relations with members and suppliers. An initial set-up meeting can be beneficial.
- Setting up during the summer.
- Searching for existing clubs in the area before setting up a new one up.
- Considering members financial welfare. Late payments can hamper a club.
- Avoiding high administrative costs. Accessing office equipment to run a club.
- Ordering a mix of volumes and maintaining the right number of members.
- Helping vulnerable or isolated members to join.
- Assessing quality of service, reliability and flexibility as well as cost.
- Considering safety of deliveries.

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[38] https://www.citizensadvice.org.uk/Global/Migrated_Documents/corporate/pdf-cam-oc-buyingguide-2011.pdf
[39] https://www.oilsave.org.uk/wp-content/uploads/2017/07/guidance-for-small-buying-groups.pdf
[40] http://www.belfastcity.gov.uk/nmsruntime/saveasdialog.aspx?lID=9000&sID=3074
[41] https://www.nihe.gov.uk/oil_buying_club_leaflet_december_2013.pdf
[42] http://www.brysonenergy.org/downloads/publications/How_to_Set_Up_an_Oil_Club_2013.pdf
[43] https://www.wychavon.gov.uk/documents/10586/157693/Community%20First%20oil%20buying%20leaflet.pdf
http://www.comfirst.org.uk/community_bulk_buying_scheme1
[44] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/31881/12-593-guide-for-community-buying-groups.pdf

9. The future of heating oil

The future of heating oil centres on the same 'trilemma' as other energy sources needing to strike the right balance between security of supply, decarbonisation, and cost.

Decarbonisation

While renewables make up an increasing proportion of Scotland's electricity supply, more progress is required to meet the Scottish Government's 50% renewables target for heat, electricity, and transport by 2030 set out in its Energy Strategy.[45] Indeed renewable heat only met around 5% of non-electrical heat demand in 2016. [46] That being said, the researcher in Nairn noted less engagement with their research than anticipated due to a shift towards other fuel sources in the area such as solar power or biomass. Six percent of Scotland's housing relies on heating oil and, as a fossil fuel, a shift to lower carbon alternatives would be expected in line with the Scottish Government's target. Decarbonising the gas grid with hydrogen will evidently not be a solution for off-gas households relying on heating oil because this would use the existing gas network infrastructure to pipe the gas, so alternatives are required.

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.' 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 biomass.[47] 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 alternative.[48] 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 repairs.[49]

Security of supply and affordability

Security of oil supply is an issue on two levels – nationally and for individual households reliant on deliveries. The UK is now a net importer of oil and gas and although North Sea reserves could potentially produce a further 20 billion barrels of oil equivalent, they will not last indefinitely.[50] Recent severe weather has brought the UK's gas supply under scrutiny with the closure of the Rough storage facility, increased reliance on imports, price increases, and delays to LPG

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45 http://www.gov.scot/Resource/0052/00529523.pdf
46 http://www.gov.scot/Resource/0052/00529523.pdf, p. 19/20.
47 Scottish Government Energy Strategy, https://www.gov.scot/Resource/0052/00529523.pdf
48 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
49 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
50 http://www.gov.scot/Resource/0052/00529523.pdf, p.61

deliveries.[51] If severe winters are repeated, there is the potential for delayed oil deliveries and significant consumer detriment, as was seen in 2010. Although the price of oil has been lower in recent years, it appears to have been on an upward trajectory in the last 12 months and has historically been volatile, and it continues to be hard for consumers to predict when it is best to buy their heating oil.

Conclusion

While heating oil use may decline with the uptake of low-carbon alternatives and technological innovations, for many consumers who are far away from the gas grid, it remains the most viable fuel. Any future policy decisions effecting heating oil consumers should look to create a secure, affordable and low-carbon energy market.

[51] https://www.theguardian.com/business/2017/jun/20/uk-gas-storage-prices-rough-british-gas-centrica
http://www.bbc.co.uk/news/business-43619732

11. Conclusion

Overall, where appropriately located oil clubs can decrease bills, cut down on the number of deliveries, and improve community cohesion. Oil clubs are not expensive to run, although they require input from dedicated community members, who may at times require additional support, particularly during the early days of setting up a new oil club. While oil clubs are not the only way to decrease costs with monthly payment plans, individual shopping, or even technology to monitor the level of oil in a consumer's tank providing other ways to spread out, decrease or monitor costs, they can be an effective way to do so. It is crystal-ball gazing to try to predict what oil prices will do in the long term, which we know can change between suppliers, locations, and time. However, as long as consumers in rural areas rely on heating oil, oil clubs can help play a part in helping them navigate price peaks and troughs of a volatile market. It is hoped this research and follow-up advocacy will raise awareness about possibilities for further oil clubs to be established and existing clubs to be better supported.

11.1 Barriers and benefits

The research into existing oil clubs, the price data, and the survey data did, however, identify a number of benefits:

Increasing the buying power of householders. Savings of 10% were the most commonly mentioned amount to make joining an oil club 'worth it.' This is achievable in some areas particularly for those currently paying the highest amount for 500 litres.

- **Bringing the community together.** Many respondents to the survey felt a club could bring people in the community closer together and even help integrate newcomers to the area.
- **Environmental.** A smaller number of delivery runs can reduce emissions from lorries
- **Safety.** Fewer lorries on often small roads increasing safety for children playing and cyclists.
- **Possible additional benefits**: Saving on electricity or broadband; people becoming better informed; loyalty schemes; coal or wood buying clubs; and boiler servicing.

Some limitations to oil clubs include:

- **Geographic.** More sparsely populated areas will find it hard to achieve discounts.
- **Administration.** A trusted co-ordinator is required and some volunteers find time commitments challenging. Data protection requirements must be met.
- **Coordination.** Different members have different requirements.
- **Set-Up.** A critical mass of people is required to get the project off the ground and people need to sync their usage patterns.
- **Waiting times.** Oil clubs are less suitable for last minute orders and larger orders may have longer waiting times. During periods of peak demand a supplier may prioritise regular, individual orders.

- **Payment Plan.** Some people are tied to an existing supplier through a payment plan which helps them spread out costs. However, oil clubs tend to require upfront payments, rather than allowing consumers to space out payments. Furthermore, late payments can discredit the whole group.
- **Technological.** Oil clubs often require mobile or internet connectivity, which can be lacking in remote areas or not used by the elderly.
- **Community Cohesion.** People in communities do not always get on and may not be willing to cooperate.
- **Information.** Some consumers do not have sufficient information to decide whether to join an oil club and those lacking information may be wary of scams.
- **Loyalty to existing suppliers.** Oil users may be loyal to an existing supplier who knows their requirements (e.g. where there tank is).
- **Discounts.** The level of saving available is not always enough to encourage switching supplier. A lack of competition can decrease savings available.
- **Theft.** Some oil users are wary about giving their details in case it increases the risk of theft.

11.2 Characteristics of the ideal oil club

The ideal oil club would have the following characteristics:

- A strong leader who has time and resources, as well as good communication skills in order to negotiate the best price.
- Effective advertising and reliable channels of communication with members.
- A cooperative and responsive base of users.
- A proven track record of achieving savings.
- Flexibility in timing and payment methods.
- The right number of people using the club. Too many and it becomes administratively burdensome – too few and collective bargaining power is lost.
- A fairly localised membership. If houses are too dispersed cost savings will be undermined.
- A good relationship with involvement of local partners e.g. community councils.
- The ability to buy when prices are cheapest in the summer.
- Accommodating vulnerable heating oil consumers.

13. Appendix

Survey to oil users

A: Questions about heating oil use

A1: Do you use oil for heating your home?

YES ☐ Please continue with the questionnaire. The questions should be completed by whoever is responsible for buying heating oil for your home.

NO ☐ Thank you. You do not need to complete this questionnaire.

A2: What is the capacity of your oil tank (in litres)? ______

Don't know ☐

A3: How often do you buy heating oil? (Please select one answer)

As needed ☐

Once a year ☐ Usual month ________

Twice a year ☐ Usual months __________________

More often ☐ How often? ____________________

A4: When you order heating oil, what volume do you usually order, in litres? ______

A5: When you order heating oil, how much do you usually spend, in pounds? ______

A6: Do you shop around and compare prices before buying?

YES ☐ Please go to A7

NO ☐

SOMETIMES ☐

A6a: Why do you not always shop around? (Please select all that apply)

No choice of supplier ☐

Prefer to use a trusted supplier ☐

Lack of time ☐

Savings not worth the effort ☐

Don't know how to ☐

Other – please specify ___________________________

A7: Do you think heating oil is:

Good value for money ☐

Reasonable value for money ☐

Poor value for money ☐

B: Questions about oil clubs

B1: Have you heard of heating oil buying clubs?

YES ☐

NO ☐ You do not need to answer any more questions in section B. Please go to section C.

B2: Are you a member of an oil club

YES ☐ Please give details ____

NO ☐ Please go to B4

B3: Has your experience of being part of an oil club been positive or negative?

Positive ☐

Negative ☐

B3a: Why do you say that?

____

____

____

B4: Do you know of any oil clubs?

YES ☐ Please give details ____

NO ☐

C: Questions about your community

C1: Is your home:

Isolated or group of 2-3 ☐

Part of a small group or small village ☐

In a larger village or town ☐

In an urban area ☐

C2: How much would you agree with the following statements about your local community:

I feel part of a local community

- Strongly agree ☐
- Agree ☐
- Neither agree nor disagree ☐
- Disagree ☐
- Strongly disagree ☐

I know my neighbours well

- Strongly agree ☐
- Agree ☐
- Neither agree nor disagree ☐
- Disagree ☐
- Strongly disagree ☐

Where I live people cooperate with each other

- Strongly agree ☐
- Agree ☐
- Neither agree nor disagree ☐
- Disagree ☐
- Strongly disagree ☐

There are existing local groups that may be able to run an oil club

- Strongly agree ☐
- Agree ☐
- Neither agree nor disagree ☐
- Disagree ☐
- Strongly disagree ☐

If you are a member of an oil club please skip to C5.

C3: Do you think an oil buying club could work in your community?

YES ☐

NO ☐

MAYBE ☐

C3a: Why do you say that?

____

____

____

C4: **Please only complete if you answered No or Maybe at C3.** What would need to change to make an oil buying club successful in your community?

____

____

____

____

C5: Can you think of any ways, apart from cheaper fuel, that your community would (or does) benefit from a collective oil buying group?

____

____

____

____

Please only complete section D if you are not a member of an oil club.

D: Questions about joining an oil club.

D1: Would you be interested in joining an oil buying club?

YES

NO

MAYBE

D1a: Why do you say that?

____

____

____

D2: What level of discount would make collective buying of oil worth it? Please answer in terms of percentage discount.

______ %