UKIFDA
The Fuel Distribution Association

Bill Esterson MP
Chair, Energy Security and Net Zero Select Committee
By email to: bill.esterson.mp@parliament.uk

23rd March 2026

Dear Bill

I am aware through the clerk to the committee that I have been invited to a committee meeting later this week. Under normal circumstances I would have been delighted to attend and explain what is currently happening in the heating oil market. It is very important to myself and my members that we work with as many MPs as possible in this difficult time.

However, given the current depth of the crisis I am unfortunately unable to attend.

I felt it was very important for me to explain directly to committee members the reasons why, and also to give a bit of background to the current situation, offer you an insight into the work we are doing, and cover some of the questions we have received.

I would be more than happy to meet in the future to discuss or, in the meantime, if there are pressing issues that individual members need help with, I would be more than happy to try and assist.

Many of UKIFDA's members are small family run businesses based in and focused on their local communities. I received a clear message from them from the onset of this crisis that their customers would be deeply distressed, which is why UKIFDA proactively contacted the Energy Minister's office to outline the concerns our industry had regarding the impact on our customers, companies and employees and offered to help find solutions.

In parallel, UKIFDA immediately sent out consumer advice notes so that the industry's customers were fully briefed on why prices had changed. In addition, we contacted over 160 rural MPs to ensure that they and their constituency teams were fully briefed. We also engaged in a round of regional media briefings.

Throughout the last three weeks we have engaged with Minister Shanks and Minister McCluskey cooperatively alongside various government departments including the Department for Energy Security and Net Zero.

The government has acted quickly to provide funding support to the most impacted customers which we have welcomed.

It is now very important that this funding is directed to the most vulnerable people as quickly as possible. UKIFDA is currently deployed in active discussions with various government departments and devolved administrations on schemes to allow this to happen. I view this as our top priority.

Many of my members have been dismayed by commentary regarding price gouging and profiteering when faced with the twin challenges of unprecedented demand and sudden price spikes which have left many honouring loss-making orders, while having to deploy extra resources to get fuel to customers.

We are actively engaged with the CMA review which we are supporting and have pledged to cooperate with. I'm sure you will understand that it would be entirely wrong of me to comment on individual cases while this review is ongoing.

The CMA are, as you would expect, working at pace to gather the evidence and UKIFDA and members are working hard to provide information in a timely manner against some accelerated timelines. This is a significant resource burden at an already busy time.

The reality is that the current significant and sudden increases in heating oil prices are as a direct result of the European jet fuel price having more than doubled since the start of the conflict. This is completely beyond the control of the local fuel distribution industry.

What has happened

The main price driver of heating oil in the UK and Ireland is the wholesale price of jet fuel which is traded on the European market. This is because jet fuel and heating oil are kerosene based.

For context, the average price for Jet Kero from 1st January to 24th February 2026 was 44.20 pence per litre (ppl). However, for most of the last week it has been trading at over 100ppl and at the time of this letter is at 108ppl.

Prices are for a North-West Europe CARGO, basis Amsterdam, Rotterdam converted into Sterling ppl. Prices exclude UK VAT and exclude importer landing costs, tank storage / terminal costs / port fees / UK onward road delivery costs or profit margins.

The price increase in jet fuel can be partly explained by Europe's and the UK's dependency on imports of this fuel from countries in the Middle East. In 2025, at least 40% of Europe's jet fuel came from the Middle East via the Strait of Hormuz which is currently blocked.

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

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

The structure of the heating oil market

Heating oil is supplied very differently from gas and electricity, and these differences help explain why prices can move quickly either up or down. Instead of a few national suppliers, the market is made up of many local, often family-owned distributors operating with limited storage and buying fuel at the daily market price. They have no ability to hedge.

A consumer typically has the choice of purchasing from a number of distributors within a 25-mile radius of their home. Consumers also have on-line purchase options and many have local buying groups who shop around on their behalf and use the group's buying power to obtain the best prices

This market structure creates strong competition and, in normal times, helps keep prices lower. Since 2022 heating oil prices have returned far more quickly than many other commodities to average levels.

There are no long-term contracts, so oil-heated households can shop around. The variable nature of this means that, unlike a gas or electricity supplier, a heating oil distributor cannot predict with certainty how much heating oil will be required at any given time. When demand rises suddenly or wholesale prices shift, delivery times and pricing can be affected.

Most distributors have little or no storage. Many hold none and those that do rarely have more than two days' supply. Therefore, they collect fuel from refineries or terminals at the market price almost daily. In effect, they are price takers.

Changes to price quoting

Under normal circumstances distributors will, based on experience, have a reasonable expectation of what they will pay when they pick up their fuel, and therefore a degree of confidence in what to tell the customer when they place an order.

However currently the market is exceptionally volatile with price spikes throughout each day, sometimes as much as 10 pence per litre. This is making it impossible to predict what the prices are going to be when they pick up the fuel.

Under these circumstances and in accordance with the UKIFDA code of practice, when customers ring up, distributors are telling them about the price volatility, indicating to them what the current price is but explaining that the price they will pay will be communicated to them nearer to the time of delivery, at which point they have the option to go ahead with the delivery or not, reduce the volume they need and discuss other options that may be available.

Minimum order levels

Fuel distributors must comply with "The Measuring Instruments (Liquid Fuel delivered from Road Tankers) Regulations 2006". Which dictates a requirement to measure

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accurately the volume of fuel delivered to customers. Given the current technology, the industry's view is that in order to satisfy the legislation its guidance to members is set the minimum order at 500 litres.

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

Future Regulations

There is currently a debate concerning how we can mitigate for these levels of price spikes in the future. These include price caps, strategic fuel storage to be held in the UK, VAT reductions and reducing the fossil fuel content to include renewable liquid fuels which do not come from the same areas of the world. This later example has been more than adequately evidence by the use of HVO in our trial in 150 homes across the UK including the village of Kehelland in Cornwall, which the committee in the last parliament visited. This solution has been the subject of a DESNZ consultation which has recently closed Exploring the role of alternative clean heating solutions - GOV.UK .

I am more than happy to outline these solutions and their pros and cons in a separate paper if that would be helpful.

I once again sincerely apologise for turning down this invitation. This has been a very worrying time for everyone especially our customers.

I believe UKIFDA's most important task right now is to help where we can to get the government funding to as many people as possible as quickly as possible alongside engaging with customers, local MPs and responding to the CMA review in an accelerated timescale.

Yours Sincerely,

Ken Cronin
Chief Executive Officer
UK and Ireland Fuel Distributors Association (UKIFDA)