

Oil Heating News

Industry viewpoint

With the price of oil, including home heating oil, remaining high for a longer period than anticipated, some consumers are asking whether this is likely to be a permanent state of affairs, rather than just a 'blip' due to present circumstances, and if they should be looking at alternative fuel sources.

Why is the price so high?

One of the reasons is economic expansion in the Far East, notably China and India, which has given a dramatic boost to world oil demand. Traders expect the demand from China to keep on growing for the next two or three years, which is encouraging speculation.

Since the price of a barrel of oil hit the \$50+, the level at which economic growth is threatened, the OPEC producers' cartel has increased its production in an effort to keep prices under control. However, the increase has been insufficient to ease the strain on the world's supply system, with the result that it is more vulnerable to supply disruptions and price spikes. This, in turn, has attracted further buying interest from speculators.

The unsettled situation in the Middle East, with continual attacks on Iraq's oil pipeline systems, has also increased concern about the supply system's security, and the financial troubles faced by Russian oil producer Yukos and political unrest in Venezuela have brought worries about reliability of supplies from these sources as well.

So should consumers stick with oil heating or change to an alternative fuel source?

LPG is usually cited as the most suitable alternative for home heating for those not on mains gas supply. But the price of LPG heating has been consistently much higher than oil heating for over five years and the difference between the two is unlikely to narrow. The price of gas is linked to the oil price, so that factors affecting oil supply are bound to affect other fuels, even electricity: they all rise and fall in tandem. With a new study from the University of Aberdeen predicting that gas supply could be tight in the UK over the next two winters, the future costs of heating in the UK seem set to remain higher whatever the fuel source.

Despite the increase in the price of all widely available heating fuels, oil remains the most cost-effective for those without access to the mains gas network. Development work on boilers has brought some of the most efficient boilers of any fuel type onto the market. And, unlike LPG, oil customers are free to switch supplier as and when they wish, without attracting any costs such as tank change charges. Oil is safe too, and whilst precautions have to be taken to ensure that tanks and pipes do not leak, the same applies to LPG, where any leaks can have a far more devastating effect on lives and property. So, the price may be rising, but oil still offers a safe, efficient, convenient and affordable source of heating for both commercial and domestic users. And a litre of heating oil still costs less than a litre of mineral water!

Source: Sheila Hancock of the Federation Of Petroleum Suppliers