

30 March 2010

First & Deputy First Minister  
OFMDFM  
Stormont Castle  
Stormont Estate  
Belfast  
BT4 3TT

Dear First & Deputy First Minister

### Call for Regulatory Framework for Oil, Solid Fuel and LPG

At a meeting of Strabane District Council held on 23<sup>rd</sup> March 2010 it was agreed that I write to you to address the problems facing people in this district, with respect to fuel poverty in general and high energy costs in particular.

#### Ending Fuel Poverty:

A strategy for Northern Ireland has three main themes:

1. Low incomes
2. Poor energy efficiency
3. High energy costs

The Council feels that some progress has been made in relation to energy efficiency, but they are dismayed at the lack of progress in respect to high energy costs.

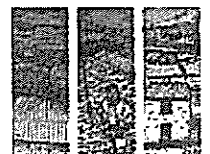
In Northern Ireland, 72% of homes use home heating oil which rises to 89% in rural areas. Within Strabane in particular and the West in general, choice of fuel is extremely limited.

In domestic energy efficiency schemes such as Warm Homes, oil heating is the preferred option for several reasons.

1. Availability of high efficiency boilers.
2. Consequently oil is a more cost effective means of home heating, than solid fuel or LPG.
3. There is no natural gas in the West and rural areas.

As a result, homes are more exposed to the vagaries of the rise in price of Home Heating Oil.

The Council is disappointed to note that while electricity and gas are regulated, oil, coal and LPG are not. It is even more ironic that the largest source of home energy is not scrutinised and gas, which is not available in the West, is scrutinised.



**Strabane**  
District Council  
Comhairle Ceantair  
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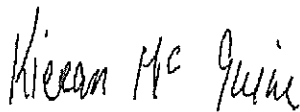
The effect of this situation is very marked, particularly on the deprived and disadvantaged. Pro rata, the smaller the quantity of oil purchased, the greater the cost to the consumer. The price of oil *always* rises at the time of greatest need, in spite of the huge refining capacity and availability. Recently, the annual seasonal increase in oil price has been solely due to speculation and not supply. People, who diligently save for the commodity's annual high, still find that they are caught out by the severity of the price rise, which appears to be exorbitant.

The Consumer Council is concerned that the most vulnerable customers, who cannot afford to purchase 300-500 litres of home heating oil in one transaction, are left with no option but to use 20 litre drums and can end up paying an additional 57 pence/litre.

The Council are writing to request that your office initiate the necessary procedures to set up a strong regulatory framework for oil, solid fuel and LPG.

It was also agreed that the Council seeks the support of all other Councils in Northern Ireland on this matter. A copy of this letter has therefore been forwarded to the Chairperson of each of the other 25 Councils.

Yours sincerely



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**Kieran Mc Guire**  
**Chairman of Council**

cc. Chairperson of Councils in Northern Ireland.



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Deputy First Minister**  
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Our Ref: COR/317/10

Cllr Kieran McGuire  
Chairman of Council  
Strabane District Council  
47 Derry Road  
STRABANE  
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BT82 8DY

14 May 2010

Dear Cllr McGuire

Your letter of 30 March 2010 refers.

Fuel poverty is a complex area and no single Department has all the tools to tackle this issue. Responsibility for tackling fuel poverty cuts right across Government departments so a partnership approach is vital. Fuel poverty is affected by three factors: income, fuel prices and energy efficiency. Government can have some influence over improving household incomes; however, Government influence on fuel prices is limited as fuel prices are determined largely by world markets. The energy efficiency of houses is the contributor to fuel poverty where Government has greatest potential for making an impact.

Tackling fuel poverty has been a key priority and in recent years over £118 million has been invested in tackling fuel poverty through the Warm Homes Scheme. In addition to the Warm Homes Scheme, the Department for Social Development undertakes a number of other initiatives such as the Heating Replacement Schemes run by the Housing Executive and payment of Winter Fuel Payment, payment of Cold Weather Payments and an Annual Benefit Uptake campaign. In response to the rise in fuel prices, the Department for Social Development made a one-off Household Fuel Payment of £150 to almost 167,000 vulnerable households.

The Department of Enterprise Trade and Investment has the lead responsibility for energy policy and is committed to ensuring a diverse and competitive energy market and is working with the Northern Ireland Authority for Utility Regulation to ensure electricity and gas costs are as low as possible. It welcomes the price reductions announced last year by Phoenix Natural Gas and *firmus energy*. A joint study recently completed by the Department and the Utility Regulator to extend natural gas into the west and north-west is currently being considered. While the Department will consider any proposals to extend the natural gas network here, this will be dependant on the economic viability of any proposal.

The LPG, oil and solid fuel markets are unregulated locally, as is the case in GB and the Republic of Ireland. However, a number of local distributors compete in each of these



markets for customers. The wholesale price for fuel products is subject to global demand and instabilities in price which are set by international markets and impact on the cost to consumers. This is particularly true for fuels refined from oil which are dependant on the price of crude. This has increased significantly in the past few months as demand for crude oil has risen as economies move out of recession. It should also be noted that the handling costs of LPG are greater than natural gas as bulk product is shipped here and distributed to customers by road tanker.

The UK LPG market continues to be independently scrutinised. The Competition Commission completed an investigation in 2006 on UK LPG suppliers and as a consequence, implemented two Market Investigation Orders in May 2009. It is hoped this will encourage competition and ultimately reduce LPG prices, particularly in relation to bulk tank gas prices.

The NI Consumer Council closely monitors the price of LPG here and meets regularly with the industry to ensure that the prices they charge consumers reflects wholesale costs. They await the outcome of an investigation in GB by Consumer Focus into LPG and other heating fuels to see if recommendations can be applied locally.

The Department of Enterprise, Trade and Investment agrees with our Utility Regulator's assessment that regulation of the local oil industry would not protect local consumers from volatile movements in international oil prices. It remains unclear if significant benefit could be achieved by regulation, which would impose sizable regulatory costs on a competitive oil supply and distribution sector. This, in turn, would impact on the cost of fuel to business and domestic users, and would also apply to the regulation of LPG and coal.

The Department of Enterprise, Trade and Investment is committed to work with the Northern Ireland Consumer Council and the Utility Regulator to promote energy efficiency, and with the Department for Social Development to reduce fuel poverty. As part of this process, DETI has put in place voluntary agreements with the Northern Ireland Oil Federation and Federation of Petroleum Suppliers, who together represent most of the local large heating oil distributors, to encourage consumers to use energy more efficiently thereby reducing their fuel bills.

You also refer to the high price consumers are charged by outlets selling 20 litre home heating oil containers. They are designed for emergency use by customers who have run out of supply. The Oil Industry strongly recommends that they are not used as a primary source of supply but that customers should initially speak with their local distributor for advice on the best way to budget for heating costs. There are many schemes available through Councils and the Voluntary Sector to help with this.

The Department for Social Development is producing a new fuel poverty strategy which will be issued for public consultation in June 2010. The document will set out a range of proposals for a new Fuel Poverty Strategy for the local economy and will seek comments on proposed changes to the 2004 strategy.

Yours sincerely



**RT HON PETER D ROBINSON MLA**  
First Minister



**MARTIN MCGUINNESS MLA**  
deputy First Minister



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Office of the

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Deputy First Minister**

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Our Ref: COR/409/10

2 June 2010

Dear Cllr Matthews

Your letter of 24 May refers.

We note the support you give to the letter forwarded by Strabane District Council.

The enclosed letter was sent in reply to the correspondence from Strabane District Council which sets out the current position against the issues raised. We hope you find it helpful.

Yours sincerely

**RT HON PETER D ROBINSON MLA**  
First Minister

**MARTIN McGUINNESS MP MLA**  
deputy First Minister

