



Diminishing North Sea oil supplies mean we are subject to the global oil market

# COUNTING THE COST

IT'S NO GOOD BLAMING THE ENERGY COMPANIES FOR THE RECENT PRICE HIKES. THERE ARE MANY FACTORS BEHIND THEM, AND SOME MORE FAR-REACHING THAN YOU MIGHT HAVE IMAGINED. BY CAROLINE SUTTON

**N**early all households in the UK will be hit by higher fuel bills in the coming months. We have been warned. Five of the country's "big six" power providers have shocked customers with announcements of impending cost increases, anything from 7.9 per cent to 17.2 per cent.

For industry experts, the price hikes are far from a surprise. What could not have been predicted with any accuracy, however, was that a series of inflationary factors would all take effect at the same time. Andrew Horstead of energy consultancy Utilyx says: "The UK gas and electricity price rises are not just down to fluctuations in the oil market. They're also to do with soaring fuel prices overall, coal depletion, carbon-emissions policies, ageing infrastructures, nuclear decommissioning, concerns about future energy supplies, and the weather."

"The real message is that prices were always going to go up and there's no prospect of them falling in the near future." We have now reached the point where the average domestic power bill has doubled in three

years. How has this happened?

In simple terms, Britain has relied on North Sea gas for 30 years, but those supplies are diminishing. As a result, we now import a significant proportion of our gas, mainly from Europe.

Currently, gas is used to generate around 36 per cent of Britain's electricity, so higher gas prices push up electricity prices, too. In addition, our nuclear power stations are becoming old; as a result, they are operating with reduced capacity.

Coal accounts for 37 per cent of power production, but coal prices have doubled since last year. This year, the coal industry has to ensure that it cleans up its carbon-emissions act, and around a third of coal stations will have to shut by 2015.

So, the UK's own energy resources are shrinking – some temporarily – others permanently. And there's increasing pressure on utility companies to meet new eco-friendly regulations.

The Government has introduced Carbon Emission Reduction Targets (CERT), aimed at improving energy efficiency in homes across the country. The industry watchdog Ofgem estimates the annual cost to the customer to be £38 per head.

The Renewables Obligation is another Government policy,

in which electricity suppliers are required to source an increasing amount of energy from renewable sources, such as wind and tidal power. Ofgem predicts that this could add a further £10 to the customer's annual bill.

As far as gas is concerned, there are yet more factors influencing price. Firstly, the cost of transporting it has increased by 50 per cent – this

**GAS IS USED TO GENERATE A THIRD OF THE UK'S ELECTRICITY, SO HIGHER GAS PRICES PUSH UP ELECTRICITY PRICES, TOO**

is a direct result of infrastructure needing to be upgraded.

Secondly, global trends make it a more expensive commodity. Gas prices are index-linked to oil and, this year, oil prices have rocketed.

Not only that, we are affected by increasing demands from growing economies such as India and China, and supply problems in regions such as Russia and Nigeria. We can't keep out of

these global markets because our own supplies no longer keep up with our needs.

The result of all this is that the wholesale price of gas has increased by 60 per cent.

With this in mind, it's hardly surprising that utility companies are saying that the price hikes imposed on customers are nothing compared with the increases they're absorbing.

Npower's Zoe Melarkey says: "The public feels that the power companies are big, bad money-makers, but it's simply not true. Our industry is the only one that is legally required to encourage consumers to use less of its product."

"But everyone needs to realise that the days of cheap energy are over. We can't expect future prices to come down substantially, and things are not going to get much better in the short term either."

There's no need to panic just yet, though. We have the lowest gas prices in Europe; many of the Government's green policies are aimed at protecting the supplies we do have left; and the power companies are spending billions on new technology and energy.

Having said that, it really is time to switch off the lights, turn down the thermostat and get the loft lagged. Not just for the good of the environment, but for the good of your wallet, too.

## TEN WAYS TO MAKE YOUR HOME MORE

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### 1 ENERGY-SAVING LIGHTBULBS

In most homes, lighting accounts for 10–15 per cent of the electricity bill. Buying an energy-efficient lightbulb can cut energy wastage from a light by more than 75 per cent. These bulbs do cost more than ordinary ones, but they last up to 10 times longer, and can save you tens of pounds on electricity in its lifetime. They come in all shapes, sizes and styles, including halogen and "soft tone" bulbs.

### 2 LOFT INSULATION

Insulating your loft could save you about £110 per year on energy bills. It's simple to do, relatively inexpensive and, without it, up to 15 per cent of your heating costs could be lost skyward. Make sure you install the recommended 270mm depth for the maximum savings. You can choose between mineral wool, fibreglass and recycled paper products – all

work well. Make sure you wear a facemask, goggles and protective clothing if you're going to install it yourself.

### 3 CAVITY WALL INSULATION

Walls leak more heat than any other part of the house, accounting for around a third of the total heat lost. You could save around £90 a year by insulating your wall cavities. Most houses built after the 1920s have external walls comprised of two layers. Cavity wall insulation works by filling this gap and keeping the hot air inside. It also creates a more even temperature in the home so that you don't freeze in winter and boil in summer. Cavity wall insulation is not a DIY job, but it's relatively simple for a trained technician and usually costs about £500 – a figure you could expect to recoup in savings on your energy bills in around five years. If your house has solid



Energy-saving lightbulbs can cut power wastage



Switch appliances off rather than using standby

walls, you might want to think about internal or external wall insulation – it could save you around £300 a year. Grants of up to £600 are available for fitting cavity wall or loft insulation – for more information, contact the Energy Saving Trust ([www.energysavingtrust.org.uk](http://www.energysavingtrust.org.uk)).

### 4 DRAUGHT EXCLUSION

Good-quality draught proofing can cut your fuel bill by about 10 per cent and the good news is: it is one of the most inexpensive energy-saving measures you can take. Many products are available that will plug the gaps and help keep the warm air inside and the cold air outside. Think about using a brush or rubber seal at the base of exterior doors and fill gaps in floorboards and skirting boards with newspaper, beading or

boilers must be high-efficiency condensing ones. The initial outlay may seem a lot, but an efficient boiler will bring big savings over time, cutting up to a third of your yearly heating bill. If you upgrade to modern controls, you could save even more. You should also think about insulating your hot water tank. A good-quality jacket, at least three inches thick, could save you around £20 per year. Also try reducing your thermostat by just 1°C – this can reduce your heating bills by 10 per cent.

### 7 ENERGY-EFFICIENT APPLIANCES

Energy-efficient appliances use less power and are cheaper to run. Look out for appliances that have a high energy-

efficiency rating and those endorsed by the Energy Saving Trust. An energy-efficient washing machine uses a third less electricity and saves on water use, too. The tumble-dryer is one of the worst energy offenders so you might also want to think about ditching it altogether or using it only in emergencies. Hanging your washing on the line could save you up to £60 per year.

### 8 DOUBLE GLAZING

Double glazing is great for keeping out noise pollution, but it is also a winner when it comes to cutting down on heat loss. Poorly insulated windows can account for up to a fifth of heat lost from the home and double glazing can cut this figure by half; this could



Wash your clothes at a lower temperature

### 5 WASHING CLOTHES AT 30°C

A 40°C wash uses a third less power than a 60°C wash. With modern detergents, you will probably find that your clothes come out just as clean at lower temperatures as they did at higher ones so, unless you are doing a particularly grimy wash, opt for 40°C or even 30°C. If you're in the market for a new washing machine, choose one with sensors that can detect the size of the load – this will save water and electricity at the same time.

### 6 HIGH-EFFICIENCY BOILERS

If your boiler is more than 15 years old, it's probably time to replace it. By law, all new gas

\*Prices available to new customers for the first year (direct debit only). Prices apply to mainland UK, excludes households within M25 where prices vary. Price correct at time of going to print. Prices subject to change. †Subject to terms and conditions available on request. \*\* BT customers charged max of 4p/min per call. A call set-up fee of 3p/call applies to calls from residential lines (or 1p/minute during evenings and weekends). Call costs from other providers will vary. Calls may be monitored and/or recorded for quality assurance. All references to British Gas apply equally to Scottish Gas.