



## Gas prices up again

Posted by [Chris Vernon](#) on July 27, 2006 - 4:21pm in [The Oil Drum: Europe](#)

Topic: [Supply/Production](#)

Tags: [gas](#), [north sea](#), [united kingdom](#) [[list all tags](#)]

This week we have received two announcements of retail gas price increases. The first was from EDF who own London Energy, Seaboard and SWEB and the second came from British Gas (also Scottish Gas).

EDF are to increase their gas prices by [19%](#) and British Gas theirs by [12.4%](#). These price rises need to be taken together with the quarter one increases from these companies of [14.7%](#) and [22%](#) respectively - together this means both companies (coincidentally?) have increased the retail price of gas by 37% this year.

According to media reports the average household gas bill has approximately doubled from £350 a year in 2003 to £700 in 2006.

In other news, in a bid not to be out done by [New York](#), London today saw power cuts to thousands of people in the posh West End district of the city. ([BBC Link](#)).

---

I have been [critical in the past](#) of the BBC coverage of these price hikes since they always failed to mention the root cause, UK North Sea peak, depletion and our subsequent reliance on imports but the coverage is improving... a little bit:

### [Q&A: What's behind gas price pressure?](#)

#### **Gas prices up nearly 13% - that's massive, what's the reason?**

The problem for all energy suppliers is that the price they have to pay for gas and electricity, the wholesale price, has kept on going up.

EDF energy says that wholesale prices are now 80% higher than a year ago and have more than tripled since 2003.

#### **What's been going on?**

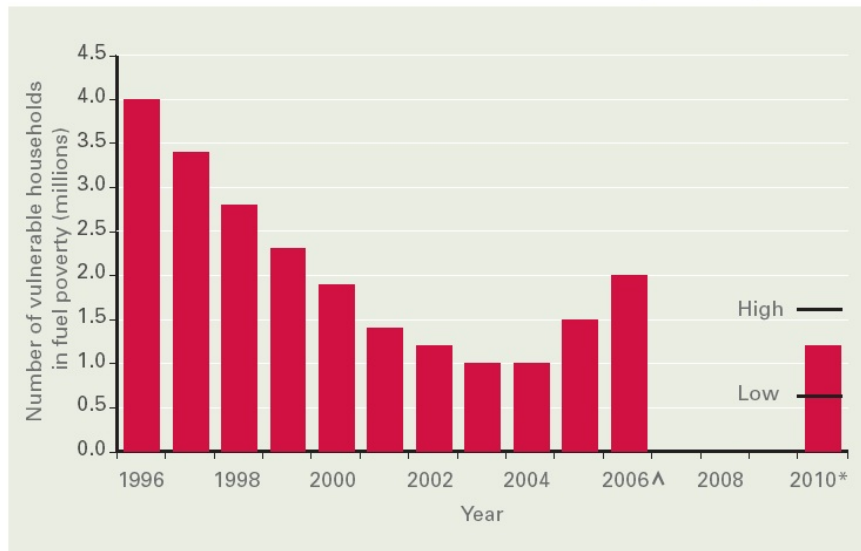
A variety of factors have been at play. Most of our gas still comes from the North Sea, but production has been declining faster than was expected.

As a result, the UK has had to import 5-10% of its total gas supplies. Meanwhile, the wholesale price of gas - which is linked on the continent to the price of crude oil - has been driven higher by record oil costs.

#### **So what is wrong with importing more?**

Not only has imported gas become more expensive, it's also been hard to get hold of.

However government remains woefully detached from reality regarding fuel poverty. This graph is from the recent (July 2006) energy review publication:

**CHART 7. HISTORIC AND PROJECTED NUMBERS OF VULNERABLE HOUSEHOLDS IN FUEL POVERTY IN ENGLAND AFTER ECONOMIC EFFECTS (MILLIONS)**

<sup>A</sup> Positions in 2005 and 2006 are based on the modelling of the impact of income and energy prices movements on the number of vulnerable households in fuel poverty.

\* Position in 2010 is based on modelling and shows central price scenario as the main bar, with lines indicating the level of fuel poverty under the low and high price scenarios. These are based on an oil price in 2010 of US \$40/barrel (bbl) under the central case, \$20/barrel under the low case and \$67/barrel under the high case.

Source: DTI, 2006

[Click to enlarge \(source: Energy Review, page 56\)](#)

The increases since 2003 are represented by a doubling of the number of people in fuel poverty... however clearly the trend is about to shift abruptly since by 2010 government are forecasting the numbers affected by fuel to come right down again (note the central price scenario assumes an oil price of US\$40/barrel). Someone better tell British Gas.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](#).