

Pay more for Energy? No thanks!

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As predicted by Rooftherm in December 2005 (<http://www.rooftherm.co.uk/blog/?p=9>), British energy consumers in February 2006 are now feeling the full brunt of the shenanigans going on in the wholesale energy market, particularly for gas, with gas prices up a whopping 22%. Producers are known to be stock piling; there is no actual shortage of gas on the world market. Distributors have acted in unison and all have put prices together in one large cartel price movement, blaming producers in the process for their actions.

It will only get worse; UK Government policy is not to interfere with the "free market"; never mind that they already do with massive taxation of both energy producers and consumers. One could argue that the Government has a vested interest in seeing higher energy prices. Demand for energy is price inelastic and the Government will be counting tax gold as these record energy prices get pushed through. It will increase tax revenues whilst dimming demand for green house energy sources. Given that Gordon Brown is known to have overstated the economy's growth for 2005/2006 at over 3% with actual at less than 2%, the Chancellor will welcome something that gets him out of jail and leaves him blameless, the "free market". Public expenditure is highly unlikely to be cut to balance the books as he positions himself to take over the helm from Tony Blair. So, given that the Government has no incentive to intercede where does that leave energy consumers? Clearly consumers will not freeze and will still have hot water but they will have to make a major adjustment in domestic budgets to do so. For most consumers domestic energy costs have doubled in as many as years. This means less discretionary spend on items such as eating out, entertainment, etc as more of the household budget gets allocated to energy costs, particularly for gas. Unless habits of a lifetime change, consumers will have to adjust hard to the reality that more of the family budget in the future will be eaten up by energy costs. Worldwide demand for energy is increasing at an accelerating rate chiefly due to the emerging tiger economies of China and India which make up over a third of the world's population. World energy prices are on a massive upward trend, Rooftherm again predicts UK consumer energy prices to at least double over the next two years. But there is hope. Consumers can do far more to make their homes more energy efficient. Rather than cut down on home comfort by running the house cold, consumers can stay warm and reduce energy expenditure by investing in home insulation. And by far the single most important and cost efficient way to do this is to install polyurethane foam roof insulation. Polyurethane foam has 2 to 8 times the insulation value of any other competing product, is quick to install and if installed as pitched roof insulation will have a substantially impact, reducing heating energy demand and providing a much more comfortable home. Creating more energy efficient homes is the only future option for consumers. Consumers should be actively encouraged to invest in home energy efficiency and start with roof insulation, the single most cost effective to start to create a more energy efficient home.