With the cost of energy bills steadily increasing year after year, many are wondering if it will ever let up. Energy prices are already rising more quickly than the average salary, and many people are struggling to pay bills as it is.

In an ideal world, we would be able to predict trends, changes and movements in the global energy market that would give us some indication of what to prepare for. Unfortunately though, accurate predictions, especially short term ones are virtually impossible to foresee.

Long term predictions, over, say, a 30 year period, are more attainable, but no one is really able to definitively say what will be in just 12 months’ time. There are too many factors affecting energy, and its wholesale cost, which are prone to change. The best we can do is to look at the trends that these factors have been displaying and construct an energy forecast based on those.

**Demand**

The demand for energy not only drives the whole energy system, but is possibly one of the largest factors affecting its price. Energy demand comes from more than just domestic consumers; it comes from across all industries and virtually every aspect of life; consumers, energy generation, fuel and transportation, manufacturing, computers and telecommunication, etc.

An energy demand forecast can give us an indication of cost, as prices tend to rise with demand. It has been predicted that there will be a 35% increase in energy requirement by 20401. Whilst this seems like a while away yet, it suggests that energy prices are still steadily on the up.

**Gas and Oil Prices**

The price of the raw resources e.g. coal and gas, is a big influencer on the price that consumers pay for their energy. These prices vary frequently on a global and European scale as countries bid to meet demand. As and when prices in the “wholesale” market change, these can very quickly impact smaller supplier prices and equally those from the “Big Six” resulting in changes to the amount we pay for our home energy.

The growing use of sustainable energy suppliers is slowly beginning to decrease our reliance on gas and coal but this is a costly business. However, more energy resources do mean less demand to any one resource, which will hopefully lead to price drops in the future.

**Electricity Prices**

Unlike gas and oil, as far as the electricity price forecast is concerned, the outlook isn’t great. Unfortunately, electricity prices are looking to increase again. This is partly due to the fact that many of the UK’s electricity generation plants have closed down due to the EU’s Large Combustion Plant Directive, which aims to see a third shut down by 20152. Coal fire power stations are targeted by this directive which is looking to reduce emissions in energy generation.

However, the popularity of sustainable energy is continually increasing. Wind and solar power are becoming more mainstream, meaning sustainable energy will increase in availability.

**Energy transportation costs**

As well as the cost of producing/accessing energy, the cost of transporting it is directly correlated to its overall price. The cost of transporting electricity is predicted to rise by around 8-15%, and gas 5-6%3 in the future. Unfortunately, this means that energy suppliers will account for this cost by raising their own prices and consumers will bear the brunt of the increase.

**What Makes up an Energy Bill?**

Wholesale energy costs, affected by the above factors, make up roughly 46.6% of your overall energy bill, whilst energy delivery accounts for 24.3%4. Other factors which affect the price of your energy bills include government policies (10.2%), taxes (5.9%), suppliers’ operating costs (9%), and of course, the supplier’s profit (4%)4.

**Taking Control**

So overall, it looks likely that energy prices will continue to increase over the next few years. But, consumers don’t have to be completely helpless in this situation. There are a few things you can do to combat the rising energy prices and take control of how much you pay.

If you’ve never run a comparison for your home energy bills, then there’s a good change that you’re paying too much. By [comparing suppliers](http://www.ukpower.co.uk/home_energy), you could find a much better deal on your home energy.

Looking for a little more stability with your energy bill prices? Want to protect yourself from potential future price hikes? Well, then consider signing up for a [fixed rate tariff](http://www.ukpower.co.uk/home_energy/fixed-rate-tariffs)

With energy prices climbing and showing no sign of slowing down, the best way to save money reduce your bills is to improve your [energy efficiency](http://www.ukpower.co.uk/guides_resources/energy_efficiency). Making simple changes to improve your efficiency can save you money, plus it’s good for the planet, too.

Energy prices have been high since the 2008 price spike of 35%5 and, overall, haven’t really slowed down. The one thing that may be good about high prices, is that they’re likely to bring about innovation in new ways to decrease costs. This means greener technologies and more sustainable energy sources. We can only hope that increased availability of green energy sources can help to decrease prices in the future.

http://www.ukpower.co.uk/home\_energy/future-gas-electricity-price-forecast