

ASK THE INSPECTOR

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Have there been any important recent developments regarding requirements for management of residential fuel oil storage tank/distribution systems?



In short, the answer is...it depends where you live. While the use of fuel oil is far more common in eastern Canada than western Canada, the significant potential liability associated with fuel oil systems makes the issue relevant across the country. The environmental clean-up cost associated with even one leaky installation can be astounding.

Residential fuel oil storage tank/distribution systems have been installed and used in Canada for approximately

60 years. There are two types of fuel oil storage tanks; above ground storage tanks (ASTs), which include tanks installed on the outside of a home and in the basement and underground storage tanks (USTs), which include tanks buried in the ground. The problem with many metal fuel oil tanks is that they rust from the inside out. This often occurs due to the accumulation of condensation (water) inside the tank. Given that fuel oil is lighter than water, the fuel oil actually floats on the water. The water accumulates at the bottom of the tank for years, slowly corroding the base of the tank until a hole is formed and fuel oil leaks out. The results of the leak can range from an inconvenient, small oil stain in the basement that can be cleaned up with a rag, to a major environmental cleanup, as could be the case when fuel oil leaks from a basement fuel oil tank into a floor drain or sump pit/pump in close proximity to the tank. Under these circumstances, the fuel oil can be easily pumped and spread over large areas, potentially impacting sewer, soil, surface water and groundwater systems. Underground fuel oil storage tanks are often even more problematic

because a leaking tank may not be noticed for years. Other sources for oil leaks include damaged fuel oil lines that run between the oil tank and the furnace, loose fuel filters, and physical damage to exterior fuel oil lines caused from winter ice buildup.

The management of fuel oil storage/distribution systems in Canada is governed by different codes, regulations and guidelines that vary from province to province. Certain management aspects are common across Canada, as stipulated in the document entitled "National Standard of Canada CAN/CSA B139-00, Installation Code for Oil Burning Equipment". However, there is a wide range of requirements, depending on the province, related to ongoing management of fuel oil storage tank/distribution systems. Highlights from several areas of Canada are summarized as follows:

Prince Edward Island was the first province in Canada to regulate residential fuel oil tank installations and replacement in their Petroleum Storage Tanks Regulation, which came into effect in June 2001. Several highlights include:



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- mandatory licensing for contractors to install, alter or remove AST/USTs,
- requirements for all fuel oil storage systems to be registered with the province,
- requirements for steel fuel oil AST/UST replacement every 15-25 years depending on the tank design and thickness, and
- requirements for removal of any USTs that are out of service for more than 1 year.

In June 2001 Ontario enacted the Technical Standards and Safety Act, which designates two main documents for management of residential fuel oil storage systems, including Ontario Regulation 213/01 - Fuel Oil, and the Fuel Oil Code Adoption Document. Several highlights from these documents include:

- Fuel oil distributors are now required to inspect fuel oil systems and be satisfied with the installation and conditions of the fuel oil system. Hazardous conditions must be repaired prior to filling storage tanks with oil.
- Several changes regarding USTs include:
 - Fuel oil distributors are not permitted to supply oil to USTs that have not been registered with the Technical Standards and Safety

Authority,

- Existing UST installations must be upgraded with significant changes such as double walled USTs with overflow/corrosion/leak protection systems. In most cases, these upgrades will likely be cost prohibitive and the installation of an AST will be preferred from an economic perspective, or
- Existing UST installations that are not upgraded (as described above) will require removal between the years 2006 and 2009, depending on the tank age. USTs that have been out of service for 2 years also require removal. Assessment reports that document the extent of any fuel oil contamination and environmental cleanup must now be completed as part of UST removal activities.

Fuel oil storage tank installations are much less frequent in western provinces. Management requirements for residential fuel oil storage systems in these provinces is generally stipulated in fire codes in these areas. In spite of the reduced frequency of fuel oil systems in the west, it is considered worthwhile for those involved with real estate transactions in western Canada to be aware of the regulatory changes on this issue in other parts of Canada, particularly given the significant potential environmental cleanup cost for just one fuel oil storage tank installation.

With all of the potential liability associated with fuel oil tanks, will I be able to get home insurance for my home if it has a fuel oil tank?

Given the tremendous potential for adverse effects to the environment and the cleanup cost for a leaking fuel oil system, insurance companies have been restricting/limiting coverage or in some cases, not providing insurance coverage at all for properties with fuel oil storage tanks. It is also important to note that insurance claims are often paid out only when the circumstance surrounding the claim is considered an accident.

The actual cause of an oil leak is important. For example, if an old tank that is worn and rusted leaks, an insurance company would likely consider the cause for the leak to be normal wear, which was a predictable problem that would inevitably occur, and which could have been prevented by replacement of the tank. This scenario may not be covered by an insurance policy, leaving a homeowner to potentially pay for a very expensive environmental cleanup. On this basis, we recommend consulting insurance companies in your area to confirm their requirements regarding providing insurance on properties with fuel oil tanks.

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