

UNDERSTANDING OIL TANKS

Real estate transactions can be put at risk if a client purchases a property with an underground fuel oil tank and is denied homeowners insurance. If a client finds that an existing tank has not been registered, remedial action may cost them thousands of dollars.

Homebuyers have expressed concern over home insurance policies being denied or being unable to obtain home insurance as a result of underground storage tanks. A number of transactions have fallen through on closing as a result.

According to the Insurance Bureau of Canada, a home with an exterior oil tank older than 15 years, or an interior tank older than 25 years will not be insured.

The problem is that many oil tanks are corroding from the inside out, so the failure is not readily visible. This often occurs from condensation that builds up inside the tank. Since oil is lighter than water, the water goes to the bottom of the tank and causes corrosion. The first sign of a bad tank could be an odour of oil in the air. There might be rust or corrosion where the legs are welded to the tank. Other symptoms could include a leak in the fuel filter or the nozzle becoming plugged.

Insurance companies are concerned that an old oil tank can leak and spill hundreds of litres of heating oil into the home, or into the ground. Spilled oil can quickly contaminate soil and groundwater. If the leak finds its way into a sump pump or floor drain, the spill will undoubtedly make it a very expensive clean up. With outside storage tanks, where rust and corrosion are more common, a spill can contaminate the soil or make its way into the nearby streams or rivers.

What may seem like a simple clean-up can in fact be a complicated task to replace the leaking tank and supply lines, remove contaminated soil, replace the foundation and treat groundwater.

The cost to repair a leaking oil tank can range from several hundred to several thousand dollars.

The most commonly used tanks for heating oil are steel containers that hold about 1,000 litres and weigh close to 1,000 kg when full. Their odd shape, which lets them easily pass through doorways, also makes them unstable unless they are properly secured from tipping over.

When buying a tank, look for a label that tells the date and location the tank was made. The label should clearly indicate that it meets a national construction standard. The National Fire Code recommends that all piping and connections on oil tanks be made of metal, not plastic or rubber.

Buying a used oil tank is not recommended. Rust and sludge that has collected in the tank will cause burner problems.

Indoor tanks

Many home oil tanks are designed and built for indoor use. Indoor oil tanks will generally last longer and improve the efficiency of oil-fired appliances. Indoor storage tanks are less likely to spill and do not emit an odor. When installing an indoor oil tank, place the tank where it can be easily inspected but will not be damaged by normal household activities. If possible, surround the tank with a low curb and dyke to contain any leaked oil. Never place a tank against a wall, as this can cause the tank to rust. Cover the supply line and filter to protect them from damage. Storing objects on top of the tank could potentially lead to damage.

Outdoor tanks

Outdoor tanks should be placed at least 15 m from any well. To prevent rust, cover the tank's exterior with enamel paint. Support the tank properly to prevent it from shifting or falling over. Prepare a non-flammable base using concrete or patio stones. Wood is not recommended as it can burn, rot and retains water, which causes the tank to rust. Slope the tank slightly toward the drain. Ensure the tank stays upright and does not make contact with a wall. To allow for changes in ground level, the oil burner supply line should have a horizontal loop before entering the building. The line should be sloped toward the building to prevent water collection. If possible, the oil filter should be placed inside the home because collected water can freeze and cause splitting. The supply line can be installed through the top of the tank to protect against breaking the line and draining the tank. If frost heaving or ground settling causes a tank to move, have it leveled properly.

Underground oil tanks

Leaking underground storage tanks may create several hazards including:

- Products and product vapours can generate a potentially explosive mixture;
- Products can enter surface water;
- Products can enter drinking water;
- Products can contaminate surrounding soil;
- Products can damage property.

Problems with underground oil tanks may complicate the process of applying for homeowner's insurance and, in extreme cases, may adversely affect real estate transactions themselves.

What to do with unused underground oil tanks

An unused underground oil tank must be removed and all contaminated soil must be cleaned. When an underground tank is removed, the soil around the tank must be assessed for contamination and all contamination cleaned.

Tank maintenance

Spills can be avoided by detecting problems early on. If asked, most fuel companies will inspect the tank yearly, and will report any problems or recommend repairs. At least once a year, change the filter and remove any sludge and water from the tank. Check with a fuel company about oil additives to reduce the water in the tank. Occasionally, check the outside of the tank for any rust. Clean off any spots and apply a rustproof paint. When replacing an oil tank, be careful not to transfer all of the contents of the old tank into the new one. Accumulated water, sludge and bacteria will cause the new tank to corrode and leak. Keep the tank relatively full over the summer so that less water from condensation will collect inside. Oil tanks should be checked for problems after each fuel delivery.

What consumers should do when buying or selling a home with an oil tank

Prior to closing, contact the fuel oil supplier for the home and determine if the basic or comprehensive inspections of the tank and oil-heating appliance have been completed. The fuel oil supplier will have information about the servicing and inspection program that is in place for the home. Selling a home with an oil tank? REALTORS should expect questions regarding the age of the tank, location and proof that the tank installation meets safety requirements. Purchasers should expect to be asked, by their insurer, to provide this type of information when applying for insurance.

The B.C Fire Code now requires the removal of any underground oil tanks that have been out of service for more than two years. Real Estate Licensees who are involved with the sale of a property that contains, or is thought to contain, a buried oil tank should be aware that this is a concern and should also be aware of their duties with respect to disclosure.

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