

City of Seattle Heating Oil Legislation Frequently Asked Questions

What is the purpose of this legislation?

The purpose of this legislation is to accelerate the transition away from polluting fossil fuels that contribute to climate change and harm health. Specifically, the legislation supports the phase out of home heating oil to more energy-efficient and clean heating and cooling systems by 2030. Heating oil represents 16-18% of total carbon pollution in the residential sector and 9% of carbon pollution in the total buildings sector. It is estimated that more than 400,000 MTCO₂e will be reduced over a 10-year period by phasing out heating oil to clean electricity. That is the equivalent of taking nearly 90,000 passenger cars off the road for one year.

The objectives of this legislation include:

- **Reducing carbon pollution, overall energy use and heating bills**, through the equitable adoption of clean heating technologies such as heat pumps.
- **Supporting low-income households** by fully funding oil conversions and creating a pathway for access to City of Seattle weatherization services.
- **Preventing future oil leaks** that impact property, surface water and groundwater - reducing future environmental damage, cleanup costs, and economic burdens to households.

What are the main components of the legislation?

1. This legislation creates a new tax of \$.236 per gallon on heating oil imposed on the heating oil dealers starting July 1, 2020. Should the oil dealer pass the tax on to their customer, the customer invoice must show the tax on a separate line.
2. Directs City departments including Office of Sustainability and Environment, Seattle Fire Department, and Seattle Dept. of Construction and Inspections to develop requirements and specifications for heating oil storage tanks to be replaced or decommissioned by 2028.

What will the tax funds be used for?

Revenue from the tax will be used for the following:

1. Fully funded conversions for approximately 1,000 households with lower incomes meeting the 70% of State median income qualifications.
2. Rebates to approximately 1,700 households to convert to an electric heat pump.
3. Outreach and education to households, including those with lower incomes.
4. Support for affected oil service providers for business planning support and HVAC training for employees.

How much will the tax cost the average household?

An average household consumes about 500 gallons of oil per year¹, which equates to \$118 in taxes/year or \$9.80/month.

¹ U.S. Energy Information Administration: 2015 Residential Energy Consumption Survey, Energy Consumption and Expenditures Tables

Will households with lower incomes be impacted by the tax?

Recognizing that the tax will likely be passed on to their customer by the oil dealers, the City will reimburse households with lower incomes for taxes paid, up to \$120 per year. The tax reimbursement will be made on the customer's Seattle City Light account directly or by check.

How will households with lower incomes benefit from this policy?

Heating oil is the most expensive form of heating and burdens households with lower incomes. It is estimated that the average household spends about \$1,700 per year on heating oil. Unfortunately, low-income households are left behind with outdated, inefficient and expensive heating, with no pathway to access utility program benefits. Homes with oil heat do not have access to utility efficiency and weatherization rebates and assistance. In addition, low income households with oil heat do not receive the Utility Discount Program (UDP) discount on heating costs.

There are approximately 1,000 households heating with oil that participate in the Utility Discount Program (70% of state median income). By helping these households switch to clean and efficient electric heating and cooling, they will receive a 60% discount on their electric heating consumption. Additionally, once the household has switched to electric heat, they are also eligible for free weatherization services such as insulation and air-sealing.

Here's an example: Mary pays about \$1,700 annually to have her 500-gallon oil tank filled for the year (based on \$3.40/gallon). With an efficient heat pump, she can expect to pay on average of \$366 on electricity to heat for the year². She also participates in the Utility Discount Program (UDP) and receives a 60% discount-reducing her annual heating costs to \$146 – saving her more than \$1,500 per year on heating costs.

Will low-income renters have access to the conversion program?

Yes, if a renter meets the 70% of state median income qualification, then the City will fully fund the oil conversion and work with the landlord to put in place a rental covenant. This covenant, which is signed by the landlord, will ensure that the rent is not increased for three years.

Is the City forcing me to switch to another heating source?

No, this legislation does not require homeowners or landlords to switch heating fuel. It creates a funding source for program rebates to help households switch to an energy-efficient heat pumps. Currently, oil heated homes do not have access to utility rebates to switch, so the funding from this tax will help fill that gap.

Why will I need to upgrade or decommission my heating oil tank?

Most oil tanks have been underground since the home was built and are well beyond their useful life, which is about 20-30 years. Underground tanks rust, erode and develop leaks that impact property, surface and groundwater, and health. Based on data from the WA State Pollution Liability Insurance Agency (PLIA) the City estimates that at least 1 in 4 tanks are leaking. That percentage is expected to substantially increase over time. The State of Washington offers a free oil tank leak insurance program that covers up to \$60,000 in clean-up costs for those registered for the program. More information is available at www.plia.wa.gov.

² Source: Seattle City Light

What is the deadline for decommissioning or replacing my tank?

There will ultimately be a requirement for oil tank owners to either replace the tank to a modern tank or decommission (fill in place or remove) the tank by 2028. If a homeowner or landlord wishes to continue to heat with oil, they will ultimately be required to replace the storage tank to ensure leak hazards do not occur. If they choose to switch to another source of heating fuel, they will need to decommission the tank as per current Seattle Fire Marshal [requirements](#). City departments will develop the requirements by July 1, 2020.

What is the cost to decommission or replace an oil tank?

The cost to decommission an oil tank can vary depending on factors such as how large the tank is, the location and whether you wish to decommission in place or remove it. The average cost to decommission is between \$700-\$1,000. The cost to replace an old tank with a modern tank is approximately \$1,500-\$2,000.

What is the average cost of replacing my oil heating system?

Many factors can determine the cost of a new heating system, including size of home, its insulation levels, and the type of mechanical system you choose. The most common systems include:

- Electric furnace: this system uses electric resistance and distributes heat through ductwork. Avg. cost: \$3-\$5k
- Electric air-source heat pump: extracts heat from outdoor air and then moves heat efficiently to your home. Systems provide both heating and air-conditioning in one unit. These systems can be ductless or can utilize existing or new ductwork. Avg cost: \$8k-\$15k
- Electric baseboards/wall heaters: these systems use electric resistance and heat the home via units placed on the wall or on baseboards. \$1-\$3k
- Gas furnace or boiler: these systems burn methane for heat and distribute the heat through ductwork or hot water piping. Avg cost: \$6k-\$8k plus an additional \$5k-\$7k for new gas line. (Note that the oil conversion program rebates and grants do not apply to new gas systems.)
Oil furnace: these systems burn diesel oil and have a 300-500-gallon storage tank located on the property. Avg cost: \$3k-\$6k

Are there any rebates available now to help me convert from oil?

The City of Seattle currently has a \$1,500 rebate when converting to a qualified heat pump system. More information can be found at www.nomoreoilheat.com. After converting from oil to electric, you may be eligible for [Seattle City Light insulation and window rebates](#).

Are there financing programs to help make the switch?

The City has partnered with two lenders to provide financing for energy-efficient upgrades, including electric heat pumps, weatherization, electric vehicle charging and more. [Craft3](#) and [Puget Sound Cooperative Credit Union](#) provide competitive financing and on-bill repayment on customer's Seattle City Light bill.