

# **Financing Our Energy Future Act of 2023**

Senator Coons (D-DE) and Senator Moran (R-KS)

*A bipartisan bill to level the playing field by giving investors in renewable energy projects access to a decades-old corporate structure with a tax advantage now available only to investors in fossil fuel-based energy projects.*

## **Background**

At a time when the United States needs to increase domestic energy production and leaders of both political parties say they support an “all of the above” energy strategy, Congress should level the playing field and give all sources of domestic energy — renewable and non-renewable alike — a fair shot at success.

By statute, MLPs have only been available to investors in energy portfolios such as oil, natural gas, coal extraction, and pipeline projects. These projects get access to capital at a lower cost and are more liquid than traditional financing approaches to energy projects, making them highly effective at attracting private investment. Investors in renewable energy projects, however, have been explicitly prevented from forming MLPs, starving a growing portion of America’s domestic energy sector of the capital it needs to build and grow.

## **How do master limited partnerships work?**

An MLP is a business structure that is taxed as a partnership, but whose ownership interests are traded like corporate stock on a market. Whereas profit from publicly traded C corporations is taxed at both the corporate level and the shareholder level, income from MLPs is taxed only at the shareholder level because it is treated as a partnership for tax purposes. An MLP must generate at least 90 percent of its income from qualified sources, such as real estate or natural resources, including crude oil, natural gas, petroleum products, coal, timber, and other minerals.

Because MLPs are so attractive to investors, they have been proven to bring new capital into American energy projects. This is especially important in the case of renewable energy generation, where projects are often dependent on high-interest financing and it is harder for investors to see as quick a return as compared to fossil fuel-based energy generation, for which much of the processing and transportation infrastructure was built decades ago. Constructing the same level of critical infrastructure for renewable energy sources will take time and investment. MLPs carry the fundraising advantages of a corporation: ownership interests are publicly traded and offer investors the liquidity, limited liability, and dividends of classic corporations. With average dividends of just 6 percent, these investment vehicles could substantially reduce the cost of financing renewables.

## **How the *Financing Our Energy Future Act* helps**

The legislation is a powerful tweak to the federal tax code that could unleash significant private capital into the energy market. It would level the playing field between traditional and new energy businesses by helping energy projects form MLPs, which combine the funding advantages of corporations and the tax advantages of partnerships.

The *Financing Our Energy Future Act* simply expands the definition of “qualified” sources to include clean energy resources and infrastructure projects. Specifically included are those energy technologies that qualify under Sections 45 and 48 of the tax code, including wind, closed and open loop biomass, solar, municipal solid waste, clean hydrogen, hydropower, marine and hydrokinetic, fuel cells, and combined heat and power. It also includes waste-heat-to-power, carbon capture and storage, biochemicals, and a range of transportation fuels, including cellulosic, biodiesel, sustainable aviation fuel (SAF), and algae-based fuels.

## ***Financing Our Energy Future Act* Endorsements:**

- Advanced Biofuels Association
- American Clean Power Association
- American Council on Renewable Energy
- BPC Action
- Clean Air Task Force
- ClearPath Action
- Energy Infrastructure Council
- International District Energy Association
- National Wildlife Federation
- Natural Resources Defense Council
- Nuclear Innovation Alliance
- Third Way

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