



Master Limited Partnerships Parity Act

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

Section-by-Section

The master limited partnership (MLP) is a powerful capital formation structure that has been widely used in the oil and gas pipeline industry for nearly 30 years. An MLP is a business structure that is taxed as a partnership, but whose ownership interests are traded like corporate stock on a market. Leveling the playing field and allowing new energy projects to compete with traditional energy projects is an essential part of an all-of-the-above energy strategy. This bipartisan legislation would do just that for projects in the renewable power, energy efficiency, biofuels and broader clean energy industries by giving them the same access to low cost private capital that other energy interests currently receive.

Subsection (i) Existing Provisions – This subsection provides text-formatting information for the tax code (see details at end).

Subsection (ii) Renewable Energy – This subsection will ensure that projects using a broad range of renewable resources will be able to access the MLP structure. It applies to electric power produced exclusively utilizing the following renewable resources: wind, biomass, geothermal energy, solar energy, small irrigation power, municipal solid waste, qualified hydropower production, or marine and hydrokinetic renewable energy. It also applies to electric power produced exclusively utilizing certain “energy property”: equipment that uses solar energy, equipment that uses energy derived from a geothermal deposit, fuel cells, micro turbines, or certain wind energy property. These energy resources and properties are described in 45 (the production tax credit) and 48 (the investment tax credit) as of the date of enactment of the Act and without regard to certain termination periods contained in the definitions of “energy property.”

Subsection (iii) Electricity Storage Devices – This subsection applies to a broad range of energy storage technologies that serve a variety of functions on the electric grid, including providing electricity, capacity, and ancillary services.

Subsection (iv) Combined Heat and Power – This subsection applies to combined heat and power (CHP) facilities as defined in 48 (c)(3), including qualifying criteria relating to total efficiency and minimum thermal and electricity output percentages. Limitations in 48(c)(3) relating to facility size are excluded. Storage and distribution of thermal energy from CHP are also qualifying activities.

Subsection (v) Renewable Thermal Energy -- This subsection applies to generation, storage and distribution of thermal energy from resources described in 45(c), including closed-loop biomass, open-loop biomass, geothermal energy and municipal solid waste, as well as solar and geothermal resources described in 48(a)(3). This renewable thermal energy may be distributed from a district energy system supplying steam, hot water or chilled water to a university, industrial plant, hospital complex, downtown area or other groups of buildings.

Subsection (vi) Waste Heat to Power -- This subsection applies to waste heat from industrial processing and includes the generation of electricity without combustion and without emissions, and the capture of waste heat for onsite thermal use.

Subsection (vii) Renewable Fuels Infrastructure – This section applies to the storage and transportation of renewable fuels, including renewable fuels pipelines and other infrastructure. Specifically, this section

includes renewable fuels described in 6426: alcohol-based fuels, mixed biodiesel/diesel fuels, alternative fuels such as liquefied petroleum gas or hydrogen, and alternative fuel mixtures. The language of this subsection is already in existing law and is carried forward in the bill.

Subsection (viii) Renewable Fuels – This subsection applies to the production, storage, or transportation of renewable fuels as defined in section 211(o)(1)(J) of the Clean Air Act (42 U.S.C. 7545(o)(1)(J)). Specifically, this section includes renewable fuels described in 6426 and 40A(d)(1): alcohol-based fuels, biodiesel fuels and biodiesel/diesel fuel mixtures, alternative fuels such as liquefied petroleum gas or hydrogen, and alternative fuel mixtures. The term “renewable fuel” means fuel that is produced from renewable biomass and that is used to replace or reduce the quantity of fossil fuel present in a transportation fuel. This definition was established under the Energy Independence and Security Act of 2007.

Subsection (ix) Renewable Chemicals – This subsection applies to manufacturing facilities that produce renewable chemicals derived from renewable biomass. The term ‘renewable biomass’ is defined using section 9001 of the Farm Security and Rural Investment Act of 2002.

Subsection (x) Energy Efficient Buildings – This subsection applies to companies that develop and execute energy performance contracting for capital improvement projects in commercial and large multifamily buildings that lower energy usage and consumption. Under an energy performance contract, the company identifying and providing comprehensive energy solutions to a building owner or manager guarantees that the savings in energy costs will meet or exceed payments to cover projects costs. This subsection’s reference to 179D is to clarify the types of building “property” that are typically incorporated in energy performance projects such as building lighting, envelopes, heating and cooling, and hot water systems.

Subsection (xi) Gasification with Sequestration -- Referencing 48B, this subsection only applies to industrial gasification with carbon capture and storage (CCS). Currently, coal gasification with CCS is eligible for financing under an MLP. This clarifies that other fuels, such as petroleum residues and fuels from forestry and agricultural sources, are eligible for gasification projects with CCS. The 75 percent of such project’s total carbon dioxide emissions is the CCS requirement used in 48B and included here for consistency. Industrial gasifiers capture at least 75 percent of their CO₂ emissions as part of the gasification process.

Subsection (xii) Carbon Capture and Sequestration -- This subsection applies to power plants that capture at least 500,000 tons of CO₂ annually for the purposes of CCS. The language references 45Q, because it is the only tax credit definition that applies to either a coal or natural gas-fueled power plant that uses CCS. The term "secure geologic storage" is used in section 45Q and thus included here for consistency.

Summary of newly eligible renewable electricity, renewable fuels and related energy activities

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|---------------------------|------------------------------|
| • Solar (PV and CSP) | • Biomass |
| • Wind | • Waste Heat to Power |
| • Hydropower | • Renewable Fuels |
| • Marine/Hydrokinetic | • Biodiesel |
| • Fuel Cells | • Biorefineries |
| • Electricity Storage | • Energy Efficient Buildings |
| • Combined Heat and Power | • Carbon Capture and Storage |
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Subsection (i) Minerals, Natural Resources, Etc. – This subsection adds a heading to the existing subparagraph (E) of section 7704(d)(1). This section identifies the resources currently covered by law. This subsection effects no change in law, as MLP eligibility would continue for a range of exploration, development, processing, refining, transportation, and related activities that promote coal, oil, natural gas, geothermal, and timber activities. Again, this provision is already in existing law and is not included in the MLP Parity Act.

Summary of currently eligible minerals, natural resources, and other energy activities

- Oil Exploration
- Natural Gas Exploration
- Oil Pipelines & Transportation
- Gas Pipelines & Transportation
- Oil and Gas Refining
- Coal Mines
- Coal Transportation
- Coal Processing
- Fertilizer
- Geothermal
- Timber
- Industrial source CO2

IN THE SENATE:

Senator Chris Coons (D-Del.)

Contact: Franz Wuerfmannsdobler

202-224-5042 or Franzw@coons.senate.gov

Senator Jerry Moran (R-Kan.)

Contact: Will Ruder

202-224-6521 or william_ruder@moran.senate.gov

IN THE HOUSE:

Rep. Ted Poe (R-TX-02)

Contact: Tim Tarpley

202-225-6565 or tim.tarpley@mail.house.gov

Rep. Mike Thompson (D-CA-01)

Contact: Carla McGarvey

202-225-3311 or carla.mcgarvey@mail.house.gov

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