Master Limited Partnerships Parity Act

A bipartisan, bicameral 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

A master limited partnership (MLP) is a powerful capital formation structure that has been widely used in the oil and gas pipeline industry for over 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 supporting power generation from renewables, 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. Finally, it also includes leasing of certain personal property used by some renewable energy business models such as solar leasing. 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 or a microgrid, including providing electricity, capacity, and ancillary services. Additionally, this subsection applies to stored thermal energy that avoids the use of electricity at a later time.

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 through this subsection.

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) Fuel Derived from Captured Carbon Dioxide – This subsection applies to any fuel which uses carbon dioxide or carbon monoxide captured from an anthropogenic source or the atmosphere as its primary feedstock and that is used to replace the quantity of fossil fuel present in transportation fuel. The fuel must achieve a reduction of not less than a 60 percent in lifecycle greenhouse gas emissions.

Subsection (x) Renewable Chemicals – This subsection applies to manufacturing facilities that produce qualified renewable chemicals derived from renewable biomass. To qualify, renewable chemicals must be produced in the U.S., must be at least 95 percent biobased, must be a product of biological and/or thermal conversion, must not be sold or used for food, feed or fuel, and must be part of the list of chemicals included in the bill.

Subsection (xi) 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 (xii) Gasification with Sequestration – Referencing 48B, this subsection only applies to industrial or joint industrial and electric gasification projects with carbon capture utilization and storage (CCUS). Currently, coal gasification 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 CCUS. The 75 percent of such project's total carbon dioxide emissions is the CCUS requirement used in 48B and included here for consistency. Industrial gasifiers capture at least 75 percent of their CO_2 emissions as part of the gasification process. The definition for the Disposal and Utilization of Captured Carbon Dioxide includes secure geologic storage, tertiary injectants, fixation through photosynthesis or chemosynthesis, chemical conversions to materials or compounds, and any other purpose which can help develop a market for carbon dioxide capture from man-made sources.

Subsection (xiii) Carbon Capture and Sequestration – This subsection applies to power plants that capture at least 500,000 tons of CO_2 annually for the purposes of CCUS. In addition, to qualify for the MLP structure, new power plants would be required to capture at least 50 percent of their CO_2 and existing power plants must capture least 30 percent of their CO_2. 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 CCUS. The captured CO_2 must be stored in a secure geological storage or disposed of by converting it to a material or to a chemical in which the carbon dioxide is securely stored. This subsection uses the same definition for the Disposal and Utilization of Captured Carbon Dioxide as Subsection (xii).

Summary of newly eligible power generation from renewables, renewable fuels and related energy activities

- Solar (PV and CSP)
- Wind
- Geothermal
- Hydropower
- Marine/Hydrokinetic
- Fuel Cells
- Electricity Storage
- Combined Heat and Power
- Biomass
- Waste Heat to Power
- Renewable Fuels
- Biodiesel
- Biorefineries
- Renewable Chemicals
- Energy Efficient Buildings
- Carbon Capture Utilization and Storage

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 modified or included in the MLP Parity Act.

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

- Oil Exploration
- Natural Gas Exploration
- Oil Pipelines and Transportation
- Gas Pipelines and Transportation
- Oil and Gas Refining
- Coal Mines
- Coal Transportation
- Coal Processing
- Fertilizer
- Geothermal Heat
- Timber
- Industrial source CO_2

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