115TH CONGRESS
1ST SESSION

S. 230

To amend the Internal Revenue Code of 1986 to allow a credit against income tax for facilities using a qualified methane conversion technology to provide transportation fuels and chemicals.

IN THE SENATE OF THE UNITED STATES

JANUARY 24, 2017

Mr. CASSIDY introduced the following bill; which was read twice and referred to the Committee on Finance

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A BILL

To amend the Internal Revenue Code of 1986 to allow a credit against income tax for facilities using a qualified methane conversion technology to provide transportation fuels and chemicals.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Capitalizing on American Methane Act of 2017''.

SEC. 2. INCENTIVES FOR INNOVATIVE FUEL PRODUCTION THROUGH QUALIFIED METHANE CONVERSION TECHNOLOGY.

(a) INCLUSION OF QUALIFIED METHANE CONVERSION TECHNOLOGY IN GASIFICATION PROJECT CREDIT.—

(1) IN GENERAL.—Paragraph (2) of section 48B(c) of the Internal Revenue Code of 1986 is amended to read as follows:

"(2) GASIFICATION TECHNOLOGY.—The term 'gasification technology' means—

"(A) any process which converts a solid or liquid product from coal, petroleum residue, biomass, or other materials which are recovered for their energy or feedstock value into a synthesis gas composed primarily of carbon monoxide and hydrogen for direct use or subsequent chemical or physical conversion, and

"(B) any qualified methane conversion technology.".

(2) QUALIFIED METHANE CONVERSION TECHNOLOGY.—Subsection (c) of section 48B of such Code is amended by adding at the end the following new paragraph:

"(9) QUALIFIED METHANE CONVERSION TECHNOLOGY.—

“(A) IN GENERAL.—The term ‘qualified methane conversion technology’ means a process consisting of the molecular conversion of a fuel consisting principally of methane into hydrocarbons, and the subsequent use of such hydrocarbons, if such hydrocarbons are principally intended to be used—

“(i) to replace or reduce the quantity of petroleum present in a fuel used in motor vehicles, motor vehicle engines, nonroad vehicles, nonroad engines, or aircraft if—

“(I) the lifecycle greenhouse gas emissions associated with the production and combustion is, on an ongoing basis, not more than such emissions from the equivalent conventional fuel produced from conventional petroleum sources,

“(II) the sulfur concentration is not more than 2 parts per million, and

“(III) such production is at a facility which, during the taxable year, has an annual total production capacity of not more than 150,000,000 gallons of liquid transportation fuel, or

"(ii) for the production of chemicals (within the meaning of paragraph (7)(A)).

"(B) PRIMARY PURPOSE OF FACILITY.—If a facility uses qualified methane conversion technology to produce both fuels and chemicals, the requirements described in subparagraph (A)(i) shall apply only if the primary use of the facility is to produce fuels.

"(C) EXCLUSION.—The term 'qualified methane conversion technology' does not include technology that is part of a facility the construction of which begins after September 30, 2027.".

(3) INCREASE IN CREDIT AVAILABLE FOR METHANE CONVERSION PROJECTS.—

(A) IN GENERAL.—Paragraph (1) of section 48B(d) of such Code is amended by striking "plus" at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting ", plus", and by adding at the end the following new subparagraph:

"(C) $500,000,000 for qualifying gasification projects that rely primarily on qualified methane conversion technology.

No qualifying gasification project shall receive more than $100,000,000 under the program.".

(B) PERIOD OF ISSUANCE.—Paragraph (2) of section 48B(d) of such Code is amended to read as follows:

"(2) PERIOD OF ISSUANCE.—

"(A) IN GENERAL.—A certificate of eligibility under subparagraphs (A) and (B) of paragraph (1) may be issued only before October 1, 2027.

"(B) QUALIFIED METHANE CONVERSION TECHNOLOGY.—A certificate of eligibility under subparagraph (C) of paragraph (1) may be issued only during the 10-fiscal-year period beginning on the first October 1 which is on or after the date of the enactment of this paragraph.".

(C) SELECTION PRIORITIES.—Paragraph (4) of section 48B(d) of such Code is amended to read as follows:

"(4) SELECTION PRIORITIES.—

"(A) IN GENERAL.—In determining which qualifying gasification projects, other than projects using qualified methane conversion technology, to certify under this section, the Secretary shall—

"(i) give highest priority to projects with the greatest separation and sequestration percentage of total carbon dioxide emissions, and

"(ii) give high priority to applicant participants who have a research partnership with an eligible educational institution (as defined in section 529(e)(5)).

"(B) CHEMICALS PROJECTS USING QUALIFIED METHANE CONVERSION TECHNOLOGY.—In determining which qualifying gasification projects that produce chemicals using qualified methane conversion technology to certify under this section, the Secretary shall give priority to projects involving a production process that has significant environmental benefits over the production of the same chemical from petroleum products.".

(b) INCLUSION OF QUALIFIED METHANE CONVERSION TECHNOLOGY IN ALTERNATIVE FUEL CREDIT.—

Paragraph (2) of section 6426(d) of the Internal Revenue Code of 1986 is amended by striking ''and'' at the end of subparagraph (F), by striking the period at the end of subparagraph (G) and inserting '', and'', and by adding at the end the following new subparagraph:

''(H) liquid fuel produced through qualified methane conversion technology (as defined in section 48B(c)(9)(A)) at a facility the construction of which begins before October 1, 2027.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

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