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Puerto Rico Energy Bureau Adopts Definition for the Term “Highly Efficient Generation” under the Puerto Rico Incentives Code, Act 60-2019, as amended.

On November 16, 2021, the Puerto Rico Energy Bureau (the “Bureau”) issued a resolution (the “Resolution”) adopting the definition of the term “Highly Efficient Generation” under the Puerto Rico Incentives Code, Act 60-2019, as amended (“Act 60”). The Resolution is the result of the Bureau’s analysis of a wide range of comments submitted by interested parties.

Pursuant to the Resolution, the Bureau laid out certain technical requirements, compliance of which will result in a power generation unit or system being considered a “Highly Efficient Generation”. Specifically, the Resolution provides that a generation unit or system will be considered “Highly Efficient” if such unit or system meets certain annual rate of carbon dioxide emissions requirements measured in pounds per megawatt hours (the “Emissions Requirement”) and certain operational requirement (the “Operational Requirement”). Regarding the latest and under the new Resolution, Combined Heat and Power (“CHP”) systems must comply with the Federal Energy Regulatory Commission’s efficiency standard.

It is important to note that the production of energy through Highly Efficient Generation, as well as the installation and assembly of Highly Efficient Generation systems and the lease of property dedicated to Highly Efficient Generation are all eligible activities pursuant to Section 2071.01 of Act 60, during the first 5 years of its effective date (i.e., from July 1, 2019, through June 30, 2024). Accordingly, businesses engaged in Highly Efficient Generation may be subject to a special tax treatment, including a fixed income tax rate of 4%, a withholding tax rate of 12% on royalty payments, total income tax exemption on dividends or distributions, 75% property tax exemption and 50% municipal license tax exemption.

To read the full Resolution and learn more about the Emissions Requirement and the Operational Requirement, [click here](#).

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