

# [***Tax ruling sparks selloff of once-hot MLPs, and other energy stocks***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RX7-HMW1-J9XT-P2CR-00000-00&context=1516831)

Plus Company Updates(PCU)

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**Body**

New York City: E\*TRADE Financial Corporation (ETFC) has issued the following press release:

A tax ruling triggered a selloff in MLP exchange-traded funds and MLPs on Thursday, with the headwinds spilling over to the broader ***energy*** sector as midstream companies bore the brunt of the losses.

The Federal ***Energy*** Regulatory Commission said Thursday it will no longer allow master limited partnership natural gas and oil pipelines to recover an income tax allowance in cost-of-service rates ([*https://www.ferc.gov/media/news-releases/2018/2018-1/03-15-18-G-2.asp#.WqqwlWrwZhG*](https://www.ferc.gov/media/news-releases/2018/2018-1/03-15-18-G-2.asp#.WqqwlWrwZhG)).

The Alerian MLP (AMLP) exchange-traded fund dropped as much as 11% on Thursday, and was recently down more than 7%, on track for its lowest close and its largest percentage decrease in two years. The ETF has lost 18% in the past 12 months.

Among MLPs, steepest losses included those of Plains All American Pipeline LP (PAA) and ***Energy*** Transfer Partners LP. (ETP)

Pipeline operators Williams Cos. (WMB) and EQT Corp. (EQT) led losses among ***energy*** companies on the S&P 500 index,

Names that are most exposed to the ruling included Enbridge ***Energy*** Partners LP (EEP), TC Pipelines LP (TCP), Spectra ***Energy*** Partners LP (SEP) , Williams Partners LP (WPZ), and ***Energy*** Transfer Partners, analysts at RBC said in a note.

"It will take more time to quantify the impact for each of these MLPs, but we do note that there are several potential offsets to the income tax exclusion," they said in the note. Moreover, "most of the MLPs have market-based or negotiated rates as part of the cash flow mix (which are not impacted)."

MLPs, typically ***energy*** concerns in "midstream," or the business of transporting and storing oil and natural gas, trade like a stock on exchanges. They pay no corporate taxes and pay out most of their cash flow to shareholders, who are technically partners.

Because they pay out most of their cash flow, however, they rely on debt to grow. The sector boomed alongside the U.S. ***energy*** boom, but as oil and gas prices continued to fall, MLPs have lost their luster.

The selloff Thursday was widespread and as such it created "a buying opportunity for names that have sold off but are not impacted" such as gathering and processing MLPs and the "downstream" oriented names, the RBC analysts said.

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