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China Solar Panel Makers Brace For Tougher Times

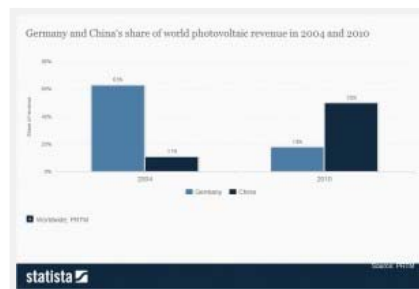
China's aching solar panel industry, one in which recently declared the life of solar powerhouse Suntech after a \$531 million default in March, received the bad news it was waiting for. The European Commission slapped a six month trade tariff on imported Made in China photovoltaics on Tuesday, accusing the country of dumping solar panels into the E.U. at below market prices.

China is the world's leading solar panel producer. Companies there are subsidized by the government, often getting free land and loans they never have to pay back, according to Usha Haley, author of the book "[Chinese Industry: State Capitalism, Business Strategy and Trade Policy](#)", published in April by Oxford University Press.

Germany used to be the world's largest. In 2004, they had over 60% of the world's solar panel revenue. But by 2010 it fell to under 20% while China's share rose from single digits to over 50%.

"Today the European Commission has decided to impose provisional anti-dumping duties on imports of solar panels, cells and wafers from China," the Commission's press office said in a [statement](#) on Tuesday. "This decision follows a thorough and serious investigation and extended contacts with market players. As the market for and imports of solar panels in the E.U. is very large, it is important for this duty not to disrupt it. Therefore, a phased approach will be followed with the duty set at 11.8% until 6 August 2013. From August on the duty will be set at the level of 47.6% which is the level required to remove the harm caused by the dumping to the European industry."

Earlier reports by the Chinese media had the tariffs as high as 60% in a worst case scenario. Overall, the duties will range from 37.2% to 67.9% starting June 6, and higher later on in the six month period when the tariffs will be imposed.



Click to enlarge. China's become the 'new Germany' in global solar panel revenues.

Those Chinese companies which have co-operated with new price agreements will face lower tariffs. Those which have not co-operated will face higher tariffs.

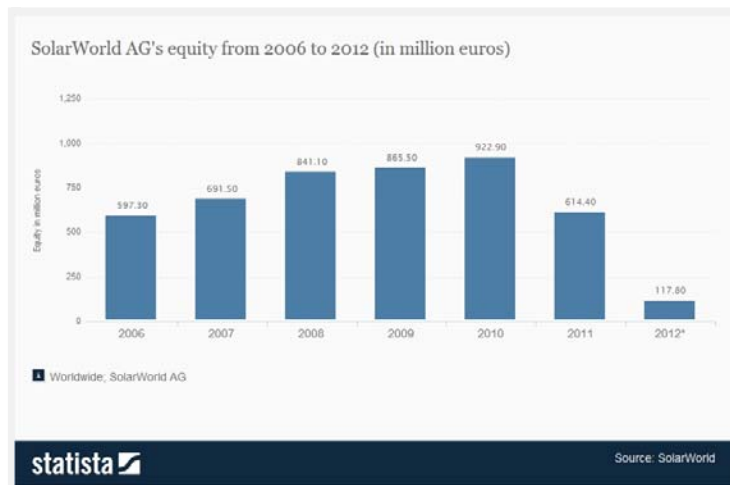
The European Commission did not say which countries voted in favor of the tariffs. Their press office was unavailable after market hours on Tuesday.

“This staggered response allows a smooth transition for our markets to adapt and it is a one-time offer to the Chinese side, providing a very clear incentive to negotiate,” said E.U. Trade Commissioner Karel De Gucht. “It provides a clear window of opportunity for negotiations, but the ball is now in China’s court. Our action today is an emergency measure to give life-saving oxygen to a business sector in Europe that is suffering badly from this dumping. This is not protectionism,” he said.

The U.S. also applies duties to Chinese solar panels.

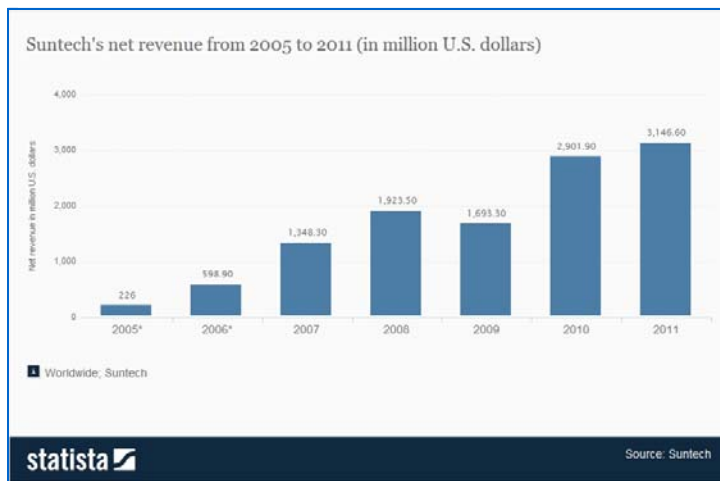
The EU’s decision to impose duties on solar panels from China is a job-threatening mistake, Robert Sturdy, vice-president of the European Parliament’s International Trade Committee [told China Daily on Wednesday](#). “These duties are going to damage businesses that install solar panels, and force up prices for consumers,” said Sturdy.

The anti-dumping investigation began September 6, 2012 following a complaint lodged by E.U. ProSun, a Belgium-based industry association claiming Made in China photovoltaics were being dumped in, causing material injury to the local solar panel industry, most of it in Germany.



Germany's once giant solar maker, SolarWorld, losing market share to China. SolarWorld was one of the biggest lobbyists in favor of an anti-dumping investigation on Made in China photovoltaics.

Meanwhile, as German solar giant SolarWorld shrinks because of Chinese competition, Chinese majors have grown. Ironically, Suntech Power, one of the biggest in this space, is also the biggest ever Chinese default. In Suntech’s case, size did not matter.



Regardless of Suntech's money woes, the European Commission investigators ultimately found that Chinese solar panels were being sold on the European market below their normal market value, resulting, on average, in dumping margins of 88%. That puts the fair value of a Chinese solar panel sold to Europe at least 88% more than they are going for now.

In some cases, dumping margins of up to 112.6% were found, the Commission [said in a statement Tuesday](#) outlining their findings and methodologies behind the tariff.

It said that "material injury" was suffered by the European Union solar panel industry, which translated primarily into a loss of market share, a forced decrease in sales prices, tighter profit margins and a number of insolvencies.

The investigation will now continue. Definitive measures applying for five years, if any, would have to be imposed within 15 months from the start of the September 2012 investigation.

The products covered by the investigation are solar panels and their key components: solar cells and solar wafers. In order to produce a solar panel, solar wafers are converted into cells and then cells are assembled together into modules or panels. Some producers have integrated production covering all three production steps, but others produce only wafers, cells or modules.

The Chinese imports represented over 80% of the E.U. market in 2011 to 2012. The Commission said that Chinese market share would grow further if the duties were not imposed. Consequently, there is a risk that the E.U. solar industry, which held a 13% share of the market during the same period, will quickly cease to operate altogether.

In 2009, E.U. producers still had a 19% share of the market.

It's slipping.

Haley said that China subsidies help keep prices of solar panels low in Europe and the United States. "Once they dominate the market, they will raise prices and there will be no more European or American solar industry to compete with them," she said.

JA Solar shares fell 2.4% in after market hours on Tuesday. Trina Solar is down 1.31% on the news and likely to fall further this week. SolarWorld, now a penny stock in Germany, rose over 10% on Tuesday.

[Top 10 Largest Solar Projects Under Construction](#)

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