The Potential Effects of the Suniva Tariff Petition

2016 was a record-breaking year for the solar industry. According to the Solar Energy Industries Association, the PV market grew in 2016 by 97% over 2015, with more than 14,500 MW of capacity installed[1]. 2017 is anticipated to record similar growth. With lucrative solar/alternative energy incentives popping up throughout the country, the United States appears to be making a promising commitment towards a more sustainable energy sector; however, despite a record-breaking year, not all parties are reaping the benefits of a booming industry.

Since 2010, more than twenty U.S. solar producers claim they have been forced to close their doors as a result of foreign competition[2]. Suniva, a Georgia-based solar manufacturer, recently filed a petition with the U.S. International Trade Commission claiming it had been "steadily forced out of the market by the relentless deluge of low-priced imports" [2]. This Suniva petition, backed by SolarWorld, seeks a 40-cent-per-watt tariff, as well as a 78-cent-per-watt price floor[3]. The tariff would have dramatic effects on the U.S. solar market.

2016 Analysis- Solar only recently became a lucrative *economic* alternative as module prices have been decreasing consistently over the last 15 years. The solar industry experienced an average annual growth rate of 68% over the last decade[4]. Consequently, the United States completed its 2020 goal of reducing utility-scale solar below $1 per watt three years early.

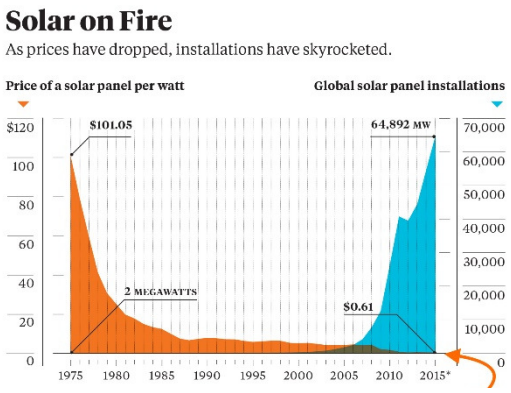

Figure 1- https://cleantechnica.com/files/2016/08/solar-price-drop-installations-1.jpg

Decreasing module costs have been the main driving force behind the installation spike. In fact, utility-scale solar accounted for 72% of total capacity installed in 2016[4].

Much of this growth has been fueled by low module prices, largely driven by cheap foreign imports. Now Suniva and SolarWorld, two companies that recently closed their doors after filing for bankruptcy, are pursuing a more favorable trade policy, they say, in response to unfair trade practices.

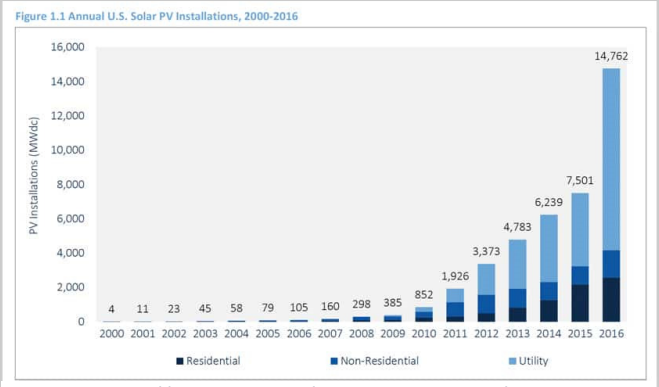

Figure 2- https://www.seia.org/research-resources/solar-market-insight-report-2016-year-review

While details are still sparse, GreenTechMedia has predicted anything from a 10-cent-per-watt to a 40-cent-per-watt increase[3]. Ideally, a tariff would result in a dramatic increase in investment in U.S. companies. As a result, tariff beneficiaries would see greater returns on investment and create job growth. According to Suniva and SolarWorld, this tariff would result in between 114,800-144,300 new jobs[5]. These new jobs allegedly include

opportunities in the manufacturing sector, as well as upstream sectors such as installation. Therefore, proponents of this tariff are marketing it as a measure to defend U.S. companies from foreign imports.

However, according to Forbes[6], despite having its headquarters in Norcross, Georgia, Suniva is a majority-owned **Chinese** company. This is ironic because a proposal funded by proponents of this tariff specifically states, "The surge in imports is the result of massive overcapacity, particularly in Asia… illegal subsidization of **Chinese** producers as well as… efforts by **Chinese** producers to develop manufacturing capacity in third-world countries." [5] In other words, assuming its implementation, this tariff would effectively exploit U.S. legislation **to the gain of foreign actors**. With regard to this legal contradiction, Sara Hunt, a director at the Center for Innovation and Technology at the American Legislative Exchange Council, stated, "we must avoid rewarding the opportunistic use of U.S. trade laws (by foreign actors)."[7]

Here is what the rest of the solar industry is saying about the tariff's potential effects on the U.S. economy:

- Only 45,000 of the boasted 144,300 jobs are in manufacturing[5]
- The remaining 99,000 non-manufacturing jobs assume solar installations will continue at their record pace
- An increase in module pricing would have dramatic effects on installation numbers, particularly in utility-scale solar projects
- A 30-cent-per-watt tariff could reduce expected solar deployments by 38 percent through 2021[8]
- Nothing would create more installation/upstream job opportunities than **increased installations**

Figure 3- www.thesolarfoundation.org/wp-content/uploads/2017/02/Census-Infographic.pdf

Energy Trade Action Coalition spokesperson George Felcyn stated, "There are many more U.S. manufacturing companies and jobs that are threatened by cutting off the basic inputs needed by the industry that are at stake here… It's critical to look at the supply chain as a whole and consider all the other companies that depend on these inputs." [7] In fact, according to UtilityDive, only 38,000 (15%) of the 260,000 solar jobs in the United States are in module manufacturing[2]. It might be very difficult for the jobs created by the proposed tariff to offset those lost in upstream markets.

The tariff would not only result in a loss of American solar jobs, but would also set the U.S. back years with regards to grid diversification. Utility-scale solar accounted for 72% of capacity installed in 2016. While utilities are primarily pursuing cost efficiency, this transition toward renewable utility-scale energy will greatly reduce our carbon footprint; however, **even a slight rise in module pricing may shift**

margins back toward fossil fuels. In other words, this tariff poses not only a threat to the U.S. labor market, but also to our nation's commitment toward a sustainable and independent energy future.

Update:

On Tuesday, October 31st, trade officials at the International Trade Commission released their recommendations regarding the Section 201 Tariff proposed by Suniva and SolarWorld. While ITC officials presented a wide range of proposals, none of them were as severe as what the original petition called for. According to the New York Times, "Suniva called the International Trade Commission's recommendations 'disappointing'"[9].

Unlike the flat tariffs originally proposed by Suniva and SolarWorld, multiple officials at the ITC called for quota-based trade limitations. Meredith M. Broadbent, for example, suggested limiting future PV imports to 8.9 GW in 2018. Following 2018, imports would increase by 1.4 GW a year.[9] Other recommendations encouraged methods such as deferred tariffs on capacity and other quota-oriented methods.

These proposals were presented to the Trump Administration on Nov.13th. The White House is scheduled to announce its decision on January 26th, 2018.

Sources

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