

New US Duties on Chinese Solar PV Imports Isn't the Last Word on International Trade Dispute

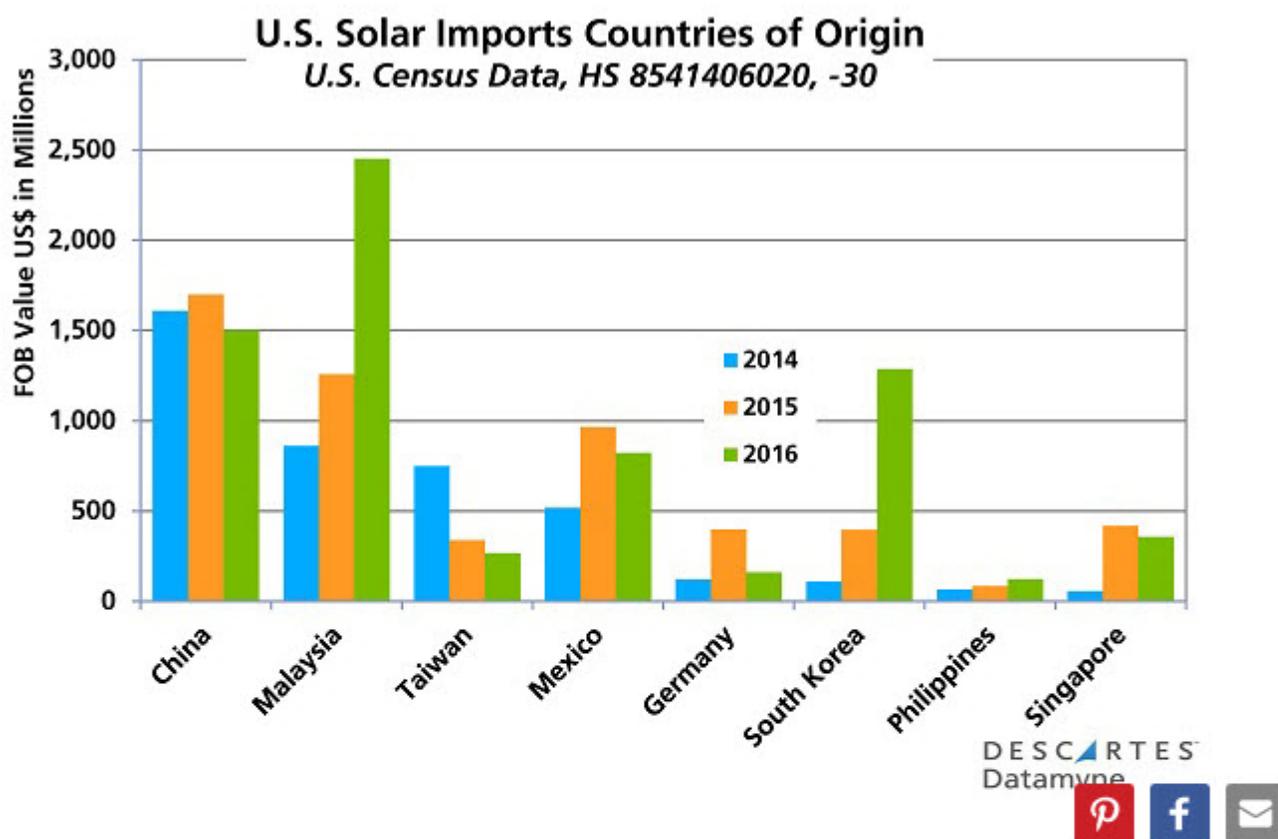
By **Andrew Burger** - January 25, 2018



US President Donald Trump announced the imposition of new, punitive import duties on solar photovoltaic (PV) cells and modules not only from China, but worldwide. Starting at 30%, they are to drop to 15% over a four-year period, with each year's first 2.5 gigawatts (GW) of solar PV cell and module imports exempt.

Bloomberg deemed the new solar import duties the biggest blow the Trump administration has yet to deliver the \$28 billion US solar industry, which has been growing substantially faster than other US economic sectors over the past decade. Others inside and outside the US solar energy sector hailed it as the first concrete evidence Pres. Trump intends to follow through on presidential campaign promises to get tough with China and other nations regarding unfair trade practices, as well as his pledge to defend and boost US jobs and manufacturing.

US solar manufacturer Suniva originally filed the unfair trade petition with the US International Trade Commission (ITC) citing Section 201 of the US Trade Act of 1974 that resulted in Pres. Trump's decision to impose additional, punitive import duties. "On behalf of Suniva's employees and the thousands of American solar manufacturing workers significantly harmed by unfair trade practices, we thank President Trump for holding China and its proxies accountable, imposing necessary tariffs, and closing the threatened Canadian loophole," management stated in a news release.



U.S. Solar Imports Countries of Origin (2014-2016) | Source: Descartes Datamyne

Sending a Clear Message

Imposing a global import duties on solar cells and panels is intended to plug what some US solar industry participants [viewed as a loophole](#) in punitive import duties imposed in Dec. 2014. Chinese solar PV cell and module manufacturers ramped up their capital spending overseas to add and build new, export-driven PV manufacturing capacity outside of China in the wake of their enactment. Doing so effectively neutralized the import duties.

Nearly 30 US solar manufacturers failed during the past five years, unfair trade practices on the part of the Chinese government and export-driven solar PV manufacturers being the primary cause, according to Suniva and SolarWorld Americas, which joined Suniva as a co-petitioner in the ITC petition. Suniva [filed for bankruptcy protection](#) last year.

"[T]oday the President is sending a message that American innovation and manufacturing will not be bullied out of existence without a fight," Suniva management said. "We look forward to working with the Administration as these tariffs go into effect and beginning global settlement negotiations. This is a step forward for this high-tech solar manufacturing industry we pioneered right here in America."

Suniva and SolarWorld Americas had been advocating Pres. Trump [impose 50% duties](#) on solar cells and modules manufactured by Chinese companies, asserting doing so would stimulate creation of 100,000 US solar industry jobs.

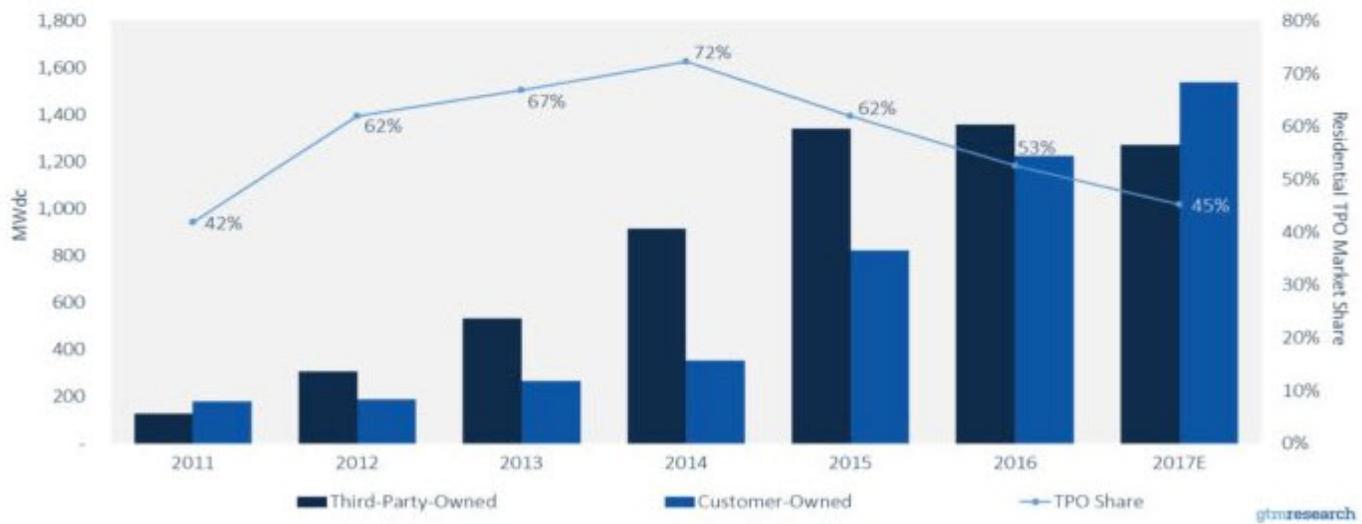
SolarWorld Americas Inc. has ranked as the largest U.S. crystalline-silicon cell and panel producer for more than 42 years. The corporation is owned by Germany's SolarWorld GmbH, which [declared insolvency](#) there last August, a fact critics of the trade dispute haven't been shy about highlighting.

New Chinese Solar PV Import Duties in Context

The US ITC laid out three potential remedies in defense of US solar PV manufacturers for Pres. Trump's consideration. Boston's Lux Research has been following developments regarding Suniva and SolarWorld Americas' unfair trade petition closely.

"The ITC proposed three remedies, which can basically be characterized as a strong tariff, a weak tariff, and an import license to be set at auction. These vary in degrees of severity – but none of them come even close to the measures that Suniva and SolarWorld are clamoring for," Lux Research Associate Max Halik told [Solar Magazine](#).

Solar installation, finance and other "downstream" industry participants are worried that the imposition of new import duties will raise the price of PV cells and modules. All else being equal, that would lead to an increase in the cost of solar energy installations and a drop in customer demand.



Residential Installations by Ownership Type (2011-2017E). [Click here](#) to view the full-sized image. | Source: GTM Research

"If severe tariffs are put in place, solar installers, for example, will be hit by this drop in demand, lose business, and likely cut jobs. Unfortunately, employees of downstream companies vastly outnumber the solar manufacturing employees (by a factor of about six), which is why this issue has stirred such furor," Halik explained.

"Just the mere threat of tariffs has shaken solar developers in recent months, with some hoarding panels and others stalling projects in anticipation of higher costs," according to Bloomberg News' [Jan. 22 report](#).

"Developers may have to walk away from their projects," said Hugh Bromley, a New York-based analyst at Bloomberg New Energy Finance. "Some rooftop solar companies may have to pull out" of some states.

Ripple Effects

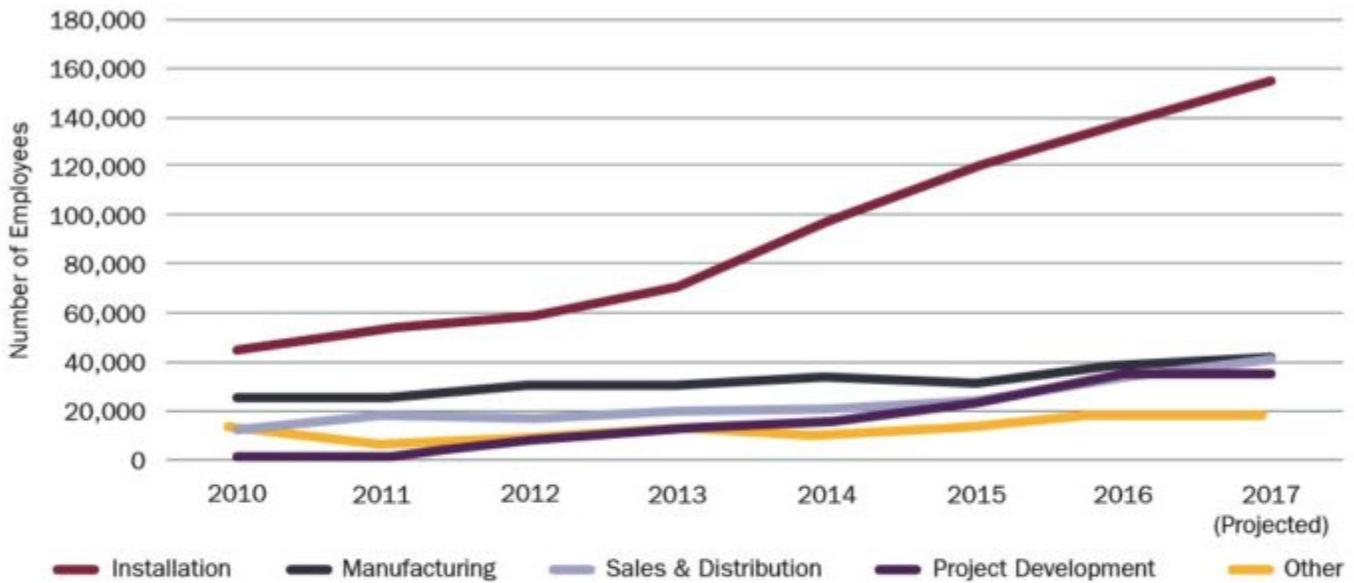
The US Solar Energy Industries Association asserts that new import duties will result in tens of thousands of job losses across the US solar energy sector, in which some 260,000 Americans are now employed.

“ *While tariffs in this case will not create adequate cell or module manufacturing to meet U.S. demand, or keep foreign-owned Suniva and SolarWorld afloat, they will create a crisis in a part of our economy that has been thriving, which will ultimately cost tens of thousands of hard-working, blue-collar Americans their jobs.* ”

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– said Abigail Ross Hopper, SEIA's President and CEO.

Solar Employment Growth by Sector, 2010–2016¹⁴



Solar Employment Growth by Sector, 2010-2016. [Click here](#) to view the full-sized image. | Source: Solar Foundation's "National Solar Jobs Census 2016" (February 2017)

The impact of the decision will be far-reaching across all sectors of the solar economy, SEIA members said.

"It boggles my mind that this president – any president, really – would voluntarily choose to damage one of the fastest-growing segments of our economy," said Tony Clifford, chief development officer, Standard Solar. "This decision is misguided and denies the reality that bankrupt foreign companies will be the beneficiaries of an American taxpayer bailout."

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The new import duties will make a deep, broad-based impact on the US solar industry, SEIA and others critical of their imposition say. "Developers may have to walk away from their projects...Some rooftop solar companies may have to pull out of some states." Bloomberg New Energy Finance analyst Hugh Bromley was quoted in Bloomberg's news report.

"More good-paying jobs will be jeopardized by today's decision than could possibly be saved by bailing out the bankrupt companies that petitioned for protection," said Clark Packard, trade policy counsel for the right-wing R Street Institute. "Today's decision also will jeopardize the environment by making clean energy sources less affordable."

The US international solar trade dispute with China isn't likely to end with Pres. Trump's imposition of new import duties, however. "The dispute is likely to be settled eventually by the Switzerland-based World Trade Organization (WTO), where China and other countries are nearly certain to challenge the tariffs as a violation of international law," Bloomberg News pointed out.

Furthermore, Section 201 of the US Trade Act has been used rarely and the imposition of associated import duties have been routinely rescinded by the WTO.

"Ultimately, the proposed tariffs – what Suniva and SolarWorld are calling for, the watered-down measures suggested by the ITC – will only serve as stop-gap measures," Lux Research's Halik concluded.

"When tariffs eventually expire, U.S. manufacturers will still face the same problems in competing with foreign modules, and solar manufacturing technology innovations – such as 'kerfless' wafer development – are what will really be needed to develop a cost-competitive product, rather than punitive government interference."

TAGS

solar panel

solar PV import

trade petition



Andrew Burger

Andrew is a researcher, reporter, writer and editor whose work spans the fields of energy, science, technology, sociology, finance and political economy. He has a degree in geology, a master's in finance and has completed postgrad studies in international governance for biodiversity.

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