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Special Report: European solar wobble spurs China deals

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A slowdown in subsidies for solar power across European countries has encouraged companies to look overseas for greener pastures, threatening Europe's lead in this promising high-tech sector.

Background

The Renewable Energy Directive set individual targets for EU member states in order to reach a collective 20% share of renewables in total energy consumption by 2020 (see [EurActiv LinksDossier](#)). Each country is free to choose which renewables it promotes.

With around half of the world's solar market, Germany is a clear leader in photovoltaic solar technology, but other European countries like Spain, Italy and France have in recent years [challenged](#) their market dominance.

Feed-in tariffs have been among the most successful policy mechanisms for promoting [solar power](#) and other renewable technologies. First adopted by Germany, other European countries quickly followed suit. They aim to help technologies that are not yet commercially viable to reach grid parity, the point at which they cost the same as fossil fuels.

Europe's wobbling solar energy market has again been jolted by news that a world market leader, First Solar, has agreed a strategic cooperation deal with China's state-owned solar firm China Power International (CPINE).

"We've had to put an emphasis on new and emerging markets because the markets in Europe are plateauing or shrinking," First Solar spokesman Brandon Mitchener told EurActiv.

"There is a slowdown going on across the continent," he said.

Last year, the European market accounted for 80% of all solar panel demand, but uncertainty about the future of the feed-in tariff programmes run by several EU governments has knocked business confidence.

Feed-in tariffs are policy [mechanisms](#) designed to provide a level playing field for renewable energy sources, which receive ten times less government subsidies than fossil fuels, according to [studies](#).

Tariffs could include, for instance, long-term contracts for electricity produced, guaranteed grid access, or preferential purchasing rates.

But in Germany, France, Italy and Spain tariff cuts are [pending](#). In Bulgaria the industry could be [chopped off](#) at the knee, while the UK is [considering](#) ending tariffs altogether for installations generating more than 50kW of capacity.

"It was a moratorium. Everything stopped, the market stopped," said Eleni Despotou of the European Photovoltaic Industry Association (EPIA), commenting about France's decision to cut its feed-in tariff.

"We are seeing a migration of factories from Europe to Asia already. This is happening and it's really quite important," she told EurActiv in an interview.

But Despotou said she still believes there is a future in Europe for the solar PV sector. "We have done an analysis of the value chain from mining to the end product and recycling. And [...] we have found that the segment where the Chinese are coming into play is the module part, which is the assembly part."

But before reaching the assembly part, Despotou said there are intermediate steps where European firms maintain a competitive edge. "And in those previous steps, you have lot of European added-value, namely on the wafer part and on the equipment part".

In the long run, Despotou said stop-and-go subsidies, like in France and Spain, were putting the industry at risk.

"I cannot predict what will happen in Europe. What we believe is that there is still a lot of added-value in Europe. You have countries like Germany that have managed to make a real global business, and PV is a global business."

Small is beautiful?

With subsidies falling, some countries - like Britain and Germany - want to concentrate tariffs on small households who mount solar panels on their rooftops.

But Mitchener argued that where solar power was concerned, a "small is beautiful" strategy was counter-productive.

"The large projects are most cost-effective and help reduce the cost of solar electricity for customers, because their feed-in tariffs are lower than they are for small projects," he said.

Some in the solar energy industry welcome phased tariff reductions in principle as a sign of the technology's maturity.

But this sentiment mingles uneasily with a growing concern that the cuts are happening too quickly, unpredictably and, often, retroactively.

"Reductions in feed-in tariff programmes may result in a significant fall in the price of and demand for [solar photovoltaic] products," Suntech Power Holdings (STP) [warned](#) in their annual report on 9 May.

"We believe that in a time of uncertainty of political and policy developments, competition among solar manufacturers could become fierce," the report said.

First Solar also [cautioned](#) that lower tariffs could "significantly [reduce] industry-wide demand and/or price levels, and our results of operations could be adversely affected".

The company reported a 33% fall in first-quarter earnings for 2011 on 2010, as a result of higher costs, lower sale prices, and the more generalised European market slowdown.

Earlier this month, Rainer Hinrichs-Rahlwes, president of the European Renewable Energies

Foundation (EREF), [appealed](#) to EU Energy Commissioner Günther Oettinger for EU operational funding to be made more easily available to Bulgaria.

The country's argument that its grid system was insufficiently developed to handle electricity generated from renewables risked "throwing the baby out with the bathwater," he warned.

According to a recent Intergovernmental Panel on Climate Change [report](#), Solar photovoltaics (PV) have the potential to provide up to one third of the world's electricity supply by 2050.

But to achieve that amount would require tremendous investment, which does not appear to be forthcoming at the moment.

Instead, solar PV is likely to deliver less than 10% of the total.

Links

EU official documents

- European Commission [Renewable energy directive 2009](#)

European Union

- European Commission [Solar electricity](#)

Press articles

- EurActiv Czech Republic: [Podporu fotovoltaik škrtí celá Evropa. Solární byznys se ohlíží po Číně](#)
- EurActiv Slovakia: [Solárny biznis sa odvracia od Európy](#)