

## DOCKETED

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FEATURE

## **GTM warns of solar installation declines ahead of ITC trade case remedy vote**

A new report paints a troubling portrait of the U.S. solar industry should a range of tariffs be imposed.

By **Krysti Shallenberger** • Oct. 26, 2017

**A**s the solar sector awaits a vote from the U.S. International Trade Commission (ITC) and a final decision by President Donald Trump in a high-profile solar trade case, a new report from GTM Research illustrates the potential harm tariffs could do to the rapidly growing industry.

According to the report, utility-scale solar is the most vulnerable to any tariffs, quotas or floor price, and the potential harm to the domestic market could linger well after their expiration date in 2022.

GTM's head of Americas Research and lead report author, MJ Shiao, noted the tariff prices quoted in the report do not match the proposals from the petitioners, saying the analysis was started before the two companies submitted their revised proposals ahead of an October hearing over possible remedies.

Nonetheless, the report paints a pessimistic picture of the solar industry should a range of tariffs be imposed.

"I don't think anyone is saying solar installations will disappear by any means," Shiao said. "But you would still have varying degrees of impact." The biggest impact, according to the report, would be to utility-scale solar, which could see more than half its projected installations disappear under the worst case scenario.

Earlier this year, two financially-embattled solar manufacturers, Suniva and SolarWorld, petitioned the ITC for import relief from crystalline silicon photovoltaic modules and cells, claiming the imports harmed domestic operations and hurt the competitive ability of U.S. solar manufacturers in global markets. The two companies submitted proposals to the ITC for tariffs and a floor price, which have since been revised.

The agency took up their petition in a rare Section 201 investigation under the 1974 Trade Act. In a unanimous ruling in September, the ITC found cause for severe injury due to imports from South Korea and Mexico. Now the agency will vote on a proposed remedy, with President Donald Trump having the final say. Under the law, the proposed remedies can stay in place for four years and could be extended another four years, though they could also end sooner.

With his protectionist predilections and public disdain for solar, Trump has openly supported fossil fuels, especially coal. The trade case could give him a tool to boost that industry at the expense of solar. And opponents fear tens of thousands of jobs would be lost should Trump impose the petitioners' proposed remedies.

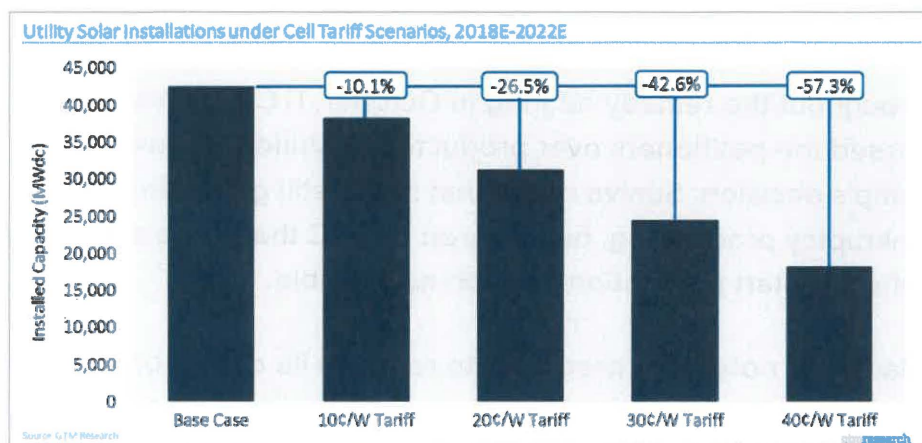
### **The tariff impact**

In the revised proposals, Suniva wants a \$0.25/watt tariff for solar cells that would drop to \$0.235/watt over a four-year span, along with declining tariffs starting at \$0.32/watt for solar modules, which would fall to \$0.29/watt in the same timeframe.

Suniva also proposed a declining floor price of \$0.74/watt for solar modules that would end at \$0.64/watt after four years. SolarWorld requested quotas of 0.22 GW on imported cells and 5.7 GW on imported modules in 2018, which would also ratchet down over four years. Both petitioners told the ITC they want a combination of tariff and quota or floor price that would remain in place for the full four years.

Conversely, the solar trade group Solar Energy Industries Association (SEIA) is bypassing tariffs entirely, and proposed a novel licensing fee instead.

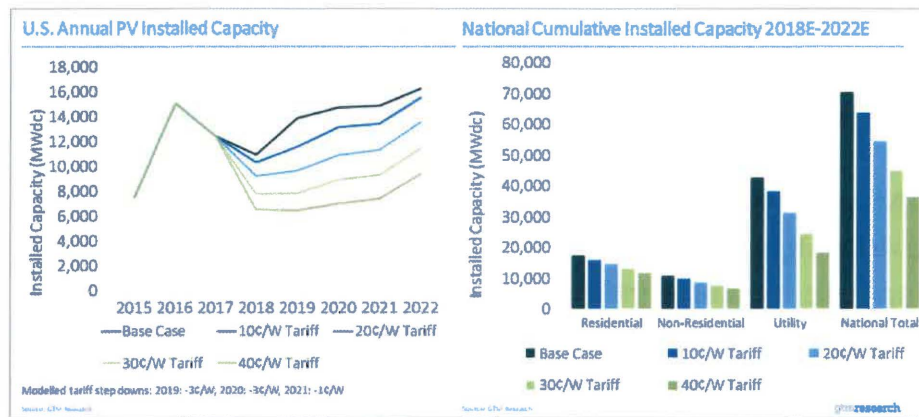
GTM modeled a range of scenarios from tariffs of \$0.10/watt to \$0.40/watt, which do not exactly align with the companies' proposals but could paint a picture of potential impacts from remedies put forth by the ITC or Trump. Under a \$0.10/watt scenario, utility-scale solar installations are projected to fall 9%. Under the most extreme scenario — a \$0.40/watt tariff — installations are expected to fall nearly 60%.



Credit: GTM Research

Commercial and industrial, and the residential markets are somewhat more impervious to impacts, Shiao said. But not by much — a \$0.10/watt tariff would tamp down residential solar installations 8% and a \$0.40/watt one would reduce them 32%.

The proposed remedies would not apply to roughly 5 GW of U.S. solar, according to the report, though demand for domestic installations is expected to reach nearly 11 GW in 2017, and more than 16 GW by 2022 — when the tariffs would expire. The unaffected modules and cells are either a.) made of thin film or b.) domestically manufactured or imported from Singapore, Canada or Australia, which are exempted from any remedies.



*Worst case scenario: Utility-scale solar declines 57% if \$0.40/watt tariff is imposed. Credit: GTM Research*

Throughout the remedy hearing in October, ITC commissioners pressed the petitioners over production ambitions following Trump's decision. Suniva noted that it was still going through a bankruptcy proceeding, but assured the ITC that plans are being crafted to start production as soon as possible.

SolarWorld noted it is preparing to ramp up its operations and recruit for 200 jobs following the remedy decision. The company's CEO Juergen Stein testified the remedies will sprout 35,000 domestic manufacturing jobs. But commissioners remained skeptical of Suniva and SolarWorld's rehabilitation plans for their businesses.

"You envision that there would be 35,000 jobs created at minimum," Schmidlein said. "That sounds like a wish list to me."

Even if both companies ramped up to full production, along with other domestic manufacturers, "there is still demand for 4-5 GW of solar in the market" that will have to be met, Shiao noted.

Already, module prices are rising to combat possible risks from tariffs, GTM noted, with installation costs rising for the first time in a while.

In their October testimony, the petitioners noted the tariffs would return the module and cell prices to 2015 levels, when the solar industry experienced its biggest boom to date.

But the petitioners did not account for the impact of the Investment Tax Credit, which was slated to phase down at the end of 2015 and sparked a rush from developers to deploy projects to qualify for the credit.

In addition, as tariff opponents noted in testimony in October, several solar developers filed for bankruptcy or, in the case of top residential developer SolarCity, were bought out.

Solar policies have changed in many states, Shiao pointed out, as solar becomes cheaper and regulators revisit popular policies such as net metering, which credits rooftop solar users for excess energy sent to the grid.

“You can’t just pull numbers from the past and say everything is going to go back [to how it was] before,” Shiao said. “For the most part things look worse.”

