WAITING IN THE WINGS:
Implications of the Tariff to the U.S. Solar Industry

GAGING THE FUTURE OF SOLAR

The U.S. solar industry has been flourishing for the last few years coming off the heels of the 30% Federal Investment Tax Credit (ITC) extension at the end of 2015 which was a stabilizing factor for the industry. The driving force behind this boom is dynamic, but the numbers speak for themselves.

According to the Solar Energy Industries Association (SEIA), the U.S:

- has reached over
  47 gigawatts (GW)
  of total installed capacity
  as of Q2 2017
- **employs over**
  260,000 Americans
  across all scales of solar
- has seen a precipitous
  drop in prices by
  more than 55%
  since 2012 ...
- ...with utility-scale
  Power Purchase Agreements (PPAs)
  contracting in the range of
  $28-45/MWh[1]

These ingredients are fueling the interest by buyers in the market to purchase greater amounts of solar energy and driving solar on a complimentary path to the incredibly successful wind industry in the U.S.

[1] Solar Energy Industries Association (SEIA), Solar Section 201 Case, FAQ

The direct impact of tariffs

Unfortunately the positive industry momentum has slowed in the last months and is teetering on the edge of being significantly impacted. This is due to the looming Section 201 Trade Case petition filed in May 2017 by Suniva, a solar manufacturer, to the U.S. International Trade Commission (Commission) to determine if the import of foreign manufactured PV modules was causing "serious injury" to the domestic solar industry. The Commission rendered a decision of serious injury in favor of the Suniva petition on September 22, 2017 and now has until November 13, 2017 to provide the recommended "remedy", likely in the form of a minimum tariff on cells and/or modules that would ramp down annually for the next four years as requested in the petition[2], to President Trump who has full authority to accept, modify or reject the recommendation by January 12, 2018.

For an industry whose new capacity growth outpaced wind and natural gas additions in 2016[3], this will have a chilling effect. The current proposal by Suniva for a tariff and minimum price on imports is estimated to double the price of solar panels[4]. Given the cost of the PV module alone is approximately 40% of the total cost for utility-scale solar projects[4], the direct impact to PPA pricing would revert back several years.

As of today, the unknowns are abundant to both buyers and sellers of solar projects. ***What will be the Commission's final remedy recommendation? How will the solar industry, particularly the PV manufacturers, adjust to the final determination?*** And lastly, ***is there a path to recourse for the industry?***

These questions are already impacting existing projects and contracts as a pause is occurring in the market. In the near-term, utility-scale solar buyers in the market may migrate to wind energy purchases that are still low-cost and not exposed to the uncertainty.

The solar manufacturing sector will likely experience an adjustment period around the module prices as the newly imposed rules are implemented and U.S. manufacturing capacity ramps up. In the meantime, developers are attempting to procure the limited tariff-free PV modules available to execute on existing or future opportunities.

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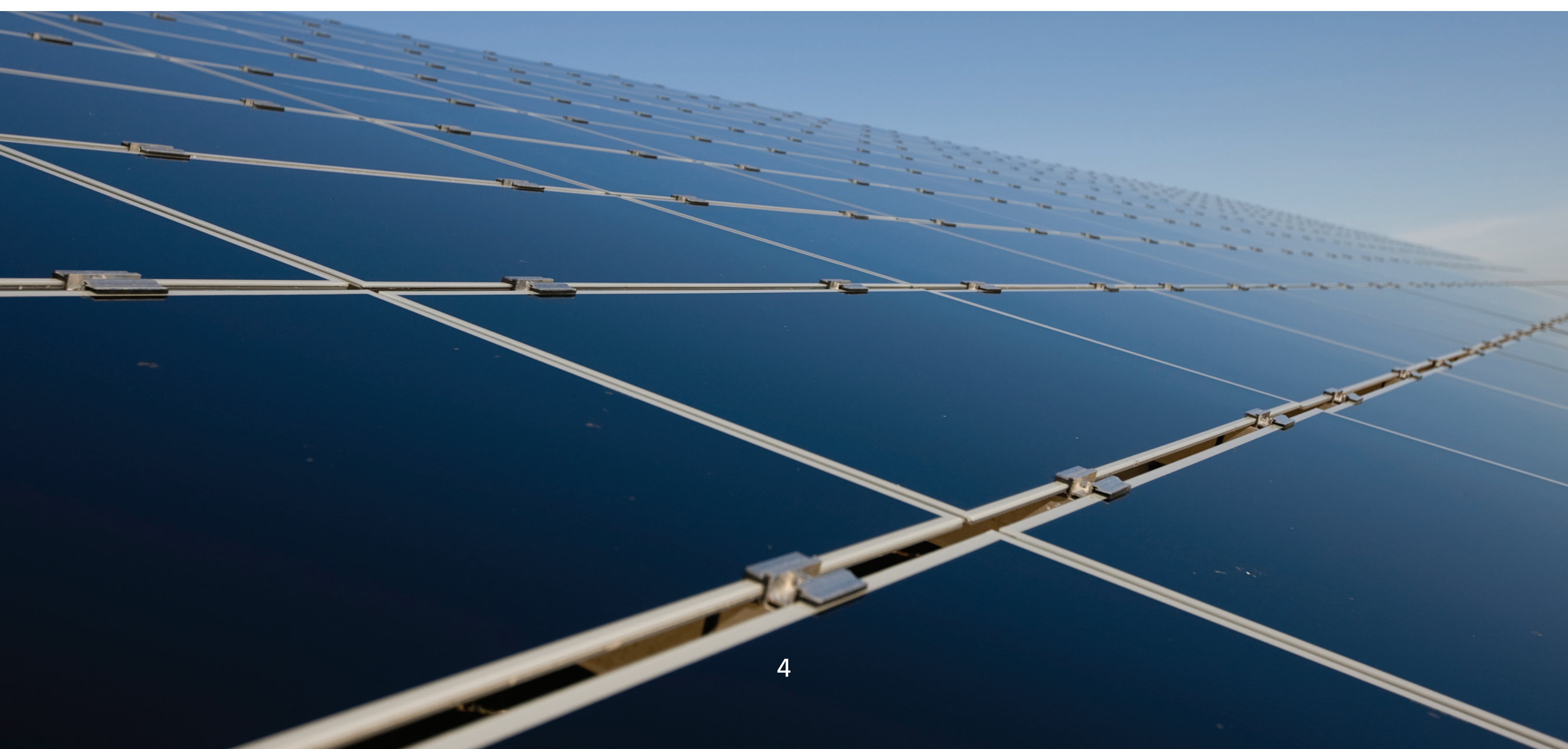
[2] GTM, "Suniva, SolarWorld and Their Opponents File New Trade Remedy Proposals"
[3] SEIA, Solar Share of New Capacity – 2017
[4] Bloomberg New Energy Finance

The Commission and President Trump have broad discretion regarding the decision; however, implications are global, political and complex as the U.S. has a number of countries which are trade partners with Free Trade Agreements. Additionally, the World Trade Organization could get involved if an appeal is made by an impacted country; however, any imposed-tariff would likely remain in place during this process.

Led by SEIA, industry advocates, solar experts and a group of bipartisan elected officials have worked diligently to communicate the broader negative impact a tariff or minimum import price would have on the industry, including the estimated 88,000 solar jobs under threat due from the trade case.[6] The next few months will be critical as the "table is set" for solar for the next several years.

It is clear that solar energy is a valuable product in the energy market and the demand from utilities and corporate buyers alike has only been growing as pricing has continued to decline the last several years. The industry is filled with experienced and innovative players, so **even if the solar industry experiences an obstacle that distorts that value, the advantages of solar energy are clearly recognized by the broader market and will lead to a bright future** for solar in the long-term.

[6] SEIA, "Solar Industry Expects Loss of 88,000 Jobs if Government Rules in Company's Favor in Trade Case"



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Currently based in Chicago, but originally from the Kansas City area, Caroline earned her Bachelor's degree in Political Science & International Relations from William Jewell College in Liberty, Missouri.

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