A Little Known Trade Deal Could Soon Derail America's Booming Solar Industry

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A Little Known Trade Deal Could Soon Derail America’s Booming Solar Industry

The U.S. solar industry has seen unprecedented levels of growth for the last half decade. Fostered by government subsidies, a consumer base increasingly concerned with fossil fuel emissions, and improved production techniques causing drastic price reductions, solar energy added nearly 30% of all new watts to America’s electric grid last year.

But proposed tariffs on Chinese solar cells and modules, presumably intended to bolster the industry, may do just the opposite. The tariffs would raise the prices of these imported components, which many U.S. companies purchase for use in assembling the solar panels that they sell or install.

The tariffs are opposed by solar energy industry groups and have been almost universally condemned by U.S. politicians across party lines. Nevertheless, the petition recently received approval from the International Trade Commission, the independent federal agency that evaluates trade policy. Now the move is just one stop away from approval. President Trump, an avid supporter of anti-globalist trade moves and traditional energy sources like gas and coal, will consider the tariffs this month and his signature is all that’s needed to make it law.

Should the tariffs be enacted, the cost of solar installation, from small scale residential to large scale utility projects, are expected to rise. According to market analysts and solar trade groups, the tariffs will kill 88,000 existing jobs and halt two-thirds of solar installations over the next four years. Over that time, new installed solar capacity would be half the amount it would be without the tariffs.

“It just delays the deployment of solar,” said MJ Shiao, head of Americas research at GreenTech Media, for “everyone from the homeowner who doesn’t want to buy solar for their roof after costs rise, to the utilities contracting power from these plants for the next ten to fifteen years.”

Cutting off the development of a key renewable energy source will not only hamper U.S. efforts to slow climate change, say trade analysts. It will curtail a sector of the economy that has the potential to create hundreds of thousands of jobs and make the U.S. competitive in a growing field. The US has largely been sidelined within the global solar industry by China, which has spent the last two decades investing in the renewable market.

The Chinese government’s ambitions to use 20% clean energy by 2030 have spurred the country to become the world’s leading manufacturer and exporter of solar technology. There are over 2.6 million workers in the Chinese solar industry, ten times the size of the US workforce, and two thirds of the world’s solar panels are manufactured in the country.

The Solar Energy Industry Association, which represents over a thousand U.S. installation and production companies, recently staged a demonstration in Washington, DC to show its opposition to the move. On December 6th, over 100 people gathered just outside the International Trade Commission, which has held hearings on the case since May. A full
marching band played and loud chants of “2, 4, 6, 8 Solar Makes America Great!” and “No Tariffs, More Jobs!” permeated the air.

Scott Canada, senior vice president of renewable energy for McCarthy Energy, came to the rally to represent the company, which is contracted for several large-scale utility solar projects that he says may be canceled depending on the outcome of the tariffs. He worries the tariffs go too far in hindering foreign imports. “A smart tariff that’s small but maybe helps encourage US manufacturing is a different thing than this blunt object that is just going to stop the progress of the industry,” said Canada.

Abigail Ross Hopper, CEO of Solar Energy Industry Association, emerged from the ITC building several times to address the crowd, which she had been representing in her arguments to the commissioners on the final day of public hearings on the case.

“When I go back in that hearing room I’m gonna tell them we have a whole bunch of real live people out here with real live jobs, families, mortgages, and insurance and that’s who I’m here to protect,” said Ross Hopper as the crowd swelled with cheers.

At the conclusion of the hearing the group marched to The White House where they continued their protest as a direct appeal to President Trump, who must issue his decision on the case by January 12th.

Despite the outcry, the ITC sided with the petitioners in its decision to recommend tariffs. The commission presented three different tariff proposals, but the president is free to enact tariffs at any rate he deems appropriate. The ITC justified its tariff recommendations on the grounds that U.S. companies are capable of producing the same products that are now being imported from China, and that the quantity of the imports is causing “substantial injury” to the domestic market.

The two now-bankrupt US solar companies that originally petitioned the ITC for the tariffs contend that the Chinese government’s $144 billion investment in their solar industry, through subsidies and tax exemptions, creates an unfair advantage that makes it impossible for US companies to compete.

“There are only a handful of [US] manufacturers left, so the imports have nearly decimated the domestic industry, which was actually the one that invented, pioneered, and perfected solar panel technology for the world,” said Ben Santerris, Head of Corporate Communications for SolarWorld Americas. According to Santerris, tariffs are the only option to keep struggling US manufacturers afloat.

According to the SEIA, however, of the 260,000 total American solar workers, fewer than 1,000 are employed manufacturing cells and modules, the segment of the industry the tariffs are designed to protect. The rest of the solar workers will have to contend with higher costs of manufacturing and consumer resistance to paying more for solar. These workers handle the
production of brackets, inverters, cabling, and racking, each of which rely on reasonable price points for the materials they use. Racking and brackets are used to mount solar panels, where the cabling and inverters are used to convert the energy and feed it into the electrical grid.

“If the tariffs go through, we would have to look overseas for more manufacturing,” said Constantino Nicolau, CEO of Massachusetts-based PanelClaw, which builds mounting for solar panels. He has already frozen hiring based on the uncertainty surrounding the case’s outcome. “In the end it’s really simple. If the price of solar goes up, installations go down. If installations go down, jobs suffer.”

There are some who feel the ITC’s recommendations missed the mark, despite their intentions of protecting the domestic industry. “The ITC made a finding that the imports are the primary cause of harm... but it doesn’t mean there weren’t other reasons why [the petitioners] struggled,” said Ross Hopper. She pointed to the bankrupt manufacturers’ poor rates of customer satisfaction for their products and their inability to secure a localized supply chain as reasons that their businesses failed while other domestic manufacturers continue to succeed in the market.

The bankrupt manufacturers, Suniva and SolarWorld Americas, appealed to the ITC with a rarely used provision of the 1974 Trade Act called Section 201. They largely singled out China as the culprit of what they called “illegal dumping” of cell and modules that have flooded the US market, despite the fact that Suniva is majority owned by a Chinese company called Shunfeng.

Though steep tariffs on solar imports have already been applied to China in the past, the country has been able to skirt them by setting up production facilities in such countries as Thailand and Malaysia, and importing products from there. The petition counteracts this by instituting tariffs on solar imports globally.

How Trump will side on the matter is uncertain. While he was vocal during his campaign about his contempt for China’s economic policies and his desire to shake up trade relations, he has done little to block trade with the country since entering office. During a November trip to Beijing, he even went so far as to absolve China of some blame for what he called a “very one-sided and unfair” trade relationship with the U.S., saying, “Who can blame a country that is able to take advantage of another country for the benefit of its citizens? I give China great credit.”

In the meantime, the solar industry continues to appeal to the president’s economic advisers in an effort to reach him before the January 12th deadline.

“This is really an audience of one,” said Ross Hopper. “The president makes the ultimate decision.”