

Brussels, 30 July 2014

European Commission surrenders EU solar industry to China, while US imposes 50% tariffs

On 25th July the U.S. government imposed new anti-dumping and anti-subsidy duties of nearly 50% against illegally subsidised and dumped solar products from China. Meanwhile on the same day, the European Commission welcomed a "proposal" from the Chinese Chamber of Commerce to lower dumped import prices of solar products in the EU, and revise the EU-China solar undertaking to Beijing's advantage.

Milan Nitzschke, President of EU ProSun said "The contrast of decisive U.S. trade defence measures with the position of the EU is striking. An additional 20 EU manufacturers of solar products have filed for bankruptcy, sold or closed down their production, following the EU-China solar undertaking last year. Meanwhile the Chinese Ministry of Industry announced this month that a total of 161 solar companies will be subsidized by the state. The major part of the production of these companies is exported to the EU, wiping out jobs and factories here."

Furthermore, Beijing has called for a seemingly innocuous revision to the Undertaking that if not stopped will further decimate the European solar industry. DG Trade has already forwarded China's proposal to other services for rubber-stamp approval, and intends to gloss over it as a technicality in a meeting with EU Member States on 30th July. EU industry is extremely concerned as China is pushing for a mechanism that will lead to a continuous decrease of the Minimum Import Price (MIP). The current undertaking allows reductions of the MIP only if prices on the international market for solar modules decrease significantly.

Nitzschke said: "China's dumping solar industry is desperate because all price indexes worldwide stayed stable since the middle of last year. That's not a surprise since international prices have already been below production costs for a long time. China's innovation now is to put language into the undertaking that converts U.S. dollar international prices into euros. This will guarantee a downward price revision based solely on the depreciation of the US dollar against the euro since the summer of 2013. After that mathematical sleight of hand, the formerly stable Bloomberg price index will be forced downwards and thereby reduce the MIP further."

China has already attempted such currency trickery when Beijing asked DG Trade to reduce the MIP by 3 euro cent due to currency conversion from 1 April 2014. The Commission did what Beijing asked, causing immediate injury to EU producers, as well as to all other international competitors outside Europe that are not state-subsidized by China. EU ProSun objected to this MIP reduction and demonstrated convincingly that there is no legal basis for such a currency conversion, and therefore for the MIP reduction already in place since April 1st. Rather than backing down, China has pressured the Commission to simply change the

undertaking contract. Nitzschke commented: "Beijing gave Brussels 'an offer they could not refuse', increasing injury to European industry and neutering EU trade defence measures."

Nitzschke concluded: "In June 2014, EU ProSun submitted over 1,500 proposals by Chinese solar companies offering prices below the minimum level agreed by the EU Commission and China. The European Commission has said it is investigating this claim, but nothing has been done yet against these illegal practices. The European Commission must reject China's attempts to modify the undertaking and manipulate the EU solar market into a deadly spiral to the bottom."

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Notes for Editors: Chronology of the Solar Case.

2011: In its 12th Five-Year-Plan, China defines explicit targets for expansion of the export-oriented solar industry. In 2011 China already had a production capacity greater than global demand. Today, at 70 gigawatts China's overcapacity is twice global demand.

2012: At the request of more than 20 European solar manufacturers, the European Commission launched anti-dumping and anti-subsidy investigations against Chinese solar imports.

May 2013: The Directorate General for Trade of the European Commission finds clear evidence of massive dumping (import prices systematically below production cost to displace EU domestic competition) and proposes provisional duties of around 50 percent.

June 2013: Provisional dumping measures were dropped to around 12 percent for two months, following intervention by China and threats of countermeasures. In a highly unusual move, China "invited" the EU to negotiate its own trade defence measures.

August 2013: EU-China agreement on a duty-free Minimum Import Price (MIP) on Chinese solar modules at 56 Eurocents per Watt allowing China to continue dumping. A minimum price to prevent dumping would have been around 80 Eurocents/W on the basis of the Commission's figures, while informal mediation offers of Chinese companies were around 60 Eurocents/W. China was then granted 70% of the entire EU market at this dumped price of 56 Eurocents per Watt. The remaining 30% of the EU market was allocated to the unsubsidised EU industry to compete with non-EU countries. EU Trade Commissioner De Gucht calls this an "innovative solution".

December 2013: The Council of the European Union agrees to the implementation of definitive anti-dumping measures of around 50%. At the same time the agreement to suspend duties on imports at prices over 56 Eurocents/ W is confirmed.

End 2013/Early 2014: Increasing Chinese activity to circumvent the EU minimum prices system including transport of goods to third countries to avoid originating from China, and false declaration of goods. Chinese exporters also disguise selling below the minimum price by compensation payments and other means. According to the European trading platform pvXchange the price level of Chinese imports dropped to around 53 Eurocents / W, a clear violation of the minimum price undertaking.

March 2014: The Chinese Chamber of Commerce (CCCME) asks the European Commission to reduce the minimum price to 53 Eurocents/W. The undertaking allows for a reduction of the minimum price only if the Bloomberg index for solar module prices decreases by more than 5%. The index has remained constant during the relevant period.

April 2014: The European Commission reduces the minimum price to 53 Eurocents / W, stating that the Bloomberg index is expressed in Dollars which is converted into Euros. As the dollar-euro exchange rate has changed by 5 % during the relevant period, this is considered "sufficient" for the Commission to justify the reduction formally.

June 2014: EU ProSun submits documentation of over 1,500 price quotations of Chinese solar products below the minimum price to the European Commission and calls for the Directorate General for Trade to take action. Among these documents are concrete offers made by Chinese manufacturers, including descriptions of a circumvention of the minimum price by kickback payments or falsification of customs documents.