

FAQs – September 2015

Early December, two years after the implementation of anti-dumping and anti-subsidy measures on solar imports from China, the European Commission is expected to open an examination procedure regarding the extension of these measures.

Opponents of these measures currently propagate misstatements and myths about this process. For clarification EU ProSun is offering the following FAQs.

Is it true that the European Commission has to decide on the extension of anti-dumping and anti-subsidy measures by end of this year?

No. By the end of the year, the European Commission is expected to decide on the opening of an examination procedure concerning the extension of the existing anti-dumping and anti-subsidy measures. These reviews were already announced in 2013 by former Commissioner for Trade Karel De Gucht. This examination procedure may take up to 15 months, and therefore a decision on the extension can be expected in early 2017. Current anti-dumping measures remain in force until then.

Does the minimum import price create an artificially high price level in Europe?

No. The minimum price only helps to prevent dumping prices by Chinese producers on the EU market. Products from manufacturers in other countries are not covered by the measures. The average price of solar modules in Europe has fallen further since the introduction of anti-dumping measures. However, prices have no longer been falling at the ruinous pace experienced before 2013, which led to more than 100 bankruptcies and plant closures, and the loss of thousands of jobs in Europe and other countries around the world.

Is it true that outside Europe and in neighboring countries prices for solar panels are significantly lower?

No. The major solar markets are the EU, the US and Japan. In the US, as well as in Canada, stronger measures apply against Chinese dumping than in Europe. There and also in Japan, the average prices for solar modules are higher than in Europe. SAFE (so called Solar Alliance for Europe, an alliance of six German importers of Chinese solar products) often cites examples from Turkey and China, with prices allegedly 20 per cent and more below European prices. However, Turkey is a solar market the size of which is only two percent of the European market. But the prices there are moving toward the level of European prices. China has no market price for solar panels, but government-controlled prices, which are still for the most part under full production costs. The resulting deficits of Chinese manufacturers are continuously offset by retroactive government grants.

Are the production costs for solar modules not already well below the minimum price?

No. The production costs of Chinese producers are shown for example in annual reports of listed companies. On average, they are at 50 euro cents, not including transport and overhead

costs. If the Chinese producers were not receiving substantial subsidies, the full cost would be even higher. The average selling prices of the Chinese producers are between 50 and 60 euro cents. Last year, the minimum price ranged between 52 and 56 euro cents.

Did EU anti-dumping measures cause the European solar market to crash?

No. In 2012 and 2013 – already before the adoption of anti-dumping measures – the European solar market declined dramatically (by more than 50 percent). This was mainly due to political decisions in many Member States to cut massively subsidies for solar power, to completely stop or even partially to refund existing installations. This was among other things a response to the dramatic increase of installations using dumped solar modules imported from China. From 2010 to 2012, 7.5 gigawatts of solar power capacity were installed each year in Germany, which corresponds to today's total annual consumption throughout Europe. About 80 percent of these solar panels came from China. During the same period, about 50 percent of European manufacturers, including the related jobs, were lost due to the Chinese dumping.

Does the MIP prevent a growth of the European and German solar markets?

No. The anti-dumping measures have nothing to do with this. The US experience shows that anti-dumping measures and market growth are compatible. Indeed : fair competition supports the sustainable growth of a market. In the US, the solar market has grown by 20 percent per year since the introduction of anti-dumping measures. The variety of available products has increased and for the first time, the number of new installations in the US exceeds new installations in Europe. For instance in Germany, the government has introduced a tender volume of 400 megawatts per year for large-scale solar installations. These tenders have been heavily oversubscribed, despite the minimum prices. Even with Chinese dumping prices, the volume of 400 MW would not be exceeded, as it is set by law.

Has the dumping of Chinese manufacturers ever been proven?

Yes. All countries that have carried out anti-dumping investigations of imports of Chinese solar modules (USA, Canada, India, Australia, and Europe) found massive price dumping. The dumping margins (the percentage by which Chinese prices were below production prices compared to their sales price) were each between 30 and 100 percent. The most recent of these investigations have taken place just within the last few months.

Is it true that the EU calculated its anti-dumping measures based only on a comparison with the prices of producers from India and USA?

No. The European Commission carried out a multi-level investigation, examining real production costs in the US, Europe, India and China. It has visited many individual Chinese companies and production sites. In Europe, the so-called "lesser duty rule" applies for the setting of final anti-dumping duty rates. This means that a duty may not be higher than what is needed to compensate the injury suffered by EU companies. If duties were based only on the comparison to costs in India, they would have amounted to about 80 percent. Instead, they have been set at

around 47 percent. Subsequently, a minimum price was implemented in favour of the duties. In 2013, the minimum price was set exactly at the level of prices of major Chinese manufacturers such as Yingli and Trina, which effectively corresponded to a tariff of 0 percent for imports from those producers.

Is it true that the European producers only support the minimum price because they expect higher profit margins?

No. The minimum price was an initiative of European importers, Chinese manufacturers and the European Commission, pushed for example by the German Federal Government. European manufacturers have even brought an EU court action in Luxembourg against the established minimum price. Due to the very low level of the minimum price (at the level of former dumping prices), many additional European manufacturers have gone bankrupt since 2013. Only today, two years after the application of the minimum price, some manufacturers have been able to recover and in some cases to come out of the red. In 2015, several manufacturers have thus again reported capacity expansions and new hires for the first time. Incidentally, Chinese producers have continued to incur high losses even after the introduction of minimum prices for exports to the EU.

Is Europe – due to the high labor costs – not anyway uncompetitive compared to Chinese manufacturers?

No. European manufacturers are fully competitive compared to Asian manufacturers. Lower labor costs in Asia are compensated in Europe by a significantly higher level of automation. For a product that has to produce power reliably in any weather conditions for 20 to 30 years, the high degree of automation leads to a significant quality advantage for products "Made in Germany and Europe", which continues to make those products attractive. Moreover, the solar industry is an example of how to implement Industry 4.0 successfully in Europe. This is only possible in markets where fair competition prevails and state-funded dumping is prohibited.

Has the European solar industry not almost disappeared?

No. Europe's manufacturers today have a production capacity of 6 GW, equivalent to more than 80 percent of European demand. EU ProSun alone represents over 30 European solar manufacturers.

Is it true that the entire EU solar industry, especially installers, are against anti-dumping measures?

No. EU ProSun is an initiative of producing European manufacturers. But we have called installers to support EU ProSun in expressing themselves for fair competition and against dumping. Within just three weeks, over 100 installers have joined this initiative.

What are the conditions for the opening of the expiry review of the anti-dumping measures?

1. A request by EU producers representing at least 25% of cell and module production in Europe. (A request was filed within the prescribed period by more than a dozen EU manufacturers.)
2. Evidence of the continuation of dumping, or the likelihood of renewed dumping, if measures were allowed to lapse. (In the light of the various customs violations and undertaking minimum price breaches already established by European customs authorities and the European Commission, this should not be difficult. Here Chinese manufacturers have provided enough evidence by themselves.)
3. Evidence of continued injury or the likelihood of renewed injury of the European industry. (Despite numerous bankruptcies and plant closings, the European solar industry still has 6 GW of production capacity and is starting again to increase capacity and to hire employees. If the measures are allowed to lapse, however, there would be no limit to renewed dumping which would cause massive and irretrievable damage to the EU industry.)

What would the expiry reviews of the existing measures entail when they would begin in December?

1. A full review of the impact of the existing measures, including the evolution of Chinese and European manufacturing costs, market prices, subsidies and dumping.
2. The consideration of the injury picture of the European industry.
3. The assessment of the Union interest, including the interests of importers, dealers, installers, etc.

The volume of these expiry review requests is almost comparable to the initial anti-subsidy and anti-dumping complaints. During the reviews, all interests are to be heard, and all facts to be examined. This is also the reason for the fact that the reviews can take up to 15 months.