



PwC was engaged in the context of the current investigation of the European Commission in the solar industry to report on the EU solar photovoltaic market and in particular on the claims made in the Prognos study with regard to the consequences of tariffs. In the following we provide a short summary of our main conclusions, however our report, dated 4<sup>th</sup> May 2013, is the sole authoritative statement.

### **The results of the Prognos study are implausible**

- **Higher job losses than total number of jobs:** In the Prognos study, estimated job losses exceed in several instances the total number of existing jobs in the solar industry.
- **The unexplained increase of the number of allegedly lost jobs:** The first results of the Prognos study, which were presented to the public in November 2012, announced considerably fewer job losses than the results made available to the public in February 2013. By then, the number of estimated job losses was suddenly several times higher than in November 2012.
- **The US experience - Anti-dumping tariffs and job growth:** The US imposed tariffs on PV products in 2012. There was also a study commissioned in the US on the possible effects of tariffs that forecasted alarming job losses. However, after the introduction of tariffs demand increased and more jobs were created. This is a useful example to illustrate that there are good reasons not to believe alarming studies which are based on vague data and questionable assumptions.

### **There are major flaws with regard to methodology and content**

- Central elements of the analysis like the elasticity of demand remain completely unclear
- Several offsetting factors that reduce the impact of tariffs on demand were not taken into account
- The assumption that volumes of production inputs exported from Germany to China will remain constant is highly questionable
- The Prognos study does not meet the standards for economic evidence set out by the Commission and therefore should not be taken into consideration

### **Relevant aspects for a holistic assessment of the impact of tariffs on photovoltaic products**

There are many factors to consider when estimating demand and employment effects of tariffs in the solar industry, and the Prognos study does not provide a transparent and objective evaluation of those factors. A recovery of the European PV manufacturers combined with cluster effects along the PV value chain and other related sectors, as well as effects on innovation have the potential to generate a substantial amount of EU value added and employment, and depend to a large extent on the introduction of tariffs. It is reasonable to conclude that these beneficial effects of tariffs more than outweigh limited negative effects on demand, i.e. that the introduction of tariffs has a net positive effect on employment in Europe.