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Half of 2022 utility solar projects may be in trouble — report

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The soaring cost of solar panels' raw materials could threaten over half of the photovoltaic projects planned by the world's utilities for next year, according to new research from Rystad Energy.

Analysts at the Norway-based consultancy found that the cost of manufacturing solar panels has gone up almost 50 percent in a year. That's likely to bump up the levelized cost of solar electricity by 10 to 15 percent, for projects planned for 2022, they said.

Those conclusions were global in scope, but they applied equally to the United States' utility solar scene, Rystad analysts said in emails. The vast majority of solar projects in the U.S. use photovoltaic panels to make electricity.

Developers who are feeling the pinch may have to absorb some of the extra cost or negotiate less competitive power contracts, analysts wrote. Some companies may choose to delay their projects or back out altogether. All in all, about 50 gigawatts of global solar could be at risk, out of the 96 MW of planned projects, Rystad said.

David Dixon, senior renewables analyst at Rystad Energy, said the analysis showed that utility solar was "facing one of its toughest challenges" in the lead-up to COP 26.

Solar's rising costs has roots in the shipping sector's bottlenecks, which has emerged as economies revive after the pandemic. But the main driver of costs stems from materials for solar panels.

Silver, copper, aluminum and glass have all seen their prices steadily rise since the start of 2020, noted Rystad.

Polysilicon, a kind of highly processed sand that serves as an essential precursor ingredient in most types of panels, has been a special driver of cost, surging 300 percent in price over the same time period, according to the consultancy.

The material's ubiquity has been under special scrutiny recently because of allegations that major China-based suppliers of polysilicon use forced labor. Few analysts, though, attribute the material's rising prices to that scandal.

"Basically, from what I can tell, no," said David Feldman of the National Renewable Energy Laboratory (NREL), when asked if the allegations of forced labor in China had lifted the price of polysilicon.

Feldman, a senior financial analyst at NREL, said polysilicon's price was simply rebounding after falling to exceptionally low levels, while suppliers were readjusting to newfound demand.

Spokespeople for the Solar Energy Industries Association (SEIA) didn't respond to inquiries about the Rystad analysis. But the trade group, which is the biggest representative of the solar industry, has named forced-labor sanctions among the reasons that the U.S. industry is going through "difficult times" (*Energywire*, Aug. 18).

Tariff war continues

SEIA, meanwhile, is raising fresh concerns about what it says is another threat to the industry's growth — new tariffs on solar imports.

The tariffs in question are being sought by an anonymous group of solar manufacturers, known as the American Solar Manufacturers Against Chinese Circumvention (A-SMACC). That group asked the Commerce Department in August to expand existing tariffs on Chinese solar products, arguing that some 20 China-based companies were skirting the tariffs by doing minimal amounts of assembly in Malaysia, Vietnam and Thailand. Chinese companies that export from those three Southeast Asian countries should be made subject to the tariffs, asserted A-SMACC.

SEIA has objected to the tariffs' extension, saying it would slap fresh costs on about 60 percent of all of the panels used in the U.S., at a time when climate goals depend on an 18 percent annual rate of solar growth.

On Monday, the trade group gave its first precise estimate of damages that would result from the tariffs. In a letter to Commerce, SEIA President Abby Ross Hopper wrote that the American solar workforce would miss out on some 46,000 new positions through 2023. Some 18 gigawatts of new installations would go unbuilt. Billions of dollars of investment would dry up, according to SEIA.

"President Biden’s climate goals will most certainly be derailed," wrote Hopper.

Timothy Brightbill, legal counsel for A-SMACC, dismissed those assertions and referred to the solar industry's past predictions of tariff-related job losses.

"SEIA’s claims about jobs lost are as ridiculous today as they were ten years ago. Solar is booming," wrote Brightbill in an email.

Some outside analysts have predicted that Commerce is inclined to side with the manufacturers, based on its track record. But Commerce has so far not indicated whether it will open an investigation based on A-SMACC's request, the first step toward extending tariffs.

Even so, starting down that path, argued SEIA, would "freeze supply chains and have a devastating effect on the U.S. solar industry.

SEIA spokespeople also defended their group from accusations leveled at it by A-SMACC, which had said this month that SEIA was effectively working as a U.S.-based "enforcer for Chinese solar interests.”

In a blog post published Monday, SEIA's spokespeople called that "xenophobic" and "ridiculous."

The claims "would be laughable if it wasn’t so serious," they wrote.