US holds firm on China PV tariffs

By Karl-Erik Stromsta in New York
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In a setback for China's PV manufacturers, the US confirmed it will more or less maintain the levels of its trade tariffs on Chinese cells, having previously suggested those tariffs could be nearly halved for some Chinese suppliers.

The only significant exceptions to the ruling are Yingli, which will see its duties reduced modestly, and Trina, which will see its duties increased a bit. Trina had received the lowest duties in the original case.

Other than that, the tariff rates "pretty much stay static" for most major Chinese solar companies, says Jade Jones, senior solar analyst with GTM Research.

That's a disappointing outcome for China's solar giants, who were counting on reduced tariffs to enable them to lower prices in the US in the second half of 2015 while at the same time boosting their margins, Jones says.

"Chinese suppliers will either have to compress their margins or their prices won't be quite as low in the downstream market," she tells *Recharge*. "It will be harder for them to get to that low $0.60/W range by the end of the year."

The additional headwinds Chinese suppliers will face in lowering their prices in the US will primarily affect the utility-scale market, where Chinese players are especially strong, notes Mark Barineau, analyst at Lux Research.

"The downstream installers are disappointed," Barineau says.

The ruling ends a months-long review of the tariff levels imposed in 2012 in the first US trade case against Chinese solar suppliers. The result of that case – which was prompted by SolarWorld – was anti-subsidy and anti-dumping tariffs being slapped on Chinese modules using Chinese cells.

Responding to that first ruling, many leading Chinese solar companies embraced the so-called Taiwanese loophole – sourcing Taiwanese cells for their modules to skirt the tariffs.

That “loophole” prompted the second major US trade case against China’s solar industry, which last year resulted in a new and additional set of duties being slapped on Taiwanese cells.

Since then, most tier-one Chinese solar companies have reverted to sourcing cells on China’s mainland and paying the original 2012 duties – which is why the latest review was important.

While both rulings last for five years, reviews can be requested if new information becomes available. The review of the 2012 duties had been requested by both SolarWorld and some Chinese companies, as is their right under WTO rules.

Last December, after a preliminary review of the 2012 duties, US authorities suggested they may be significantly reduced.

But subsequent investigations by US officials within China found that some subsidies -- including export-credit financing -- had not been included in submissions from Chinese respondants, according to Tim Brightbill, a lawyer at WileyRein who represents SolarWorld.

After the adjustments, most major Chinese solar companies will pay an average anti-subsidy rate of 20.9% and an average anti-dumping rate of 9.7% when they sell into the US, for a combined rate of 30.6%. That is slightly – though not substantially – higher than what they were already paying.

The difference is not significant enough to prompt major supply-chain changes that were not already in motion, analysts say.

In recent years, the Chinese have been expanding their "tariff-free" production capacity outside of China, primarily in relatively low-cost Asian countries like Malaysia.

"I’d expect that to continue within those already established countries," Barineau says. "This doesn't really change the equation much."

While further reviews of the tariffs resulting from the 2012 case are possible -- and one is already in motion -- "these are the rates that will be in place for a while now", Brightbill tells *Recharge*.

SolarWorld, which is based in Germany but runs the Western hemisphere's largest PV factory in Oregon, hailed the latest ruling as another victory in its quest to shield Western manufacturers from unfair competition. SolarWorld has also fought and won significant trade cases against the Chinese in the EU.

“When the first solar trade cases were filed in 2011, many in the industry said the sky was going to fall and US demand would plummet,” says Mukesh Dulani, SolarWorld’s US president.

“That clearly did not happen. US demand is at an all-time high, and US manufacturers are rebuilding US production and jobs.”

The ruling appeared to have little impact on New York-listed shares of Chinese solar companies, many of which were up sharply on Thursday morning.

However, many of those companies have seen their shares battered over the last two weeks, amid broader fears about Greece and a dramatic pull-back in China's stock markets.