Can Solar Survive the Solyndra Aftermath?

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The recent collapse of a few high-profile solar energy companies, like Solyndra and Beacon Power [1], has caused even the most ardent fans of alternative energy to ask, "Can this industry survive?" The answer is a resounding, yes and no. It all depends on what government on all levels does.

[2]

Current public impressions of the health of any industry are colored by recent history. The financial failings of companies and industries considered "to big to fail" are what most people think of when hearing news about solar. But unlike the auto industry, with a population of three major players, the solar industry is filled with hundreds of start-ups struggling to establish themselves. Even if one, two or two dozen go down, it is still well populated.

"Although panel manufacturing is in trouble,the solar industry is doing relatively okay." said Chirag Rathi, a senior consultant on the energy industry for Frost and Sullivan. "This is largely due to the advent of solar leasing companies in the U.S. One such company, SolarCity, was even give a contract

to install solar power on up to 160,000 military homes. The program was supposed to be supported by the Department of Energy (DoE), which had extended a conditional commitment for a partial guarantee of a $344 million loan to support the project."

Government subsidy and purchase are the key to whether the industry thrives [3]. The DoE recently announced a new initiative to fund solar collection technology development and the Department of Defense (DoD) is under congressional mandate to reduce fossil-fuel consumption by 50 percent.

The reality is that all forms of energy production are heavily subsidized by government throughout the world. China has invested hundreds of billions of dollars in their solar panel industry. Spain's financial difficulties are directly tied to the 100 percent subsidy it gave to the industry there, that it can no longer support. Even Germany, relatively healthy in the world economy, is struggling to maintain its levels of support to the industry. In the US, most of the government support – Federal, state and local – is actually tied to the installation industry.

"The purpose of government subsidies for renewables is to reduce costs and make them economically viable alternatives to fossil fueled electricity generation." said Jay Holman, research manager for solar energy strategies at IDC. "As the cost of electricity from renewables drops, it is natural that the subsidies drop as well: this is an indication of progress. The trick with subsidies is to encourage industry growth without placing too heavy a burden on electricity ratepayers or taxpayers. A flat, constant subsidy won't do the trick: it needs to drop in line with falling costs."

Holman said Germany and Italy automatically reduce subsidies based on the amount of solar installed in the previous year, which provides transparency and predictability for the market.

"In the US, however, we send the issue back to congress every few years and let them duke it out. That is an incredibly inefficient approach that makes the subsidy situation extremely difficult to predict."

Holman concluded that what the US industry needs is a long term subsidy plan that makes automatic subsidy adjustments based on the rate of installations and/or the cost of electricity from renewables.

See the previous essay on this from Lou:

The Fall of Solyndra was Expected and the DoD is Happy **[4]**

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