

Solar production glut to persist to 2015: study

Matt Daily, Reuters

(Reuters) - Solar panel manufacturers face three more years of tough conditions until the market shuts down excess production capacity, according to a new report issued on Tuesday by renewable power consultancy GTM Research.

Production capacity for photovoltaic solar panels this year stands at 59 gigawatts, about double the 30 gigawatts expected to be sold into the global market, according to GTM analyst Shyam Mehta.

About 21 gigawatts of the current production is expected to be retired by 2015 as panel prices continue their steep declines, GTM said.

Companies such as Suntech Power Holdings, Yingli Green Energy Holding Co Ltd and First Solar Inc have all expanded manufacturing in recent years to supply panels into the fast-growing market for renewable power.

But with subsidies in top European markets including Germany and Italy falling under the knife, the panel makers have been forced to pull back on their expansion plans, and most are operating manufacturing lines at levels well below their capacity.

"The training wheels of subsidies are coming off, and the next few years will see the industry's first attempt to ride without support. Consequently, the next three years will be an extremely difficult period," Mehta said.

The glut of supplies has already taken its toll on the industry, sending several U.S., European and Asian companies into bankruptcy as they failed to keep pace with a more than 50 percent drop in wholesale panel prices since the beginning of 2011.

The drop in panel prices, which currently stand at about 70-85 cents per watt for most major manufacturers, will continue, with prices likely to reach 45 cents by 2015, GTM said.

Leading that price drop will be Chinese companies such as Trina Solar Ltd, Yingli Green Energy, Jinko Solar and Hareon Solar, according to GTM.

While those price drops will make solar power more affordable, they will force many companies to alter their strategies and potentially cede the panel-making business to more efficient players, Mehta said.

"Most current PV manufacturers will have to take a long, hard look in the mirror and make tough decisions about their future role in the industry," said Mehta.

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