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Solar Industry ‘Frozen’ as Biden Administration Investigates China

More than 300 solar projects in the United States have been canceled or delayed in recent weeks because of an investigation by the Commerce Department.

By David Gelles

Plans to install 60 square kilometers of solar panels in Vermont are suddenly on hold.

In Maine, a solar farm that would power hundreds of homes is partly built but might not be completed.

And a project in Texas that would have powered more than 10,000 homes was weeks away from breaking ground but has now been postponed until at least next year.

Around the country, solar companies are delaying projects, scrambling for supplies, shutting down construction sites and warning that tens of billions of dollars — and tens of thousands of jobs — are at risk.

The tumult is the result of a decision by the Commerce Department to investigate whether Chinese companies are circumventing U.S. tariffs by moving components for solar panels through four Southeast Asian countries.

Though officials have not yet found any evidence of trade violations, *the threat of retroactive tariffs* has effectively stopped imports of crystalline silicon panels and components from Cambodia, Malaysia, Thailand, and Vietnam. These four countries provide 82 percent of the most popular type of solar modules used in the United States.

In a matter of weeks, 318 solar projects in the United States have been canceled or delayed, and hundreds of companies are considering layoffs, according to the Solar Energy Industries Association, which surveyed more than 700 companies in recent days.

Energy experts warn that the fallout is only beginning. A monthslong halt on imports from the four countries could have lasting ramifications for the multibillion-dollar solar industry and for the Biden administration’s ambitious goals to ramp up renewable energy development to combat climate change.

“The industry is essentially frozen,” said Leah Stokes, a political scientist who studies climate at the University of California, Santa Barbara. “It’s already leading to layoffs, to say nothing of the impact on our climate goals.”

The Commerce Department initiated its investigation on March 25 after Auxin Solar, a small solar panel manufacturer based in California, filed a petition requesting an inquiry into whether China was circumventing rules intended to prevent state-subsidized solar parts from flooding the U.S. market.

Tariffs on Chinese solar panels have been in place since 2012, when the Obama administration imposed them in hopes of promoting domestic manufacturing and preventing China from dominating the emerging global market. In 2018, President Donald J. Trump imposed additional tariffs on certain solar products from China, and Mr. Biden extended those tariffs in February.

For more than a decade, China has dominated the global supply chain for solar panels. The government’s policies and subsidies have nurtured giant factories churning out materials like polysilicon and components like solar cells that absorb energy from sunlight and convert it into electricity.

To avoid trade problems, U.S. solar installers have bought many of their panels from the four Southeast Asian countries. But according to Auxin, many of those panels are manufactured by overseas subsidiaries of Chinese companies and use cells, wafers and other parts that originated in China.

Until now, the Commerce Department had signaled that because the parts coming from China were *substantially transformed* by the companies in Southeast Asia, those components were not subject to the tariffs.

But if the Commerce Department finds that the panels coming from Southeast Asia included Chinese-made parts that should have been subject to tariffs, panels sold in the United States after the start of the investigation could carry steep duties. And the threat of those additional costs has caused shipments of solar panels to grind to a halt.

In an interview, Auxin’s founder and chief executive, Mamun Rashid, said that he filed the petition because he believes that existing tariffs are being undermined and hopes this investigation will help spur domestic manufacturing.

“Maybe the trade laws are being violated, that cheating is going on,” Mr. Rashid said. “We decided it would be irresponsible of us not to do something, not to speak up.”

The process for evaluating trade disputes is a complex system designed to prevent political interference. Commerce Secretary Gina Raimondo this week said that her department was legally obliged to pursue the issue.

“My hands are very tied here,” she said at a hearing on Capitol Hill on Wednesday. “I’m required by statute to investigate a claim that companies operating in other countries are trying to circumvent the duties, and I’m required by statute to have a fulsome investigation.”

A spokesperson for the Commerce Department said that it was “driving efforts to strengthen supply chains at the heart of the clean energy transition, including the solar supply chain,” and that it was “committed to holding foreign producers accountable to playing by the same rules as U.S. producers.”

Last year, the United States installed roughly 24 gigawatts of new solar capacity, a record aided by the plummeting cost of panels. But only about one-fifth of those panels were manufactured domestically, while the rest were imported primarily from Malaysia, Vietnam, Thailand and Cambodia.

As the effects of the federal investigation ripple across the U.S. solar industry, its advocates are incensed.

“It is an absurd result that the mere request by one company can bring the industry to its knees in this way,” said Abigail Ross Hopper, chief executive of the Solar Energy Industries Association. “The U.S. solar market is in chaos. Shipments have stopped, installations are stalled, and people are starting to be laid off.”

The sudden freeze in solar panel installation is colliding with Mr. Biden’s aim to accelerate the annual pace of solar installations nationwide in order to realize his pledge to cut U.S. emissions at least 50 percent below 2005 levels by the end of this decade.

“For an administration that embraces renewable energy development as one of its core goals, this tariff investigation has undermined all of that,” said Nick Bullinger, chief operating officer of Hecate Energy, a solar company based in Chicago. “The investigation is having catastrophic negative impact on the renewable energy sector and driving up electricity prices. With each day the tariff investigation continues, the country is falling further behind in achieving our climate goals.”

The disruption is hitting companies large and small.

NextEra Energy, one of the largest renewable energy companies in the country, said it expected that between two and three gigawatts worth of solar and storage construction — enough to power more than a million homes — would be not be completed this year as planned.

“It is absolutely disrupting our solar business and the industry’s as well,” said David Reuter, chief communications officer at NextEra. Shares in NextEra have fallen 15 percent in the past three weeks.

At Green Lantern Solar, a private solar installer based in Vermont, work on projects in Vermont and Maine has come to a standstill.

“The ramification is very significant, not only to Green Lantern but all of our contractors,” said Scott Buckley, Green Lantern’s president. “We had to call all of our suppliers and have exceedingly tough conversations to say, ‘Thank you, but we can’t take deliveries.’”

In total, the Solar Energy Industries Association said that its members were forecasting a 46 percent decline in the number of solar panels they will install through next year.

However, another big solar company, First Solar, which manufactures a type of solar panel unaffected by the tariff dispute, said it was supportive of the investigation.

“What we are interested in is ensuring that there is a level playing field for domestic manufacturers,” said Reuven Proenca, a spokesman for First Solar. “We feel that the Department of Commerce’s decision to proceed with the investigation is a step in the right direction.”

For U.S. companies looking for solar panels, there are few easy substitutes for products from Cambodia, Malaysia, Thailand and Vietnam.

“We have called every American panel manufacturer that we could find, and not one of them has panels available for us with any anticipated timeline that will allow us to keep these projects moving forward,” said Mr. Buckley of Green Lantern Solar.

Some solar industry advocates have suggested that the Commerce Department has the ability to quickly reverse course and put a swift end to the investigation.

“The secretary’s hands are anything but tied,” Heather Zichal, chief executive of American Clean Power, wrote in a blog post. “She has a path that is codified in the statute to stop a pointless process initiated over a phantom menace — and she can use those options in the coming weeks to breathe life back into an American solar industry whipsawed by her department’s actions.”

But Ms. Raimondo, responding to a question on Wednesday from Senator Jacky Rosen, a Nevada Democrat, said there was only so much she could do. “What I will commit to you is moving as fast as possible,” she said.

Some analysts have argued that the United States would have to invest far more heavily in domestic manufacturing in order to compete with the overseas production of solar products. The Build Back Better bill in Congress, for instance, *would provide new tax credits for solar wafers, cells and modules produced at home. But that legislation remains in limbo after Senator Joe Manchin III, a West Virginia Democrat, came out in opposition last year.*

While the solar industry awaits a decision by the Commerce Department, renewable power advocates worry that time is ticking away. The Solar Energy Industries Association estimates that the lost or delayed solar deployment resulting from the investigation will lead to an additional 364 million metric tons of carbon emissions by 2035, the equivalent of keeping 78 million gasoline-powered vehicles on the road.

“It’s going to slow down the industry at a time when we need to be moving faster,” said Ms. Stokes. “This could be catastrophic.”