

## The German solar energy industry faces crisis

Konrad Mazur

On 9 January, Germany's Federal Association of Solar Energy Industry estimated that state budget subsidies for energy production from photovoltaic panels (to generate electricity from the sun) will be reduced by about 30% in 2012. German producers estimate that the smaller grants, in conjunction with an increase in cheap imports of panels from China, could bring about a long-term crisis in the industry. The reductions in grants are provided for in an amendment to the Act on renewable energy sources (RES), adopted by the Bundestag in July 2011, under which the grants are to be reduced in proportion to the increase in the number of photovoltaic panels installed. After China, Germany is the world's second largest exporter of solar panels, and is undertaking the world's largest projects in regions with high insolation (such as Desertec in northern Africa). Of the €26 billion of investments made in the renewable energy sector in 2010, up to €19 billion has been invested in the solar energy industry, which is also characterised by the highest levels of employment in the RES sector (over 120,000 people). Yet currently, solar energy only produces about 3% of Germany's electricity.

### Commentary

- The amendment to the Act for RES which limiting subsidies for solar energy industry also provides for an increase in subsidies for offshore wind energy industry. The government wants to spend the money saved from the reduced subsidies for solar energy industry on accelerating the development of offshore wind energy industry by 2020. Because of the climate, wind power plants in Germany exhibit greater efficiency than solar power plants (that is, they produce more energy per megawatt of installed capacity). Under the government's new energy strategy, nuclear energy should largely be replaced by renewable energy, which by 2020 should produce about 40% of electricity in Germany, including up to around 20% from wind energy.
- The financial situation of the German solar industry manufacturers will deteriorate, mainly because Chinese producers of photovoltaic panels will flood the market; this may lead to further bankruptcies for German companies (one, Solar Millennium, has already declared bankruptcy). About 50% of all installed solar panels in Germany come from China, and their share of the market will continue to rise, due to their competitive prices. German companies will also likely be taken over by Chinese manufacturers, or enter into joint-venture companies. The German firms, which have often been entirely dependent on state subsidies and have failed to cope with the increasing competition, intend to lodge a

complaint with the General Directorate for Competition in the European Commission, in order to reduce the Chinese exporters' impact.

- The financial losses in the German solar industry will be borne by companies in Thuringia, Saxony-Anhalt and Brandenburg; these companies have been among the motors of these eastern regions' development. However, reducing the subsidies will benefit electricity consumers in Germany, who pay extra for renewable energy in their power bills. In 2011 alone, German consumers paid €14 billion (an average of 3.5 cents per kWh) to support renewable energy industry, of which approximately 50% went to solar energy industry.