

Analysts: Solar Manufacturing Industry Burning Up

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NEW YORK (AP) — Solar shares rose Monday, with one analyst saying that demand is accelerating and that the sector is ripe for mergers and acquisitions.

Rather than fewer orders for solar panels as has been feared because of declining subsidies and a poor economy, Brean Murray Carret & Co. analyst Wayne Chang said that Germany, the industry's biggest market, could see demand that's "dramatically higher" than expected this year. Italy, another key European market, could see demand pick up in late June and July as banks resume lending for existing and new projects.

Germany this year announced that in the wake of the catastrophe at Japan's Fukushima Dai-ichi nuclear plant, it would shut down all of its 17 nuclear power in the world's fourth-largest economy and Europe's biggest. It is bolstering its efforts on alternative energy.

Last week, Italian voters easily overturned laws meant to revive nuclear energy and Premier Silvio Berlusconi conceded that Italy would probably have to give up plans to return to nuclear energy and instead focus on renewable energy.

China has also hinted at changes in its energy policy because of the disaster in Japan.

The change in the fortunes of nuclear power generators come as costs have dropped dramatically for solar energy. Solar is quickly becoming competitive with power from traditional energy sources like natural gas or coal, Chang said.

Two years ago, the cost of producing solar power was expected to be on par with traditional energy sources around 2017. That has changed, Chang said with parity in reach by as early as 2012 to 2013 in major European markets.

"The industry could operate subsidy free in the very near-term," Chang said.

Solar companies have had to rely on subsidies to remain competitive with fossil fuels for decades, but the costs continue to fall.

Falling prices and altered subsidies could more rapidly bring about an industry-wide consolidation, Chang believes.

Integrated panel manufacturers, companies that produce everything that goes into their products such as Trina Solar, Jinko Solar Holding Co. and Yingli Green Energy Holding Co. will outperform non-integrated companies such as Suntech Power

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Holdings Co., Canadian Solar Inc. and JA Solar Holdings Co.

Shares lifted at least 3 percent for several solar companies. JA Solar rose 13 cents to \$5.15 per share, LDK Solar added 17 cents to \$6.95 per share, Yingli gained 31 cents to \$8.14 per share, Canadian Solar added 28 cents to \$9.08 per share and Evergreen Solar Inc. lifted 2 cents to 63 cents per share.

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