

China To Overhaul Struggling Solar Panel Industry

The Associated Press

BEIJING (AP) — China's government says it will encourage mergers among producers of solar panels to strengthen an industry that has suffered huge losses due to excess production capacity and price-cutting wars.

The announcement, which analysts have expected for months, comes as Beijing faces trade sanctions by the United States and possibly Europe over complaints its support for solar panel producers violates trade rules.

Beijing will encourage mergers, reduce government support for the industry and block local leaders from supporting domestic producers, said a Cabinet statement late Wednesday. It said some producers might be allowed to go bankrupt.

The statement gave no details but it affirmed that the communist government sees solar power as one of a series of "strategic emerging industries" that it wants to develop.

Beijing encouraged the industry's expansion over the past decade with grants and low-cost loans. That prompted hundreds of small producers to spring up, flooding the market with supplies and depressing prices.

U.S.-traded shares of major Chinese solar panel manufacturers rose on the news. Suntech Power Holdings Ltd. gained 17.8 percent, Trina Solar Ltd. added 9.3 percent and Yingli Green Energy Ltd. rose 7.1 percent.

Chinese solar manufacturers have reported hundreds of millions of dollars in losses this year due to lower prices and slower sales following the 2008 global financial crisis.

The industry has piled up debts of some \$17.5 billion, according to a report earlier this year by Maxim Group, a New York financial firm.

The most financially troubled of China's five biggest suppliers, LDK Solar Co., sold a 20 percent stake to a state-owned company in what analysts saw as the start of a wave of consolidation. LDK lost \$588.7 million in the final quarter of 2011 and has reported more losses this year.

Last month, a U.S. trade panel upheld tariffs of up to 250 percent on imports of Chinese solar panels after an investigation concluded Beijing was improperly subsidizing exports and hurting jobs abroad.

Also last month, the European Union launched an investigation into complaints China was improperly subsidizing exports of solar panels, hurting European producers and wiping out jobs. Last year, China sold solar panels worth 21 billion euros (\$27 billion) to the EU, its biggest export market.

The Chinese government has denied it is violating trade rules and warned that punitive tariffs would hamper development of clean energy industries.

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