

Trade Dispute Threatens WA Industry

Amy Martinez, The Seattle Times

MOSES LAKE, Wash. (AP) — Surrounded by corn fields and animal feedlots, a massive industrial complex owned by a Norwegian energy company aims to make solar power a viable alternative to fossil fuels.

REC Silicon, with 500 workers in this Central Washington town, annually produces enough solar-grade polysilicon to power more than 2 million homes.

But a global trade battle over solar panels threatens to plunge REC and its local workforce into financial crisis.

China last month slapped hefty duties on U.S.-made polysilicon in a move widely seen as retaliation for American tariffs imposed last year on imports of Chinese solar panels.

Now, China's solar-panel producers face a 57 percent tariff on polysilicon bought from REC, raising the likelihood that they'll get the raw material elsewhere.

Chinese customers account for nearly 80 percent of the polysilicon produced in Moses Lake, so the stakes are huge, said REC general counsel Francine Sullivan.

"This is potentially a massive blow to our business. We're doing all we can to keep going, but we can't manage too much longer without government help," she said.

Despite the uncertainty, REC has not announced layoffs and hopes to avoid them, Sullivan said. "We need a political solution ASAP."

Gov. Jay Inslee and REC's representatives in Congress have pledged their support, but experts warn a resolution may take at least several months.

China's solar-panel industry, the largest in the world, is not expected to suffer a great deal under the tariffs, said Stefan de Haan, principal analyst of solar research at business information provider IHS.

That's because Chinese producers still can buy polysilicon duty-free from domestic and European suppliers, or from South Korean suppliers at much lower tariff rates.

Without far-reaching effects on China's industry to generate political pressure, de Haan said, Beijing appears unmotivated to backtrack soon.

"The impact on individual companies is huge," he said of REC. "But for the industry in general, the impact of this policy decision is not so huge."

Polysilicon, a hyper-pure form of silicon, is the main material in solar panels. REC

Trade Dispute Threatens WA Industry

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

places fifth on an IHS ranking of the world's largest polysilicon producers.

Last fall, the United States imposed tariffs of 30 to 35 percent on solar panels from China after finding that unfair government subsidies had enabled Chinese producers to sell below cost.

A group of seven U.S. solar panel makers, including the American division of Germany-based SolarWorld, which operates a plant in Oregon, set off the investigation after filing a trade complaint against China.

REC warned that steep tariffs on Chinese imports would drive up solar energy costs, dampen consumer demand and destroy jobs. Chief Executive Officer Tore Torvund also said China might use the tariffs as an excuse to introduce duties on U.S.-made polysilicon.

In an April 2012 op-ed piece for The Seattle Times, Torvund noted that uncertainty surrounding the trade dispute already had caused REC to put off a planned \$1-billion investment in new capacity at the Moses Lake plant.

"Other companies in every segment of the industry may also hedge their bets," he wrote.

Indeed, Dow Corning-owned Hemlock Semiconductor, the third-largest polysilicon producer, announced plans in January to lay off 400 employees at its Michigan and Tennessee plants, citing an oversupply of solar panels and the potential for Chinese tariffs.

As expected, China's Ministry of Commerce moved July 18 to enact preliminary tariffs on U.S. polysilicon, setting REC's rate at 57 percent and Hemlock's at 53 percent. The duties are an initial step before a final ruling due next February.

So far, REC's plant shows no signs of an impending financial crisis.

During a recent visit to the 550-acre complex, workers in hard hats and protective smocks rode on golf carts among a maze of pipes, chemical tanks and reactors used to turn silicon into small granules of solar-grade polysilicon.

Security was tight, with visitors required to sign nondisclosure agreements and put away their cellphones.

At the center of all the secrecy: REC's unique fluidized-bed reactor process, which is purported to consume less energy and produce polysilicon at a lower cost.

Vice President of Engineering Ron Reis said he doesn't waste a lot of time worrying about the trade dispute.

"We're pretty confident we'll get some help from the political folks," said Reis, a Washington native who joined REC in the mid-1990s after nearly two decades in the oil-refining business. "We have tremendous opportunities to improve what we do,

Trade Dispute Threatens WA Industry

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

and we're staying very much locked on that."

Three years ago, REC completed a \$1.7 billion expansion of its Moses Lake plant. Jonathan Smith, executive director of the Grant County Economic Development Council, remembers it as a bright spot in a tough economy.

Now, with REC caught in the cross hairs of a global trade dispute, Smith is left to wonder what's next.

"It's beyond our scope of control," he said. "Exactly what kind of assistance we'd offer depends on how everything plays out."

The plant originally was built by Union Carbide in the mid-80s, then sold to Komatsu in 1990 and bought by Norway's REC over the past decade. It's the only place where REC makes polysilicon primarily for the solar industry.

Agriculture dominates the local economy, but REC is joined by an array of manufacturers drawn to Grant County for its cheap electricity, flat landscape and easy access to Interstate 90.

Genie Industries, a maker of manufacturing equipment, employs more than 1,200 people locally. BMW, in partnership with SGL Group, has about 80 employees at a new carbon-fiber manufacturing plant near the airport.

Even so, Grant County's unemployment rate was 7.9 percent in June, nearly a full percentage point above the statewide average.

While REC does not disclose worker pay, it's widely seen as one of the county's better-paying employers.

Last year, REC was among four local businesses that comprised a sector of manufacturing focused on nonmetallic mineral products. That sector reported 715 jobs with an average annual wage of about \$78,000, according to data from the state Employment Security Department. By comparison, the countywide average for all industries was only \$34,500.

To supporters of a U.S.-China trade accord, REC serves two bigger purposes: Not only is it part of America's green-energy push, but it also provides the sort of jobs sorely lacking in today's still-struggling economy.

"It would be a big blow to the community if they were to lose them," said Brian Bonlender, director of the Washington state Department of Commerce. "We're taking this very seriously, because there's no doubt a lot of jobs in jeopardy right now."

Source URL (retrieved on 10/26/2014 - 1:35am):

<http://www.impomag.com/news/2013/08/trade-dispute-threatens-wa-industry>

Trade Dispute Threatens WA Industry

Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)
