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## **Participants**

- Rhone Resch, President, Solar Energy Industries Association
- Barry Cinnamon, CEO, Akeena Solar
- Roger Efird, President, Suntech America
- Santiago Seage, CEO, Abengoa Solar/Solucar
- Tom Werner, CEO, SunPower Corporation

## **Monique Hanis:**

This is Monique Hanis. I'm Director of Communications for the Solar Energy Industries Association and I want to welcome you to our press teleconference today. A short note about our conference format; we're going to begin the call in presentation mode with speaker introductions and the CEO panel discussion for about 15 minutes. We will then open up a line for questions from members of the press. At that point if you're using a speaker phone, hands-free headset or have a lot of background noise, please use your mute function as a courtesy to our listeners. This call will be recorded and the MP3 file will be posted to the SEIA website at [www.seia.org](http://www.seia.org) later this afternoon... I will now turn the call over to Rhone Resch, President of the Solar Energy Industries Association.

## **Rhone Resch:**

Thank you very much Monique and good morning and thank you for joining us this morning. I am Rhone Resch, I'm President of the Solar Energy Industries Association here in Washington DC. We're the national trade association of the solar energy industry and in that capacity we represent all solar technologies - photovoltaics, solar water heating and concentrating solar thermal power. Our association includes over 700 companies and 20,000 employees. And we have 14 state and regional chapter affiliates.

Today we're at a crossroads in determining America's energy mix for the future. As we speak, congress is developing an important Energy Bill [H.R. 3221, H.R. 2776 and H.R. 6] with provisions

that could help diversify our energy portfolio and begin the shift from reliance on fossil fuels to the new clean energy economy.

U.S. consumers are seeing record high energy costs and, with \$95 a barrel oil today and looming increases in home heating costs this winter, our leaders and the public also share concerns about security, dependence on imported energy and growing carbon emissions.

Now is the time for congress to act and provide the citizens of the United States an energy bill that moves our country forward. You've probably heard the messaging from the oil and gas industry designed to protect their subsidies and the *status quo*. Specifically, they claim that the energy bill will not stimulate energy production, but as you will hear this morning from leaders in the solar energy industry, this Energy Bill will dramatically increase clean energy production. It creates a level playing field for energy technologies. It strategically invests in American industry and sustainable growth. It is an approach that responds to the call of American citizens for renewable carbon free energy.

Solar is the fastest growing and most promising option that we have to increase clean domestic and abundant energy for our country. Last year the solar energy industry raised over \$4.4 billion in the public capital markets, a good indicator that Wall Street believes that technology is ready to play a major role in our nation's energy future.

This year, the photovoltaic, or solar electric market, is on track to grow by over 60% in the United States. As well the first utility scale concentrating solar power facility, a 64 megawatt plant, went online in Nevada and several California utilities have signed power purchase agreements for new facilities. Technological innovations are increasing efficiency and reducing install costs. And large corporations are investing in solar technology for their facilities including Walmart, Google and Frito-Lay.

Much of this growth was spurred by the federal tax incentives for both residential and commercial solar in the 2005 Energy Bill. Unfortunately those incentives were too short-lived and will expire in 2008 without an extension. The Energy Bill is critically important to our industry because it extends and improves on the tax credits. With an 8-year extension of the solar tax credits, this bill will dramatically accelerate the production and use of solar power creating over 50,000 new industry jobs and saving consumers billions of dollars in energy savings.

Today we'll be talking about the importance of the credits for growing a strong solar industry in the United States. I'd now like to introduce our panel. First we have Barry Cinnamon who's CEO of Akeena Solar, a publicly traded company based in Los Gatos, California, that designs and installs both residential and commercial systems.

Next we have Roger Efird who's President of Suntech America, a Chinese PV panel manufacturer that's just recently opened up new offices in San Francisco, California. We have Santiago Seage, who's CEO of Abengoa Solar, a Spanish concentrating solar power plant construction firm with a presence in the United States. And finally, Tom Werner who's CEO of SunPower Corporation based in San Jose, California, a publicly traded company that manufactures and installs residential and commercial PV systems.

We'll start this morning by having each of the executives briefly describe their company's business and recent growth, and Barry if we could start with you.

**Barry Cinnamon:**

Great and thank you very much Rhone and thanks for this opportunity. I'm very happy to be here and just kind of give you people insight into what we believe is really good policy that's going to shape our country's energy and environmental future. In terms of Akeena Solar we've become one of the largest residential and small commercial installers in the U.S. Founded in 2001, at this point we've got operations in California, New York, New Jersey, Connecticut and Pennsylvania with a total of 9 offices and 200 employees altogether. We're based in Silicon Valley and, because of the favorable incentives that have been in place in California, that's where our business has grown most rapidly. But we're seeing other states become very important and our biggest goal here is to make sure that there's federal incentives so that the benefits of solar power can be transmitted throughout the country.

What Akeena has done in addition to being an installer is that we've recently developed a revolutionary new way to install solar panels on rooftops by combining the racking, wiring and grounding in the panels. And this is all oriented towards reducing the installation costs thereby reducing the cost for customers and increasing the market penetration. As these developments are coming onboard and you know I'm also very happy to see that Suntech is on this discussion and SunPower, two of our vendor partners, but as these industry developments continue what we're really excited about is seeing public policy that comes on board that's going to be favorable.

Our view is that the best policy for clean energy production is to put this electrical generating capacity on top of the rooftops, whether that's residential or commercial, where the energy is actually needed. And by putting the generating capacity on the rooftops we, as a society, are able to avoid all the generating transmission and distribution infrastructure that's required. And it just, when you run through the numbers, it just turns out to be terrific public policy. That's why we're so supportive of making sure that there's support for solar in this upcoming energy bill.

We can see how much of a growth there's been as incentives come in place and that's extending that tax credit for another six to eight years and making sure that there's no residential cap, we believe, is the best thing that we can possibly do.

**Rhone Resch:** Thank you Barry. Roger, how about Suntech?

**Roger Efirm:**

Thanks Rhone, I appreciate the opportunity to participate. Suntech was the first privately owned Chinese company to go public on the New York Stock Exchange. We're about seven years old. Today we are the world's second largest PV module manufacturer. Corporate headquarters is in Wuxi, China, which is just outside of Shanghai. We employ a total of about 4,500 employees worldwide. Our market cap is \$9.1 billion. About two weeks ago we established a US headquarters in San Francisco.

We've actually been active in the US market for just a little over a year now and in that time we have been fortunate enough to supply products for some of the country's most high-profile projects. We put 7.2 MW of modules in the Alamosa's Project in Colorado, which at the time was the largest solar system in the US. Nellis Air Force Base, a project of 11MW; we were the largest contributor of modules to that particular project. And perhaps the highest profile project that we've been involved in is putting solar on the San Francisco Airport and that project gets a lot of visibility because it's visible as you're flying into the airport to land and is also visible from the tramway.

Experience has shown us that solar markets are created when residential customers can achieve a return on investment in ten years or less. And commercial customers need to achieve their return on investment in seven years or less. The existing federal investment tax credits have only helped to stimulate the markets in a few states and those are states that have state incentives for solar:

California, New Jersey, Connecticut, Oregon and a couple of other states. The combination of the state and federal incentives has allowed for the creation of markets.

But we've also learned from experience in Japan and Germany, as well as California and New Jersey, that it takes several years to build up an infrastructure of dealers, designers, integrators and installers once the solar incentive programme is put in place. The investment that we have to make is significant and it simply cannot be justified unless the incentive programme is going to have a funded life that's long enough for us to get a return on investment. Using Europe as an example, ten to twenty years is ideal. Under the appropriate conditions, however, thousands of new jobs are created, carbon emissions can be reduced and economies of scale can drive down the cost of solar. The 2007 energy bill with its 30% investment tax credit and no cap gives us the opportunity over the next eight years to expand our markets from a few states to most of the states, to create hundreds of thousands of new jobs and to help reduce our nation's carbon footprint.

You know, at one time or another over the last hundred years, there are statements [that] have been made that seemed ludicrous at the time. Things like: "Someday the entire nation will be electrified," or "Someday you'll have a choice of phone service providers," or "Someday personal computers will be common in almost every household," or "Someday you'll have more than 100 TV channels to choose from," or "Someday everyone will carry a telephone in their pocket." Now all of these industries that I've referenced in these statements, they needed a little help from the Federal Government when they were in their infancy. Now the solar industry is in its infancy and it needs a little help to be competitive. With that help, someday solar systems will be as commonplace as central heating and air conditioning. Thanks.

**Rhone Resch:** Thank you very much Roger. And now Santiago.

**Santiago Seage:**

Thanks Rhone. Abengoa Solar is one of the pioneers in building large concentrated solar power plants. These are very large plants that can supply several hundreds of megawatts [of electricity] to the grid in areas where you have very high, direct solar radiation. Abengoa Solar is based in Spain and has presence in the U.S. in Denver, Colorado, and in San Francisco. We currently employ around 200 people internationally, 20 of them based in the U.S. As it has been recently known, concentrated solar power is becoming a reality in several geographies worldwide. We have been building these plants in Spain where currently we have one large CSP plant in operation [and] three

others under construction. We have another two plants under construction in North Africa and in the U.S. we are building smaller plants that supply industrial steam to factories basically. And we are working with utilities to make sure that we can build the larger CSP plants in the Southwest. Obviously this will depend a lot on whether the regulation that Rhone referred to gets extended. These plants take several years to be built and without an extension of investment tax credit, they will simply not happen.

**Rhone Resch:** Thank you Santiago. And Tom can you give us a little bit [of] background on SunPower?

**Tom Werner:** Sure, I'd love to. My name is Tom Werner, I'm the CEO of SunPower. We were founded in 1985, incorporated in 1989 by a professor from Stanford. We make the world's highest efficiency solar power systems. We design, market and manufacture the solar power systems as well as implement [and] do post-install support. We've grown quite rapidly. We've tripled revenues each of the last two years and we've increased employment rather dramatically; we've doubled our employment in California and throughout the United States. We currently have just under 400 people in the United States and we have a market capitalization of \$10.5 billion. Places that we've installed solar (that) I think shows, gives evidence that, with the right economics, Americans want solar and will pay for solar and will implement it. Our customer list is extensive because we're number one in California [and] we're [the] number one installer in North America and have a strong presence throughout the world. Our customers include Wal-Mart, Macy's, Lennar, the homebuilder, Microsoft, the residents of California, partners like Akeena that Barry spoke [to] earlier who installed those systems, Nellis Air Force Base, which is actually a 15MW system - and North America's largest photovoltaic system. Colorado Rockies unfortunately didn't do so well but they do use SunPower panels so we appreciate that. The Governor of Colorado has SunPower solar on their building, and of course [at] SunPower you eat your own dog food and [we] use this solar as well.

I think this customer list shows that Americans want solar and that solar can go mainstream. The economics need to improve and they improve by industry scaling; the industry scales by having a long-term visibility. We have committed as a company to reduce cost by 50 percent and that is the other side of the deal - that provided that there is a long-term market and the investment tax credit would provide that, then companies like the ones that are on the call are committed to reducing costs so that there is no longer an incentive needed. I think that's unprecedented. You might note that the fossil fuel industry has continued to derive significant government support despite the fact that they've

been incredibly profitable for a heck of a long time. So we as an industry have committed to doing our end of the deal and getting costs down rather dramatically. The other thing I'd say to keep things in perspective is that solar power is something Americans want. The level of incentive that the investment tax credit that we're encouraging to be part of the energy bill would cost less than \$1 billion over eight years, and when you compare that to the [U.S.] government's support for coal or oil or nuclear, it is a tiny, tiny amount of money. And yet Americans, given the choice, would choose solar over all of those options. So it just makes sense. It creates an industry; it creates a right economic; and it's what Americans want.

**Rhone Resch:** Thank you very much Tom. As a number of speakers have pointed out, solar has enjoyed some incentives coming at the state level and it's interesting that states have really led with the policy with respect to clean energy, yet when you look at the nuclear industry and the fossil fuel industries, they really enjoy federal policy which creates obviously national markets. And we're looking to change that; we're looking to get the Federal government to expand their support for solar energy and I think going forward we need all technologies. But it's very important that Congress recognizes that solar needs to be an important part of the mix going forward.

So with that in mind, I'd like to start off with the first question if I can and I'll just go through each of our executives in order. And that question is simply this: If the energy bill is passed with an eight-year extension of the commercial investment tax credit and a six-year extension and expansion of the residential credit, which means lifting the cap, how do you anticipate your company growing here in the United States over the next decade, both in terms of installations of solar, revenue and jobs? Let's start off with you Barry.

**Barry Cinnamon:** Thanks Rhone. We've been seeing a combined growth rate of over 166% per year since we've been founded and – that goes back to 2001 – and I don't see any reason in the world why we and other installation companies cannot continue with that growth rate. That means that we're going from the current mix of 200 employees on up to thousands and that's going to be spread out around the country in what we call "green collar jobs" so we're really looking forward to that potential growth and what it's going to mean for our nation's economy.

**Rhone Resch:** And Roger, how about you; will we just see the jobs created in China to support the American market?

**Roger Efirm:** You'll see a lot of jobs created in the US. We have already publicly said that we understand that we're going to need to build factories in the United States to manufacture our products and it's simply a matter of the market getting large enough to justify. We are currently in discussion with the Governors of three different states who have been recruiting us to build factories and we've actually begun looking at sites, etcetera. The timing of when we would do that is obviously going to be based on the growth and the size of the market. Right now the United States, while potentially is the largest market in the world, it's really less than 10 percent of the world's solar business is in the US. However, most manufacturers around the world have faith that the U.S. market will be the largest market in the world. How many employees would Suntech have in the U.S.? I think that depends on the size of the market, but just manufacturing jobs totalling a 1,000 or so seems quite reasonable to me over the next few years if we get the kind of market growth that we anticipate.

**Rhone Resch:** That's a pretty exciting story - a Chinese company opening up manufacturing in the United States, quite a reversal from what we've seen certainly in the last couple of years. And certainly jobs that we'll see, as you pointed out, in all 50 states. And just in the last couple of years we've seen announcements in the state of Michigan, for example, between Hemlock Semiconductor and Unisolar creating several thousand[s of] new manufacturing jobs in the U.S. in the state of Michigan, also showing that some of these states can go from traditional industries to the green tech industry fairly rapidly. How about yourself, Santiago? What does a long-term extension of the tax credits mean for concentrating solar power and your company?

**Santiago Seage:** For us having the eight-year extension would mean moving from having 20 employees currently in the U.S. and building a few megawatts equivalent per year, to having in 2010 - so not in ten years, but in three years - having 200 employees in the US, having one or two factories manufacturing the key elements required for these plants and having 2,000 workers building these plants across the Southwest. Concentrating solar power creates a lot of jobs because these plants require very high extensions, the equipment required is, let's say very heavy. Therefore if we get an ITC, (only ourselves) we can help to create a couple of thousand jobs or more.

**Rhone Resch:** And how many megawatts do you think that we could see installed for concentrating solar, either just your company or the broader industry within the next ten years?

**Santiago Seage:** Within the next years we should be talking about something like eight gigawatts for the industry.

**Rhone Resch:** So we're not even talking megawatts we're talking gigawatts.

**Santiago Seage:** Absolutely.

**Rhone Resch:** And Tom how about yourself? What is an eight-year extension of commercial and residential tax credits mean to SunPower?

**Tom Werner:** Sure. SunPower participates in each of the different end-market segments – residential, commercial, [and] power plants. Our business is growing 30 percent per quarter in America and that's largely because of California, which has a long-term incentive and therefore a long-term predictable market. And of course, an eight-year extension that gives you a Federal program which would be incredibly positive. When you look at it, the world's largest solar market is Germany, because it has a long-term incentive and [one that] declines over time. But it has a long-term incentive. And yet, it has a solar profile of Alaska. So can you imagine, if you had a Federal program with the solar profile that you have in [the] Southwestern United States, how big solar could be.

So we see tremendous opportunity for growth, to have a Federal footprint across the entire United States instead of largely California and maybe a couple of other states. Our employment is just under 400 now and growth rate is doubling per year. To put that in dollar figures, you're looking at a payroll annually of \$60 million and then that's not just it; there's a whole solar economy of vendors and investors and the like that form around companies like us, that make substantial investment. As we look forward, I would also note that when you have a long term predictable market that's larger and has a bigger geographic footprint, then in our view you almost have to support it with manufacturing locally and so provided the ITC gets passed and it has solar included with tax title, we definitely are prepared to put [something in fashion] in the United States, in fact we've already picked a site and are preparing that site, we just need the ITC to pass.

**Rhone Resch:** Thank you Tom. Just so the 60 or so reporters who are on the line know, the United States market is about one, (this year will be about) one sixth of the size of the market in Germany; and Germany created a long-term incentive for solar about five years ago and that has resulted in

45,000 new manufacturing jobs in Germany itself. And just to kind of also put it in perspective, the country of Germany on average gets the solar equivalent, the amount of sunlight that falls on Germany, is equivalent [to] Anchorage, Alaska. And so you can imagine, if solar does well and works well in Germany, just think how spectacularly it will work here in the United States.

One last very quick question, if I could, and that is, if you could just answer it very briefly and then we'll open up the call to the reporters. Given the way that the financial industry has embraced solar in the last two years, what do you think the message is to Congress from Wall Street? Let's start with you Barry.

**Barry Cinnamon:** Thanks Rhone. It's kind of a coincidence because just a few hours ago, we announced that we raised \$26 million on Nasdaq for rooftop solar technology; so there's a tremendous amount of interest. Wall Street understands the macro energy and environmental picture and they understand that we really can't drill our way out of this problem and that's why there is so much capital going into the solar industry.

**Rhone Resch:** And Roger?

**Roger Efirm:** Well, we went public a little less than two years ago on the New York Stock Exchange at a stock price of \$15. We closed yesterday at \$58. The investment community think(s) of all the green energy companies as kind of darlings. But one of the things that investors have been worrying about is the supply of silicone, which has been in short supply in our industry. But we certainly see the light at the end of the tunnel there. We issued a press release a few days ago concerning a \$1.5 billion contract over seven years for silicone that we have just recently signed, and in that press release we mentioned that the pricing for the silicon is declining to well under \$40 a kilogram - that's the first time I've seen a dollar-figure like that put in a press release. But the real message is that the silicon supply situation is getting much better. Today's spot market pricing for silicon is approaching \$300 a kilogram, yet the suppliers are starting to loosen up and so we're going to see a dramatic fall there. And I believe that, plus the government incentives, are going to make solar reach grid-parity very quickly, within the next few years. [Note: grid-parity refers to the price of solar being equal to that of conventional electric utility grid prices.]

**Rhone Resch:** A chicken in every pot and a solar system on every roof, alright. And Santiago, you're a little different structure, but certainly raising money for large-scale concentrating solar power

projects runs into the hundreds of millions of dollars. How do you see Wall Street responding? What's their message to Congress, if you will, on this energy bill?

**Santiago Seage:** I think the message from investors and the market in general is very clear. This has become an industry very quickly. As somebody said before, this industry is still a baby that needs to be fed for a few years. And what we are expecting, and what the market is telling us, is that the U.S. should make sure that the ITC [investment tax credit] gets extended to make sure that the industry grows in the U.S. As we saw before, Japan, Germany and other countries up to now have been leading. And earlier this morning I got an email from a very well-known investor, who was sending me the cover of U.S. News [ & World Report] which happens to portray one of our plants in Spain which is the first solar power worldwide. And his question was why did you do this in Spain, if in the Southwest we have a much better valuation - which is true. And I answered back saying, "ITC."

**Rhone Resch:** Great answer. And Tom, how about yourself. What do you think the message is from Wall Street to Congress?

**Tom Werner:** So Wall Street has a lot of smart people and [who] are voting with their wallets. If you look at the market capitalization of solar companies, it's gone up between 50 and 70 ACS in just a few years. SunPower's market capitalization is bigger than the entire industry was as recent as five years ago, and the level of support from Wall Street has been excellent. We've raised a \$1 billion, just under \$1 billion, in 24 months and they support SunPower. Among the things, of course they support our strategy and our execution, but I think that they believe that the fundamental force behind solar power are things that aren't going to go away; it's an industry that the public wants to see succeed, and that in most places, if the public believes it should be done, policy follows. So, Wall Street is saying this is a real industry, they make real money, there's strong management and American people want it, therefore policy ought to support it.

**Rhone Resch:** Great. Thank you Tom. What I would like to do now is to open up the conversation to the reporters who are on the phone. If you could, and it's an open line unfortunately, so if you could just introduce yourself with your name and your organization, but if you could your phone basically on mute until you are ready to ask your question, we would greatly appreciate it. The first question for our speakers today? Would anybody like to ask a question this morning? Okay. I will start it off with a little bit of an ice-breaker. So what happens if the energy bill isn't passed this year? You know certainly Germany and Japan have continued to support solar and I think those markets

will be there. But let me just ask everybody, what happens if these tax credits expire and the energy bill isn't passed – Barry?

**Barry Cinnamon:** Thanks Rhone. Well, I think what's going to happen is that we're going to continue to transfer our country's wealth to very unfriendly countries. The oil companies are going to continue to see record profits and historians are going to look back at this tremendous opportunity that we lost. I like to look at it on a positive basis and say, that if it is passed with the extension and with the residential provisions, it's going to be a turning-point towards our country's energy independence.

**Rhone Resch:** Roger?

**Roger Efir:** Well we will continue to have growth in terms of the U.S. business. There are several states that have good programs that allow us to run a profitable, rather small but profitable, business in the U.S. So, you know, we're not going to die; 80 percent of our total revenue comes out of Europe and it will continue to come out of Europe. But it would be extremely disappointing because solar has such an opportunity to help reduce this nation's carbon footprint, and it won't be given that opportunity if we have to continue to rely on just a few states in the U.S. to support the industry.

**Rhone Resch:** And Santiago, can we build a CSP plant here in the United States without the ITC?

**Santiago Seage:** No, I'm afraid we cannot, we or anybody else. If the ITC doesn't get extended, basically concentrated solar power will stop [developing] in the U.S. and the companies leading this market will invest elsewhere. It's not only Japan and Germany, but in CSP, there are many countries now worldwide that are approving or extending the equivalent of the ITC. So, we will go and invest somewhere else which will be unfortunate.

**Rhone Resch:** And Tom, do you have a unique perspective, if you will, if the ITC is not passed?

**Tom Werner:** Capitalism works. Markets are efficient. The industry will be focused elsewhere and Americans will be able to read about solar going to retail electric-grid-parity in other countries and we'll be a follower.

**Rhone Resch:** That would be a shame. Let's open it back up to reporters, are there any questions that you have? Please just speak up.

**Barry Cinnamon:** It doesn't sound like anybody has any energy this morning.

**Rhone Resch:** Yes, we answered all their questions. So, I will just continue the dialogue. You all have been involved with this individually, but I would just like for everybody on the call to hear, how has the solar industry stepped up [its] efforts to get this energy bill passed? Solar has, I think historically, been a nice, but very small technology and very popular with people in general, but what's different this year? What is the solar industry doing that is different from what they've done previously to help get this energy bill passed? Barry, I'll start with you.

**Barry Cinnamon:** I think most prominently the solar industry has grown and reached out to other partners. I know, just this week, the Silicon Valley Leadership Group, which is composed of a bunch of leading Silicon Valley companies has sent a delegation to D.C. to work on advocating for these policies. So, it's nice to see that the solar industry has reached out to partners throughout the country.

**Rhone Resch:** That's a good point, Barry. When you look at the groups that are supporting these provisions in the energy bill, you have not only the solar industry but you also have utilities, a large group of utilities and yet it's an electric issue. You have a broad coalition of the environmental groups, you have home builders, you've got the real estate roundtable, you've got national retailers and many, many other groups who either are consumers of electricity or looking for ways to stabilize their electricity costs, or potential vendors into this market place. So, Roger, I'll ask you the same question. I know you've been up on the Hill, that's a different thing from what's happened before. How do you see the solar industry playing on this energy bill today?

**Roger Efirid:** I will point out that probably more solar people have actually been on the Hill meeting with congressmen in the last year than I have ever seen. Maybe 10 or 20 times more visits to the Hill than we would normally have seen in the past. But I think all of us in the industry, we feel like we're at this crossroads. Maybe like the Cable TV guys were some years ago. They were working hard to bring Cable TV to the U.S. and they really had to pull together. It was a very small industry and everybody had to work together and that's what I see happening in the solar industry. We're all of the

companies, even though we're competitors with each other, we are banded together to try to push these kind of things forward.

**Rhone Resch:** Thanks, Roger. I'd like to open it back up to reporters, are there any questions that you have and please identify your name and your organization.

**Rhone Resch:** I hear a lot of typing going on, but not too many questions.

**Barry Cinnamon:** That's a good sign.

**Rhone Resch:** Excellent, let's continue with yourself, Santiago. Looking at the energy bill and what the solar industry is doing, how do you see that being different and now that you're entering into the U.S., how is your company participating?

**Santiago Seage:** I think that the main difference is that over the last few years, we have been building both PV roofs, PV plants, or even the first CSP plants. So, what we've been doing is demonstrating that this is already an industry, that this can create jobs, that this can generate clean energy in the context where the energy is really required. So, on top of the activities going on in D.C. and the support we are getting from many organizations, from many people from both parties, I think that the key thing is we have demonstrated that this is for real and that we deserve the industry to continue growing.

**Rhone Resch:** And Tom, I know SunPower's been very active in both letter-writing campaigns and supporting the SEIA PAC. How has SunPower stepped up in particular and what have you seen different in trying to get this energy bill passed?

**Tom Werner:** First the obvious. I think the number of members at SEIA has grown dramatically, the SEIA PAC funding has increased dramatically. By the way, anybody on the phone can participate and should.

**Rhone Resch:** As long as they're members of SEIA.

**Tom Werner:** Yes, and do that as well. I think that the receptivity, if you look at California - Governor Schwarzenegger, Dianne Feinstein, Nancy Pelosi, Mike Honda, the local congressman -

the level of receptivity is incredibly strong and we're having sincere deep discussions as opposed to quick meetings that are message-driven. And the receptivity when we go to Capitol Hill is also really significant. So I think the solar industry is considered the real deal and a long-term strategic interest for the country and the nature of the meetings are consistent with that.

**Rhone Resch:** Thanks, Tom. For those of you who are writing your stories or looking for more background and information, both on the energy bill and solar industries' perspective and priorities, I encourage you to go to the SEIA website which is [www.seia.org](http://www.seia.org), and you'll see on the right hand side there is a link to the ITC Resource page. What you will find there are letters from governors, letters from the Presidents of the California Public Utility Commission and letters from NARUC and letters from other organizations all supporting large-scale extensions and expansions of the solar tax credit. Are there any callers on the phone who'd like to ask a question?

**Lou Young (?):** Can I ask a question?

**Rhone Resch:** Yes, if you could identify your name and organization, please.

**Lou Young (?):** Hi, this is Lou Young, solar analyst for Merrill Lynch. I just wanted to ask how effective is the investment tax credits compared to the feed-in tariff in the United States? Are we going to see a feed-in tariff structure in the United States any time soon?

**Rhone Resch:** So, if I could repeat the question because it was slightly difficult to hear you, the question is how effective is the investment tax credit compared to a feed-in tariff and would we see a feed-in tariff structure in the United States? The first answer is from the Federal level, it's impossible under current electricity law structure. The Federal government does not control retail rates of electricity - that is controlled at the state level. So you may see feed-in tariff types of structures at the state level but you will not see it at the Federal level any time soon simply because it would take a wholesale rewriting of our electricity laws here in the United States and we don't anticipate that happening. But you are seeing it occur at the state level. Washington State has a feed-in type of structure and a number of utilities including PNM and others have similar types of feed-in structures. Even California and New Jersey are both going towards an incentive-based, performance-based type of structure, so [they] become a little bit more - at least in the design - similar to a feed-in tariff. But let me ask the CEO's who are on the phone about how effective the ITC is. Does this really work, and let's start with you, Barry.

**Barry Cinnamon:** I'd say as an installer and literally we've done thousands of systems and filled out, probably, stacks of paperwork higher than you could believe. A big goal is to make the process efficient and a single, unified federal tax credit is going to be something that applies across the country, it's going to be efficient. Customers get it; they can check off a box, put in a number and that's going to spur the growth of the industry the fastest.

**Rhone Resch:** And Santiago, how about yourself?

**Santiago Seage:** I think that a feed-in tariff is a structure that has worked in many countries around the world. ITC is a structure that has worked in the U.S. over the last years, so I agree that what we need to do is extend what has proven useful on the ITC and some states might look into being encouraged going forward. Some of the states in the Southwest have been analyzing it, and overall, I think that it's very difficult to make it happen in the U.S. The ITC will make happen what we need, which is [a] growing industry in the next few years.

**Rhone Resch:** And as Tom and Roger pointed out, this is a tried-and-true policy structure that has been used for many different industries in the United States and it's one that spurs investment, not only in new projects, but also in new, innovative financing structures, and we've seen that already occur in the last 22 months that the ITC has been in place, with a number of different, let's just call them, innovative financing programs that allow large-scale projects to be built. And just to put that in context, last year in 2006, one of the largest solar projects built in the US was in the order of one or two megawatts. This year, the largest projects are 10 to 15 megawatts. So, expanding the size very, very rapidly, of the size of projects here in the United States, using, again, innovation on the financing structures. So, very exciting to say the least and that's something that I think you wouldn't see in a feed-in tariff structure. Let's open it up to other questions, are there additional questions? And I know Tom Werner has to drop off, so if you have anything specific for SunPower, now's the time to ask him.

**Denis DuBois:** I have a question.

**Rhone Resch:** Okay, if you could identify your name and organization?

**Denis DuBois:** Denis DuBois with *Energy Priorities* magazine. Looking beyond this energy bill, should Congress pass a carbon dioxide cap-and-trade system as well, or in lieu of an ITC, to change the economic dynamic of the industry, and how would that change the economics for solar?

**Rhone Resch:** That's a great question. The question is should we have a carbon cap-and-trade structure and how does that change the economics for solar? I will start by a short-winded answer which is a carbon cap-and-trade system as something that will take place in the United States, but not for another year or two that we'll actually create the law and then it'll take several years to put in place the regulations and then subsequently the markets. What we're looking for in this energy bill is a six- to eight-year extension of both the residential and commercial, and we think that the industry will scale up within that time and help bring down costs, that solar will be close to cost-competitive. And if and when we do have a cap-and-trade system, it will provide an additional revenue stream that hopefully will be able to be monetized to help lower the cost of solar, and that becomes the additional stream going forward. So, in the short run, we need that bridge loan, if you will, that transition between now and when we truly do have a functioning carbon cap-and-trade system in the United States. But Roger, do you have some insights on how a carbon cap-and-trade system would benefit Suntech?

**Roger Elfird:** Well, I think just benefiting the industry in general it would help to level the playing field. We have always said in the solar industry that if we got the kind of support that traditional utility companies - the utility industry - has gotten, we would probably be 100 times bigger than we are today. And carbon cap-and-trade, of course, there are two things that we'd see immediately. First of all, we'd see a lot of private industries start using their carbon footprint as a marketing tool which would be very good for our industry. And the other thing is it helps to even out the playing field.

**Rhone Resch:** Your point's a good one, Roger, but there's one key element of a policy that needs to be addressed, Denis, and that is the ownership of the credits. We think it's absolutely imperative that if you generate the electrons, be it on your roof or on your business or on your power plant, that you own those carbon credits for the avoided emissions. That's not the structure that was used in the acid rain program. And so we need to make sure that carbon credits can be monetized to help lower the cost of solar, wind and other renewable technologies and they're not just purely given to utilities in this type of federal program.

**Barry Cinnamon:** Let me add on to that, Rhone. This is Barry; I think that carbon tax is a good way of creating a long-term trend away from burning coal and oil. But really, in the short or medium term, there's no tangible incentive to homeowners and building owners and no tangible incentive to voters. So, it's not going to accomplish that tipping point that we need to achieve within the country.

**Rhone Resch:** And just so Denis and others know that the solar industry will be stepping up our participation and discussions and negotiations on a federal program dealing with carbon emissions in the future. Are there additional questions that people have on the phone?

**Lou Young (?):** Can I have a follow-up?

**Rhone Resch:** Yes.

**Lou Young:** Hi, this is Lou Young again from Merrill Lynch. I just wanted to ask, a lot of people talk about the U.S. being the swing factor in 2009 demand. Are we going to see a hockey stick in demand because of the tax credit and how would you characterize the demand from the U.S. going forward?

**Rhone Resch:** Tom, are you still on the phone?

**Tom Werner:** Yes.

**Rhone Resch:** Do you want to take a shot at that?

**Tom Werner:** Yes, and if I could and then unfortunately I'll be stepping off [the call] after that. What we've seen in various markets is that it's rare you see a step-function, that it takes some time for the friction to be worked out of the system and you see rational growth which is good because I think when you see a step-function increase, that puts a strain on the value chain and it's inefficient. I think you can see rational, efficient growth across the United States and, I think the industry, because it's scaled in other areas of the world is very well prepared to rationally grow and support what will probably be more of an aggressive slope, bit more of a linear growth. United States could rapidly become one of the top three markets. I don't think you'll see it become the number one market in the near-term, near-term being the first couple of years. But clearly, with the solar profile in North America, this just makes sense. If it can make sense in Southern Europe and Germany and Japan,

which by the way had an incentive program that no longer exists, and solar is mainstream; if that can happen with a solar profile in Japan clearly that can happen in the United States. So, rapid growth, perhaps more linear, [U.S.] top three market within a few years.

**Rhone Resch:** And Santiago, would you like to provide the CSP perspective?

**Santiago Seage:** Yes, basically for CSP, definitely ITC would create very rapid growth over the next few years. There are many projects that have either been signed or are in very advanced negotiations where the ITC is the most important issue to be solved. If ITC gets a standard, many of these projects will hit the ground.

**Rhone Resch:** Great, Tom, I just want to thank you for your time and I appreciate you hanging in there those last couple of minutes. Are there any other questions from reporters on the phone?

Okay, if not, I would like to just wrap this up by thanking Barry, Roger, Santiago, and Tom for their participation. I'd like to also thank all of the reporters who were on the call; there were over 60 of you. It sounds like some analysts, too, who participated. Again, if you'd like additional information on the energy bill and policies that support solar, not only the investment tax credit, but some of the other policy provisions in the energy bill that we're advocating for, I strongly encourage you to go to [www.seia.org](http://www.seia.org), and then specific information on the ITC resource page. With that, I'd like to once again thank everybody's participation and if you have any additional questions, feel free to contact SEIA directly. Thank you all and have a great afternoon.

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