

**TESTIMONY OF JOHN SMIRNOW
VICE PRESIDENT OF TRADE & COMPETITIVENESS
SOLAR ENERGY INDUSTRIES ASSOCIATION**

**BEFORE THE HOUSE SUBCOMMITTEE ON
COMMERCE, MANUFACTURING & TRADE**

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Mr. Chairman and Members of the Committee, thank you for the opportunity to appear before you today. The Solar Energy Industries Association (SEIA) represents over 1,000 solar businesses operating within the United States, including leading U.S. solar manufacturers and exporters. Today, solar employs nearly 120,000 Americans at more than 5,600 companies, most of which are small businesses spread across the United States, making solar one of the fastest growing industries in America. My testimony today will focus on India's growing use of an industrial policy which discriminates against U.S. solar exports and, thereby, provides an unfair competitive advantage to India's domestic solar manufacturers.

With some of the best solar resources in the world, and the cost of solar continuing to decline, India's solar sector is poised for explosive growth, providing an important export opportunity for U.S. solar manufacturers. Indeed, over the past few years, U.S. solar panel manufacturers have contracted to supply hundreds of millions of dollars of exports to India. Importantly, most of these exports are comprised of U.S. solar panels based on "thin film" technology, a leading-edge U.S. technology with a global competitive advantage.

At the same time, however, India's solar policies have increasingly turned inward. In 2010, India adopted a local content requirement as part of the country's National Solar Mission. While we fully support India's desire to promote solar manufacturing, both as an economic development tool and a solution to climate change, India's government support measures must

be consistent with the country's international trade obligations. India's solar local content requirement, however, is a direct violation of those obligations.

One of the arguments we hear in support of the local content measure is that it is necessary to nurture the growth of a young industry, particularly in an environment of intense global competition. But while local content requirements may provide some protection for domestic manufacturers, such requirements also stifle innovation, limit a country's access to next generation technologies, and increase costs—not to mention the fact that local content requirements are explicitly prohibited by global trade rules.

Returning to the specifics of India's solar industrial policy, the National Solar Mission is divided into three phases. Under the first tranche of Phase I, India required that eligible projects based on crystalline silicon technology, versus thin film technology, utilize only solar panels manufactured in India. Thus, while U.S. solar cells could be exported to India for incorporation into panels that were then eligible for Solar Mission projects, U.S.-origin panels were barred from competing for Phase I projects.

For the second tranche of Phase I, India broadened the local content requirement to mandate that National Solar Mission projects use only crystalline silicon solar cells and panels manufactured in India. U.S. crystalline silicon solar cells, and now panels, are thus barred from competing for National Solar Mission projects—a significant lost opportunity for U.S. exports. Looking forward, we are concerned that India will expand its solar local content requirement yet again to cover not only crystalline silicon solar cells and panels but also U.S. solar panels utilizing thin film technology, effectively targeting hundreds of millions of dollars in U.S. solar panel exports. Our only hope is that the U.S. government's recent decision to initiate World

Trade Organization (WTO) dispute settlement proceedings against the local content requirement will eventually cause India to reverse course.

The U.S.-India WTO dispute follows on the heels of a recent WTO finding that Ontario, Canada's local content requirement for solar goods, which is substantially similar to India's, violated Canada's WTO obligations. In response, Canada has indicated that the solar program will be brought into compliance with the WTO decision, which we presume means that Canada will remove the local content provision. India should follow Canada's lead and, likewise, remove the local content provision from the National Solar Mission.

As important context, the U.S. government first tried to establish a collaborative dialogue with India regarding the local content requirement but was rebuffed. The U.S. WTO case was a last resort effort to get India to the table.

I want to again make clear that we support the overall objectives of India's National Solar Mission and its focus on growing a domestic solar manufacturing base. Notably, the U.S. WTO case challenges only one provision of the National Solar Mission—the local content requirement. The U.S. challenge does not threaten the National Solar Mission itself. Indeed, not all government support measures violate global trade rules and there are a variety of measures India could adopt as alternatives to the local content requirement. There is, however, no list, whether formal or informal, of WTO-consistent government support programs which countries could turn to for guidance.

Industry and governments, thus, have an important opportunity to work together and proactively develop such a list with the shared objective of expanding solar energy around the world free from the restraints of unfair trade barriers. The U.S. solar industry has consistently

maintained that while litigation is an important part of the global trading system so too is collaboration. That concludes my remarks, I would be happy to answer any questions.