

STATEMENT FOR THE RECORD
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SUBMITTED TO THE
U.S. SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES

HEARING ON
CHINA AND CLEAN ENERGY

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Chairman Bingaman, Ranking Member Murkowski and members of the committee:

The Solar Energy Industries Association (SEIA) is the national trade association for the U.S. solar energy industry. On behalf of our 1,000 member companies and the more than 100,000 American taxpayers employed by the solar industry, I appreciate having the opportunity to submit a statement for the record on the important topic of China and clean energy.

According to a United Nations report released earlier this week, global investment in renewable energy reached a record \$257 billion in 2011, with solar energy attracting more than half at \$147 billion. This represents a year on year increase of 52%, led by strong demand in Europe, China and here in the U.S. These trends are indicative of a rapidly evolving, highly competitive and robust global industry.

The strong growth of the solar industry, however, has coincided with increased competitive pressures throughout the solar value chain. While SEIA supports the ability of sovereign nations to implement policy designed to promote the production and use of renewable energy, these incentives must be consistent with international trade rules and the obligations of our trading partners.

America and the Global Solar Value Chain

Solar cell and module production are important parts of the solar manufacturing process. It is, however, important to note that U.S. manufacturing in the global solar value chain extends beyond these stages in the production process. Today, there are at least 95 domestic facilities in 26 states manufacturing photovoltaic ("PV") primary components, including solar-grade polysilicon, ingots, wafers, cells, solar modules and inverters. Only 19 of these facilities were operating in 2005 - a five-fold increase in the U.S. in the last six years. These products are not only utilized domestically, but are also destined for growing export markets.

For example, Hemlock Semiconductor employs 900 workers at their Michigan plant that processes silicon feedstock, an essential component in solar panels. The company is currently building a facility in Clarksville, Tennessee which is expected to employ another 500 workers. The construction workforce to build the facility already tops 1,600 people.

In addition, a number of companies manufacture inverters domestically. Inverters are a key component in a solar energy system; they turn the direct current produced by a PV panel into the alternating current that is used by lights and appliances. For example, Siemens Industry, Inc. employs 100 people at its inverter manufacturing location in Alpharetta, Georgia. Among its many solar products, DuPont Photovoltaic Solutions manufactures solar film at its Circleville, Ohio facility. Sixty-three Ohioans produce this high value solar film, which is then used in PV panels installed across Europe and North America. These are just a few examples of U.S. companies that rely on access to markets at home and abroad to sell their products and create jobs here in the U.S. Overall, 73% of the value of an installed PV solar system is domestic.

Trade Remedies

As with other industries, trade disputes will emerge as a market becomes competitive and global in scale. The agreements set forth through the World Trade Organization (“WTO”) attempt to clarify what are acceptable forms of support and what options countries have to counteract unfair practices that are inconsistent with WTO-rules. SEIA supports the rules-based global trading system and the use of enforcement mechanisms, such as anti-dumping and countervailing duty litigation, when appropriate. Litigation is a vital aspect of maintaining free and fair global trade flows, and SEIA supports the right of countries to investigate unfair trade practices and address them accordingly.

Resolution of Global Trade Disputes

Litigation and trade remedy measures, however, should be employed judiciously. More importantly, litigation and trade remedies are not the only avenue for pursuing an equitable and robust global solar marketplace that benefits both U.S. manufacturers and consumers.

Equally essential to the global trading system are dialogue and negotiations. Averting escalating trade disputes is in the interest of manufacturers in the domestic solar value chain that want access to growing foreign markets and U.S. consumers who benefit from the reduced energy costs that come with an efficient and competitive marketplace from solar products.

Towards this end, SEIA is working with national solar trade associations from around the world to create a public-private dialogue on solar trade and competitiveness issues, beginning with the creation of a Clean Energy Partnership within the Asia-Pacific Economic Cooperation (“APEC”). Such a forum would provide an opportunity to help clarify the role of government in encouraging the development of national solar industries and, in turn, improve the competitive landscape for U.S. companies, both within the U.S. and abroad.

The initial goals of an APEC Clean Energy Partnership would be to:

- Promote WTO-acceptable trade in solar energy goods, while taking into account the role of governments in the development of the solar energy industry;
- Ensure that global innovation, scaling and economic development occur; and
- Create a collaborative framework for preventing trade conflict in the solar industry and resolving it constructively if conflict does arise.

Building on successful collaboration within the private sector, the American and Chinese governments should also begin working together towards a mutually-satisfactory resolution of the growing trade conflict within in the solar industry.

Local Content Requirements

Open markets and the free flow of products within the confines of the rules-based trading system will continue to drive down costs for consumers and help significantly expand the deployment of solar technology in America. Conversely, the imposition of requirements that solar energy products utilized in a particular market be domestically produced, commonly referred to as local content requirements, should be avoided. These requirements generally run afoul of WTO rules and incite the imposition of retaliatory market barriers. This in turn would lead to costly inefficiencies in the marketplace.

As nations around the world recognize the energy policy benefits associated with the deployment of solar technology, there has been a growth in trade-distorting local content measures. For example, solar programs in Ontario, Canada and India feature local content requirements which preclude American companies from competing in these promising markets. To prevent the expansion of such provisions and roll-back existing policies, SEIA is building upon its collaboration with other national solar trade associations to create a multilateral, public-private forum focused exclusively on local content provisions. One potential outcome of such a forum could be the development of a list of WTO-consistent best practices that could serve as alternatives to local content requirements. In this context, SEIA also encourages U.S. policymakers to avoid imposing local content requirements on domestic solar incentives.

The U.S. Needs Smart, Stable Policy to Continue Growth in the Domestic Market

Access to a diverse, abundant, reliable and affordable supply of energy is in the national interest. Accordingly, federal policy has for decades provided a legislative and regulatory framework that has helped every major source of energy utilized in the U.S. today reach commercial scale. The recognition that smart policy can play a vital role in developing new domestic energy resources has contributed significantly to America's long-term economic prosperity and growth.

Similarly, history has shown that well-crafted and efficient federal tax incentives can be powerful policy mechanisms to promote the nation's energy objectives and leverage private sector investment for the deployment and utilization of new energy resources. This is clearly the case with federal tax incentives designed to promote the expanded deployment and use of solar energy technologies.

Since the enactment of the 30 percent commercial and residential solar Investment Tax Credit ("ITC") in 2005 and the 1603 Treasury Program ("1603") in 2009, domestic deployment of solar has increased seven-fold; the cost to consumers has significantly dropped; and we have developed a domestic industry value chain that today employs over 100,000 Americans. By any objective measure, these important incentives are doing exactly what they were meant to do – allow our nation to reap the significant energy, economic and environmental benefits associated with utilizing our abundant solar resources.

When compared to other sources of energy - both conventional and renewable - the duration of federal support for solar has been brief. The solar ITC is the primary federal policy that encourages the deployment of solar technology. Since the ITC took effect in 2006, the industry has made significant and concrete strides towards grid parity. If current trends continue and costs continue to drop on account of economies of scale, improved technology and enhanced efficiencies, the solar industry's need for federal policy support will be shorter than virtually any other domestic energy source.

Ultimately, it is the entrepreneurs in America's solar industry - from the scientists developing more efficient and cost-effective solar technologies to the market innovators providing new financing options that make solar more affordable for consumers - who are responsible for the rapid growth and reduced costs that are the hallmarks of America's solar industry. Stable, reliable and well-structured tax policy provides the framework that allows for this market-driven innovation. If policymakers have the foresight to retain these highly effective tax policies, this short-term investment will yield significant long-term benefits.

Conclusion

Chairman Bingaman, Ranking Member Murkowski and members of the committee, SEIA again appreciates having the opportunity to submit a statement for the record on this important hearing on China and clean energy. A national policy that recognizes the benefits of open markets, both at home and abroad, combined with smart and stable domestic policy will accelerate the deployment of solar technology, continue the positive trends of reduced costs for consumers and create jobs throughout the solar value chain. SEIA looks forward to working constructively with you to achieve these worthwhile policy outcomes.