



## The Process in Europe

Once a group of companies representing more than 25% of a European industry makes a complaint about dumping to the Commission, it must look into it.

Before the Commission could impose duties, it would have to prove three things:

- Either that Chinese PV companies are receiving unfair subsidy, or that they are selling in the EU below normal value
- That low-price Chinese PV has harmed European industry
- That imposing duties would not harm the wider interests of the EU

On 25 July 2012, a group of European manufacturers under the Prosun banner filed an anti-dumping complaint with the EU. They followed this up with an anti-subsidy complaint on 26 September.

*Recent news that imports of Chinese solar PV into Europe will be subject to registration has brought the investigation into Chinese alleged anti-competitive practices back into the spotlight. Prices have already started to rise in response. What is going on?*

### What is Dumping?

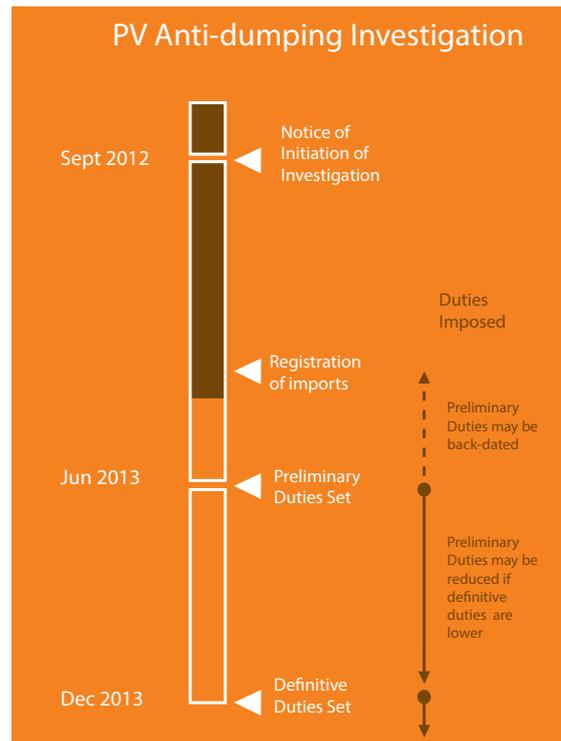
In international trade, dumping is defined as charging a lower price in an export market than is charged in the home country of the producer. It can be seen as an anti-competitive strategy aimed at driving competitors in the export market out of business in an attempt to create a monopoly.

Governments are allowed under international trade rules to protect their domestic producers against such predatory pricing. To do so they must prove that the pricing is below “normal value” and that the practice is causing damage to the domestic industry in the importing company.

### The United States Investigation

In November 2012 USA concluded its investigation and determined that exporters of solar photovoltaic cells and panels were receiving unfair subsidies from the Chinese government and dumping their products into the US at below normal value. The subsidy was assessed to be around 15% and the dumping margin around 25%. The ITC decided that this had damaged the business of US-based solar manufacturers.

The USA moved to apply import duties on solar PV from China of around 32%.



Preliminary findings will be reported by June 2013 and conclusions by December 2013. A provisional level of duty can be applied to imports in the period between the preliminary findings and the definitive conclusions.

In the meantime, from March 2013, all imports of Chinese PV must be registered with Customs. This allows the EU to apply retro-active duty to solar PV imports between this date and the date of the preliminary findings. Such retroactive duty is only allowed if there is a substantial rise in imports – a rush to beat the preliminary findings.

## Isn't Low Cost Solar a Good Thing for the EU?

If the Chinese want to subsidize European solar installations – why not let them? A clue to the thinking at the European Commission is on a fact sheet they have published on the case:

*“Potentially unfair trade in solar panels does not help the environment: a market that faces dumped imports will drive local producers out of business and could discourage EU producers from developing cutting edge technologies in the renewable energy sector. As well as the very significant loss of jobs, dumping and other unfair trade practices can ultimately lead to less competition and eventually price increases. We do not know yet if that is the case here, but that's what the investigation is designed to find out.”*

A simple argument that lower prices for PV today is good for solar installers and good for their customers is not sufficient, it seems. The EU has set its stall out as looking at the bigger picture, that unfair competition can result in higher prices in the long run, and may prevent innovative European products being developed that significantly reduce the cost of solar electricity.

## What is the Impact of the Investigation?

Unsurprisingly, faced with the uncertainty of having to pay an unknown amount of duty to be decided in June on all imports from now on, many Chinese suppliers have “turned their boats around” and will only export if the customer pays the duty.

Other Chinese manufacturers have increased prices as a precaution against possible retro-active duties.

Higher costs will come as a shock to many in the solar industry, used as they have become to ever-falling prices. Price volatility will be especially unwelcome for long-lead construction projects which need cost certainty.

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