

15 March 2012

Position Paper on “Developing a real industrial policy for PV in Europe”

Executive summary:

Europe has been the world leader in developing solar PV energy on a commercial scale but is now facing increased competition from other regions in the world as the industry globalises. To keep its front-runner advantage, it is imperative for the EU to develop a real industrial policy that would encourage and strengthen further local investments. Europe needs a strong industrial base to remain competitive in the global economy.

Such a policy requires the following sector-specific measures aimed at maintaining and developing a competitive local manufacturing base:

- A favourable long-term policy framework for renewable energies;
- Dedicated support for investments in the manufacturing industry;
- A strong commitment to continued innovation;
- Improved access to financing;
- Greater use of standardisation;
- And ambitious policy to develop skills and competencies.

In the context of international competition, the EU should also take a leading role in ensuring the development of markets based on principles of free and fair trade and fair competition principles in order to ensure full reciprocity at international level. EU trade defence and trade barriers legislation should effectively allow companies to, where appropriate, address market access issues and unfair trade.

Introduction

Europe has been the world leader in developing solar PV energy during the last decade. From 2001 until now, European countries successfully took the lead role in developing the worldwide PV industry by encouraging investments through smart deployment of cost effective feed-in tariffs. The development of a sustainable PV industry has in turn led to an impressive decrease of PV electricity generation cost (by more than 50% over the past 5 years). Solar power is now well on the way to being a fully competitive alternative to conventional energy, both for final consumers and for large power generation players, thus participating to the transition towards a sustainable energy future.

In addition, the European PV industry represents a key and promising sector for the European economy, providing in 2011 over 265,000 direct and indirect jobs.

The solar industry has entered a new phase of its development which is characterised by increased competition mainly due to global production capacity and a steep reduction of average selling prices of all key components.

In order to maintain its innovation leadership and competitive edge, the EU needs a strong industrial policy to encourage continued investment in the European PV industry while ensuring at the same time the development of free and fair global markets.

A strong industrial policy for Europe

In the context of the EU's growth strategy for the coming decade¹ (Europe 2020), the European Commission has identified a series of flagship initiatives in order to coordinate efforts at EU and national level. One of them focuses on industrial policy² and is aimed at boosting "growth and jobs by maintaining and supporting a strong, diversified and competitive industrial base in Europe offering well-paid jobs while becoming less carbon intensive".

In parallel, the High-Level expert group on Key Enabling Technologies (which includes photonics such as photovoltaics) presented its final report in June 2011, identifying three pillars (technological research, product demonstration and mass production) to bridge the gap between basic research and markets.

These initiatives provide a good basis for further action. EPIA, the European association representing the photovoltaic industry, believes that a more tailor-made and sector-specific approach is needed in order to develop a forward-looking industrial policy for PV in Europe, which should build on the following elements:

1. A favourable long-term policy framework for renewable energies

The Renewable Energy Directive represents a major element for the development of renewable energies in Europe. Its implementation will help PV contribute to the energy transformation, through streamlined administrative procedures, efficient grid connection processes and priority access and dispatch.

Further development is, however, needed to provide visibility to investors after 2020, by setting a 2030 EU binding target for renewable energy. Ensuring a liberalised electricity market with new retail market design by 2014 will also be crucial, as well as creating a real level playing field between energy generating technologies, notably through a phasing out of subsidies for fossil fuels, a fully functioning EU ETS, with clear targets for beyond 2020 and taking into account the growing increase of carbon-free renewable energies, and revised market design rules that better reflect the specificities of variable energy sources. Enabling further investments

¹ Europe 2020: a strategy for smart, sustainable and inclusive growth, COM(2011)2020 final.

² An Integrated Industrial Policy for the Globalisation Era. Putting Competitiveness and Sustainability at Centre Stage, COM (2010) 614 final.

in the necessary grid infrastructure, especially at distribution level down to the low voltage grid, will also facilitate grid integration. Within the low voltage grid area the necessary future “smart grid” will develop, integrating decentralized power generation, like PV, and encouraging households, offices and local industry to increase self consumption by adding storage batteries and communication tools.

2. Dedicated support for investments in the manufacturing industry

Europe’s industrial policy should promote, in full respect of State Aid and WTO rules, incentives at the national, regional, and EU level to attract and maintain investments in all capital sensitive areas, especially in the manufacturing part of the value chain. Benchmarks with other global national economies should provide a guideline for potential support mechanisms. However, these kind of incentives should be used to develop competitive processes for the global challenges ahead.

3. A strong commitment to continued innovation

EPIA strongly supports an increased budget for R&D and innovation in solar PV energy in the EU. The priority should be the financing of the Solar Europe Industrial Initiative in the context of the next multi-annual financial framework (and notably through the Horizon 2020 instrument) in order to attract companies to maintain and create new high-volume production in Europe.

4. Improved access to financing

The cost of capital for CAPEX-intensive technologies such as solar PV is a key factor in its competitiveness. Facilitating access to innovative financing tools for small and medium-size investors is therefore crucial and should be pursued through funding mechanisms that, with the help of the EIB, guarantee investments. Combining different instruments leveraging private capital like the EU Project Bonds should be envisaged.

5. Greater use of standardisation

The PV industry today still has to cope with an excessive variability of technical requirements, e.g. for inverter manufacturers. The standardisation process currently undertaken within CENELEC should therefore be encouraged in order to reduce product variants. Further work should be conducted in order to complement IEC standards (61215 and 61646) with more qualitative-based standards.

6. An ambitious policy to develop skills and competencies

Integrating renewable energy into education and providing skills programs and training will help encourage the adoption of more sustainable jobs across the EU. In addition to qualification of workers in the manufacturing industry, European-funded projects like PV TRIN or Qualicert have already delivered some key recommendations that should be used to promote a specialised workforce in the downstream part of the value chain.

Free and fair global markets: ensuring the principle of reciprocity

As the solar PV industry grows it must expand out of traditional markets and into Asia, the Middle East, Africa, and Latin America. The EU’s industrial policy should therefore encourage the development of new markets for PV globally. By working with other governments, the EU can promote the development of policies that provide a predictable, transparent market environment and government support for the growth of PV. An ambitious European industrial policy can only be effective if the EU continues its efforts to ensure free, fair, and open global markets.

At the same time, as new markets open to solar PV and competition intensifies globally, the EU will need to become increasingly vigilant to ensure that competition in new markets is based on free and fair principles. In line with its new trade policy approach³, the European Commission should pay particular attention, both internationally and within the EU, to protectionist measures (e.g. non-tariff trade barriers, prohibitive local content requirements⁴, hidden/countervailing subsidies, discriminatory public procurement, unfair competition and dumping) or asymmetric policies aimed at promoting exports and discriminating against imports. The EU must play a crucial role in enforcing intellectual property rights. For these purposes, the E U implemented a legal framework in full harmony with WTO. To ensure a level playing field it can be necessary to apply the current European legislation. The EU should also work actively within the WTO to assist in forging a framework in order to develop a WTO-consistent global solar energy industry.

In order to ensure a full respect of the reciprocity principle, potential distortions should be reported to EU authorities and addressed through the use of EU trade defence and trade barriers legislation.

³ Trade, Growth and World Affairs. Trade policy as a core component of the EU's 2020 strategy, COM(2010) 612 final.

⁴ e.g. Ontario.