

Snapshot of spot market for PV modules – quarterly report Q2 2010

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ABSTRACT

Solar enterprises will each be faced with the occasional surplus or lack of solar modules in their lifetimes. In these instances, it is useful to adjust these stock levels at short notice, thus creating a spot market. Spot markets serve the short-term trade of different products, where the seller is able to permanently or temporarily offset surplus, while buyers are able to access attractive offers on surplus stocks and supplement existing supply arrangements as a last resort.

The end of June 2010 brought with it a new record: pvXchange has already brokered more modules and inverters on the spot market in six months than during the course of the whole of 2009. Inverter sales, for example, saw an increase of almost 200% percent compared to the whole of last year. Based on the amount of customer enquiries and goods that have already been brokered and scheduled for delivery in late summer, it looks like the boom will last until the end of Q3 2010. Although the spot market is only one part of the international PV trade flow, the thousands of deals being finalized give us quite a representative impression of the market's development.

How is such a boom to be explained in the current climate, what with the falling prices experienced this past winter and the anxiety being felt globally in regard to how the German and Italian markets will develop after the announced reduction of FiTs in those countries? Is this only the "pull-forward" for the proposed reduction of the FiT?

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In April 2010, module prices from all regions increased for the first time since the price fall of 2008. The manufacturers of these brands announced several months ago that they would be sold out by the end of June 2010. Their modules are now too expensive and therefore near-impossible to find on the market. Similarly, even second-tier manufacturers have been pushed to the limits of their capacity due to the rising demand. Many modules sold out in recent weeks at higher prices (~€15 cents/Wp more expensive), despite the fact that a few weeks previously, although favourably priced, the same modules

found no buyers. Price offerings made in the morning on the spot market were snapped up that same evening, compared to the usual several-weeks-long negotiation processes. Most Asian manufacturers tend to announce weekly price increases.

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Asia-produced modules were slightly higher in May than at the beginning of the year. Alternatives to higher-priced modules are available from some of the less popular module manufacturers in China, India, Taiwan and Europe. It seems the imminent reduction in solar

subsidies has had little to no effect on these dynamics. European products – not traded on the spot market as frequently as Asian products – show a more stable price trend and were slightly cheaper in May than in January.

In mid-June, the demand for PV modules and inverters was still extremely high despite the uncertainty looming in regard to the level of tariff reduction in Germany. Most of the quotas, which are now mediated, will not be delivered before July. Prices had not changed significantly by mid-June compared to the previous month; however, as the companies' summer breaks end over the coming weeks, further increases are to be expected.

'Jumpy' price changes at the beginning of this quarter would suggest that many buyers are teetering between panic

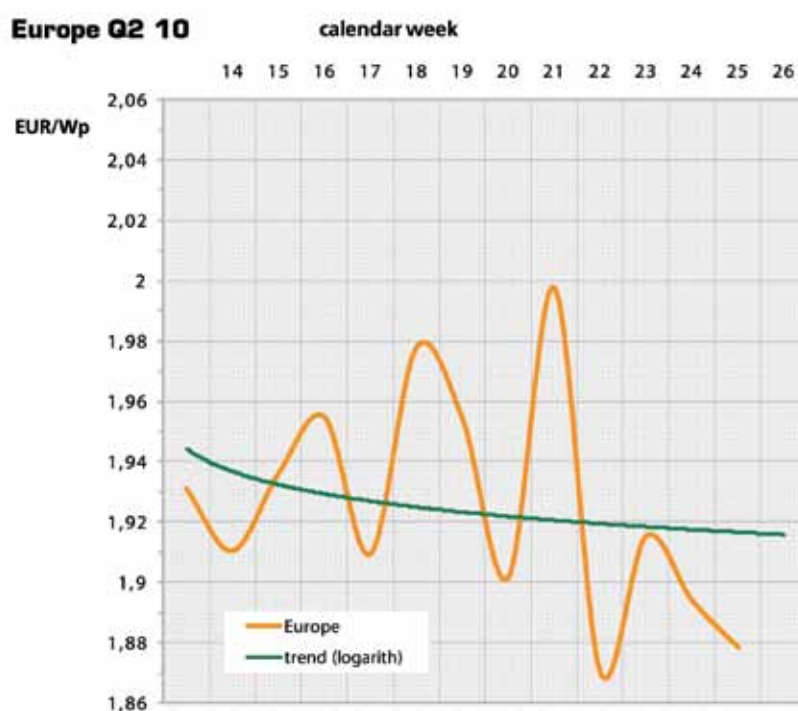


Figure 1. Development of module prices for modules produced by European manufacturers from April to beginning of July 2010.

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and resignation, wondering whether they will get the modules or inverters they ordered on time, or if they will manage to finish their PV system by the date contracted. Nevertheless, dealers, consumers and investors do not seem to have been affected significantly by the political back and forth in Germany, Italy or even Spain, with its shocking announcement of a retroactive cut of the Spanish FIT.

Installers' order books are full up to the end of Q3, which is in accordance with demand remaining high. This situation will only serve to benefit those well-known thin-film producers and many Asian manufacturers, who are barely meeting the huge product demand. The hope is that after June 30th, buyers in Italy, France and the Czech Republic will see some benefit from demand in Germany not being fulfilled.

“Some analysts are expecting a doubling of installed PV in Germany to 7-8GW for 2010.”

All of these factors point to the same conclusion: that global newly-installed PV capacity will grow strongly in 2010. Some analysts are expecting a doubling of installed PV in Germany to 7-8GW for 2010, even taking the drop in compensation into account. Despite the decline in demand in Germany and the looming financial problems of many EU governments, this year could see the installation of around 14GW of new PV systems globally. This will be the next record!

About the Authors

Founded in Berlin in 2004, **pvXchange GmbH** has established itself as the global market leader in the procurement of photovoltaic products for business customers. In 2009, the company procured solar modules with an output of around 75MW. With its international network and complementary services, pvXchange is constantly developing its position in the renewable energy market, a market which continues to grow on a global scale. Based in Europe, pvXchange also has a presence in Asia and the USA.

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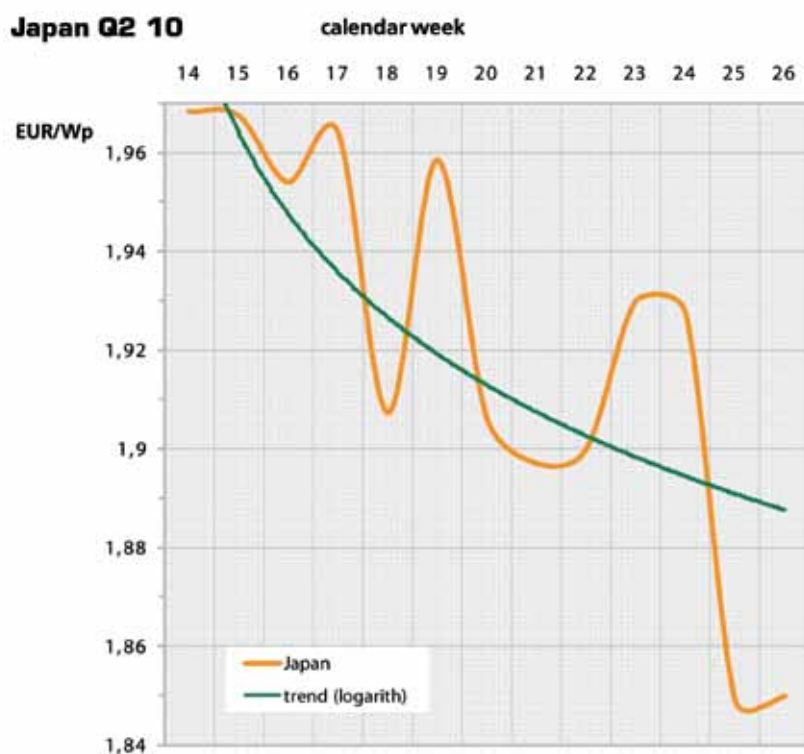


Figure 2. Development of module prices for modules produced by Japanese manufacturers from April to beginning of July 2010.

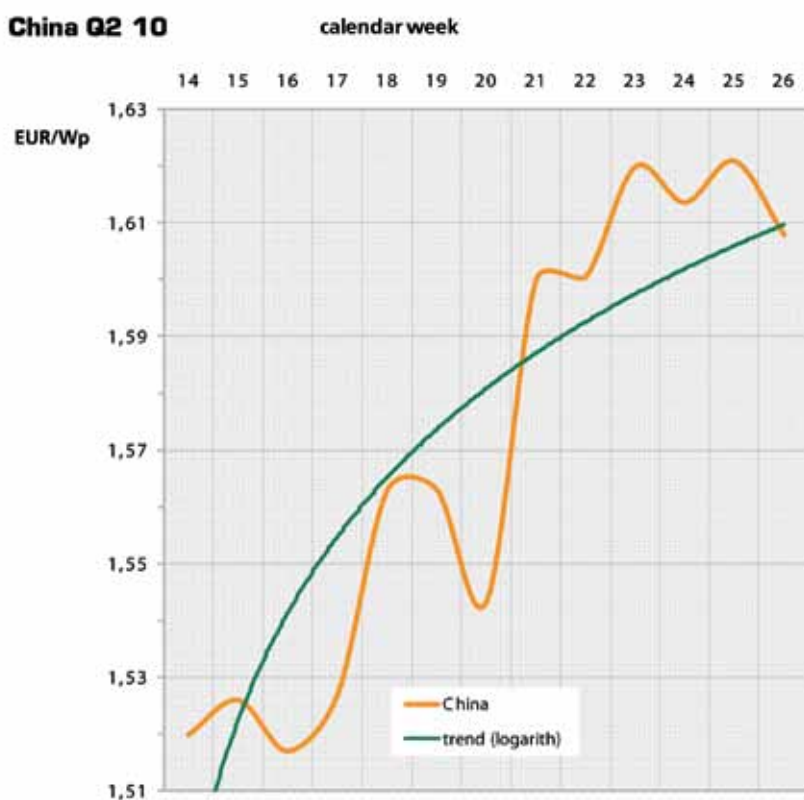


Figure 3. Development of module prices for modules produced by Chinese manufacturers from April to beginning of July 2010.