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Snapshot of spot market for PV modules – quarterly report Q2 2011

pvXchange, Berlin, Germany

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 stock levels for modules at short notice, thus creating a spot market. Spot markets serve the short-term trade in 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.

Introduction

Demand in the German PV market initially saw a significant increase in May, driven by ongoing price reductions for all module types, as well as an urgency to connect to the grid before the new feed-in tariffs came into effect in July. This surge in demand has created shortages of some products, such as the SMA Tripower-Series inverter.

However, the German government decided not to reduce the feed-in tariffs, mainly because of fewer than expected PV power installations since the beginning of the year. This sent the German PV market down sharply, because installers are now waiting for a further price reduction, which will not be until January 2012. However, there is expected to be a resurgence in demand come September.

In Italy, demand declined in May as a result of the disclosure of the new Conto Energia IV. Lack of clarity on various issues, such as restrictions on the use of agricultural land, as well as a provision for higher tariffs for PV plants built with European modules, contributed to increased uncertainty. Although the cornerstones are still not very clear, the market demand showed a mild recovery due to a reduction in prices.

> "The booming residential and commercial sectors in the USA have contributed to increased demand on the spot market."

The decline in feed-in tariffs in Germany and Italy for ground-mounted installations, in which thin-film modules are especially successful, will lead to increased competition for roof-mounted systems of all sizes. First Solar, the world's most successful thin-film module producer, has announced plans to develop a strategy especially for small roof-mounted systems. On the other hand, thin-film producing companies are benefiting from the development of new PV markets in countries such as Malaysia, Thailand and the Philippines.

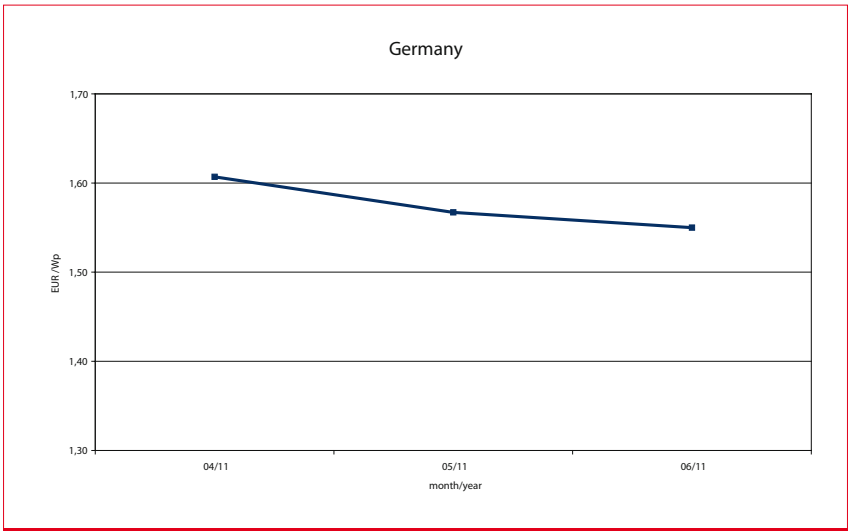

Figure 1. Development of module prices for modules produced by German manufacturers from April 2011 to June 2011.

The booming residential and commercial sectors in the USA have contributed to increased demand on the spot market. The Obama administration is trying to make PV power more affordable: the US Department of Energy's SunShot Initiative, worth US$27 million, is aimed at reducing installation costs (especially approval procedures and grid connections, which make up as much as 40% of the system price of a PV installation) through simplification and standardization of the administrative process. Vermont is the first state to introduce a simplified process that will allow installations to be connected to the grid within 10 days.

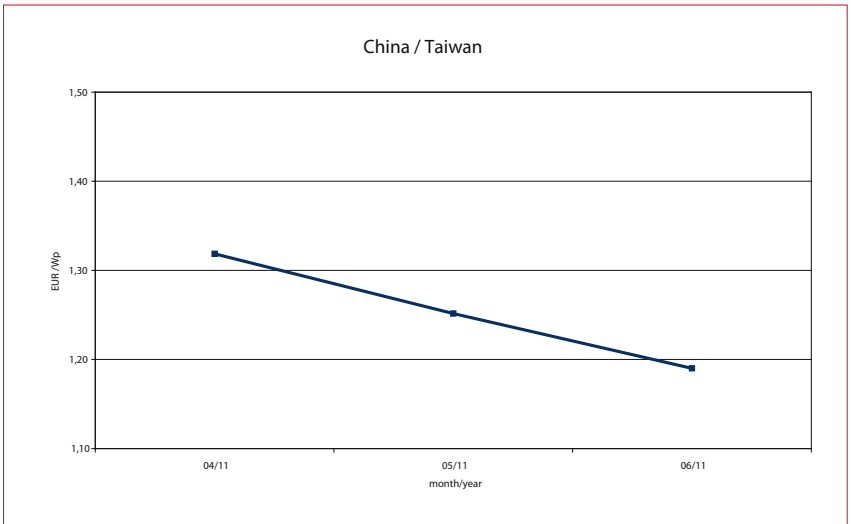

Figure 2. Development of module prices for modules produced by Chinese or Taiwanese manufacturers from April 2011 to June 2011.

For the first time, crystalline modules were offered below €0.90/Wp in June on the B2B exchange pvXchange. Prices of Chinese brands have fallen more than 15% from January to May, and the cost of CdTe First Solar modules decreased by 16% during the same time period.

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On the spot market, module prices from all regions continued to fall in June. The largest price drop occurred in Japan and was caused, to some extent, by the yen depreciation against both the euro and the US dollar. Further price reductions in the coming weeks are expected. First- and second-tier manufacturers from China will continue to put enormous pricing pressure on all manufacturers.

Meanwhile, inventory levels are still very high and pvXchange estimates that globally there are ~8GW of solar modules in stock. Nevertheless, Chinese manufacturers remain optimistic about their capacity expansion plans, but rumours during the last few months indicate that Chinese banks are becoming more restrictive with granting further credit lines to manufacturers.

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 2010, the company procured solar modules with an output of around 180MW. 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.

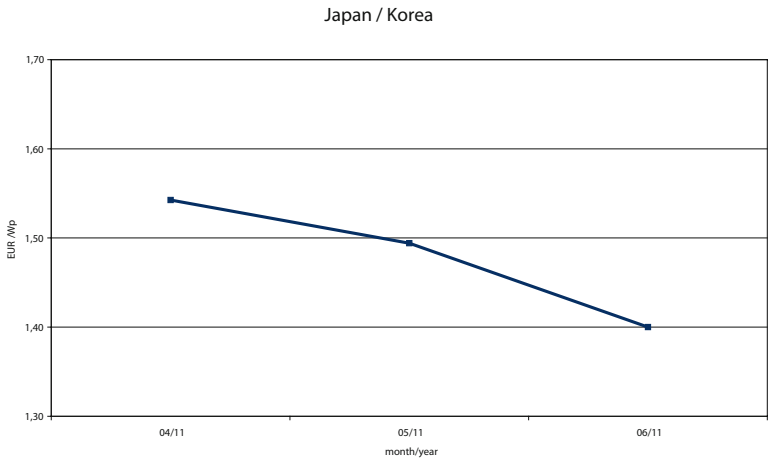

Figure 3. Development of module prices for modules produced by Japanese or Korean manufacturers from April 2011 to June 2011.

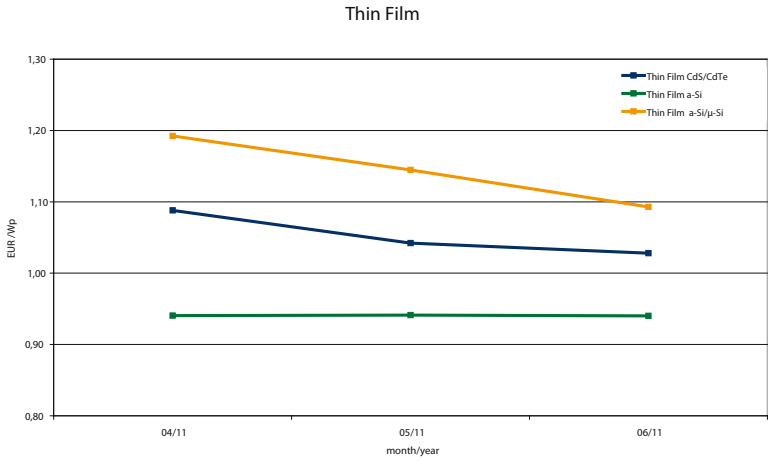

Figure 4. Development of module prices for thin-film modules from April 2011 to June 2011.

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