

Snapshot of spot market for PV modules – quarterly report Q1 2010

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This paper first appeared in the eighth print edition of *Photovoltaics International* journal.

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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.

Introduction

What will 2010 bring? That was the question on many an anxious module manufacturer's lips at the beginning of this year. The first weeks of Q1 had a note of uncertainty as the vast majority of manufacturers avoided answering the question of where the industry was bound. Overall, the industry experienced a difficult year in 2009, with a combination of the impact of the financial crisis, the collapse of the Spanish market, and huge falls in the price of solar modules due to growing capacity. Only those companies that had a good market position and strong sales dared to look to the New Year with anything resembling hope. However, this optimism seems to have been founded, as the international market continues to grow strongly at the end of Q1 2010. Even the supposed crisis of 2009 has ended with a healthy installed capacity of around 6.5GW, of which some 3.8GW is in Germany alone.

Although reductions in Germany's feed-in tariff will take effect this summer, the new FiT legislation being introduced by several other nations will spur intense growth later in the year. German consumers will most likely rush to install PV systems before that incentive becomes less compelling. A market correction will hopefully come about in the third quarter, culminating in a huge fourth quarter due to the onset of other countries' FiT deadlines in January 2011.

These insights are currently reflected on the international spot market. Globally, many module manufacturers made significant price reductions in January to coincide with the lowering of the German feed-in tariff on January 1st, 2010. Crystalline modules from Asia were 5% more popular on February's spot market than they were in December 2009, while the average selling price of modules from Europe-based manufacturers shows a similar trend. Silicon modules should also fall in price further, in line with the expected commodity prices of 2012.

Prices continued to fall in February, placing pressure on the Chinese manufacturers to reduce their margins. Many buyers will respond to the lower prices by stocking up with internationally known module brands that are guaranteed to be of good quality, and will for the most part be eligible for financing by banks. As a result, the relative cost of inverters, cabling, and frames for use within the PV systems will increase significantly.

Module demand

In the crystalline sector, polycrystalline modules from the largest Chinese manufacturers (Yingli, Suntech, CSI, Trina Solar...) have seen the most trading activity on the spot market. But March brought with it a change. Although prices are still falling slightly, the sharp

decline seen in previous months has ceased. The fact that module prices in March are stable or slightly decreasing does not mean that all producers have decided on a price reduction. The stars of the Chinese manufacturers or their distributors have announced price increases almost every week while continuing to provide those who are not on the top rung of the Asian production ladder with their goods cheaper than ever before. Despite the fact that there are clearly enough modules on the market, bottlenecks continue to occur because the current high demand is dependent on a small number of producers, leading to price increases for the most coveted modules. A note of panic can be heard from the German market as everyone rushes to feather their own nests before

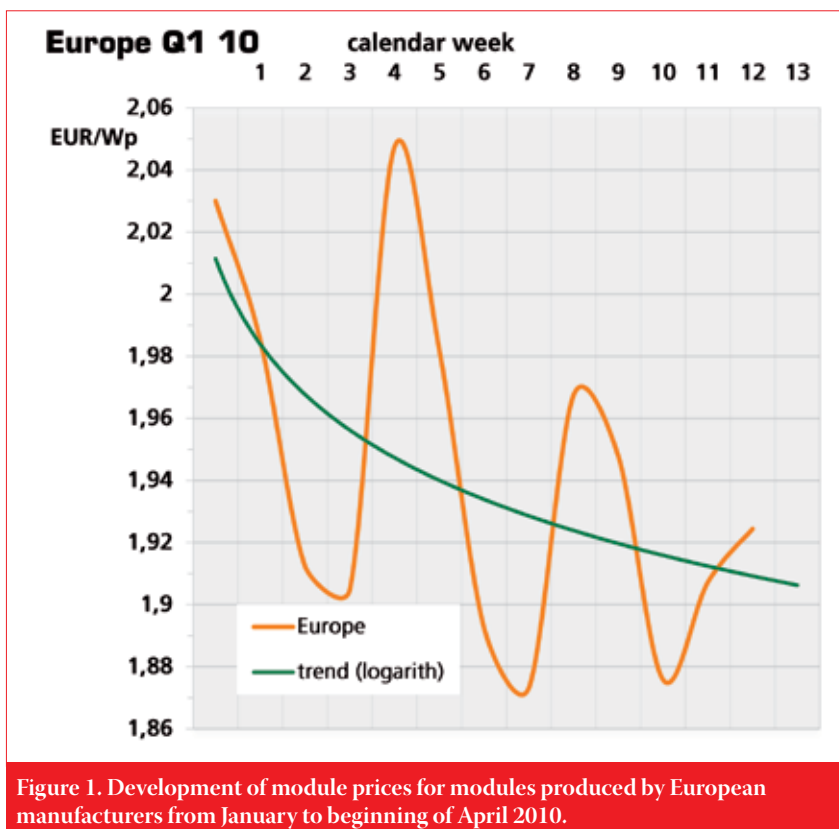


Figure 1. Development of module prices for modules produced by European manufacturers from January to beginning of April 2010.

July. With installing capacities fully utilized, products such as highly priced inverters pose bottleneck issues for many installations. This would be the right moment to look around on the market with an eye to purchasing innovative and quality products, with some products from European producers – Spain in particular – offering very good deals.

The high market demand coupled with the ceasing of price declines and the extra cut in Germany's FiT begs the question: Que sera, sera, what will it be like when the leading market loses some of its attraction?

Nevertheless, there are huge overcapacities in the whole value chain for 2010's industry. Ongoing mass production will bring further price reductions in solar installations over the course of the year. New impetus and direction will, however, not be provided by the Chinese manufacturers alone. Powerful Japanese companies have recently announced massive expansions of their solar businesses and the establishment of large thin-film production lines; for example, Japanese Shell's subsidiary Showa, which has announced plans to increase its production capacity tenfold to an annual 900MW. Sharp has also revealed that it expects to hit 1GW of thin-film production in 2010. This is not a bad idea when you take into account the continuing high sales of thin-film products on the spot market. Despite increasing prices, First Solar's modules were more expensive in Q1 than the partially polycrystalline modules of the most coveted Chinese producers. Sharp's microcrystalline modules have also done well in the last few months.

Other Japanese companies such as Kyocera, Mitsubishi and Toshiba are planning expansions of their solar businesses. Neither are South Korean competitors Samsung and LG Electronics allowing dust to settle on their plans. Manufacturers will get good prices for their products only if the markets grow as predicted in the coming years. In addition to strong brands, the efficiency of distribution channels will determine the economic success of these companies.

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.

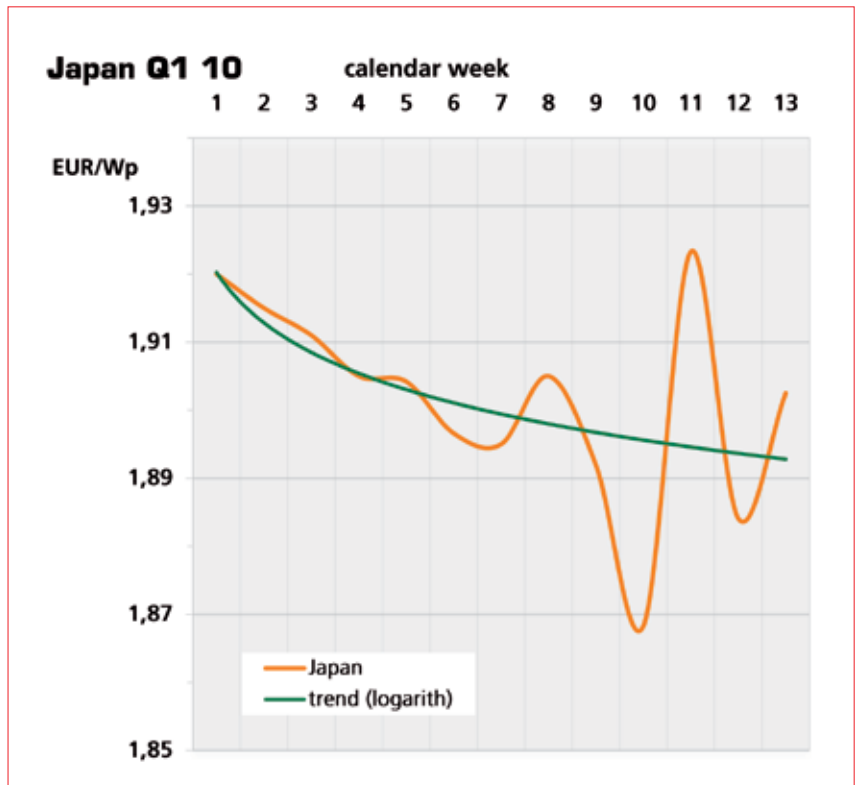


Figure 2. Development of module prices for modules produced by Japanese manufacturers from January to beginning of April 2010.

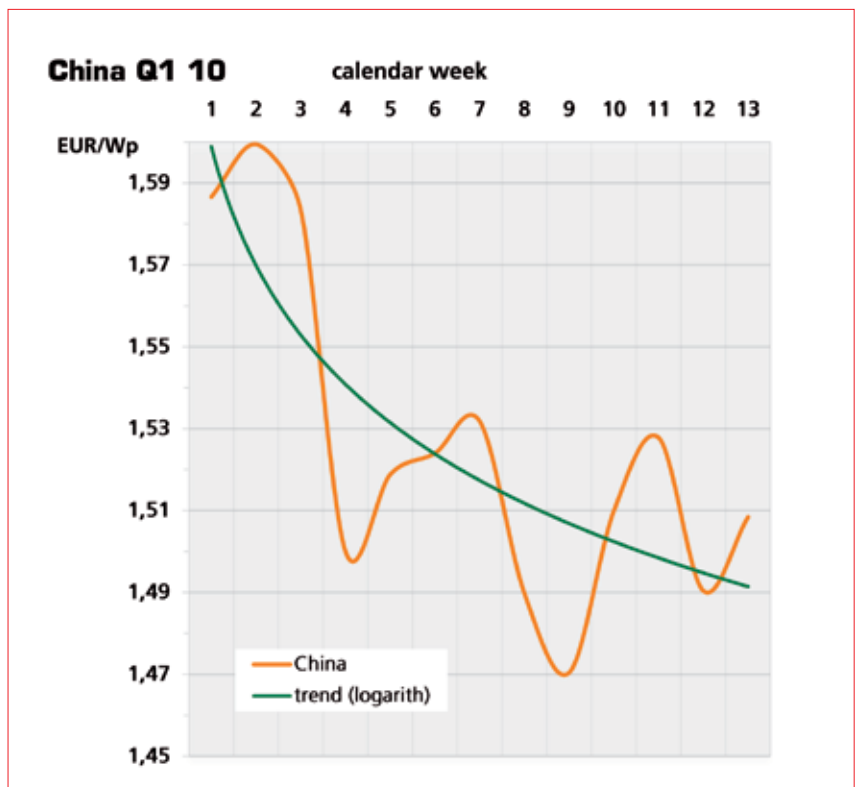


Figure 3. Development of module prices for modules produced by Chinese manufacturers from January to beginning of April 2010.

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