

Shining a light on the new solar tariff



Kirstyn M. Wildey | Thursday, February 1, 2018

On January 23, 2018, President Trump [announced a new tariff](#) that has sparked controversy throughout the solar industry. While some see the tariff as a measure to support and protect domestic solar panel manufacturers, others view it as damaging to the solar industry as a whole.

President Trump's proclamation imposes a 30 percent tariff on imported solar cells and modules beginning in 2018. The tariff steps down five percent each year thereafter until 2021, the tariff's final year.

The announcement follows an investigation by the U.S. International Trade Commission, which concluded that foreign imports of solar cells and modules substantially harm the American solar cell manufacturing industry. In support of the tariff, the White House claims that this tariff fits squarely within its "America First" paradigm, making American manufacturers more competitive by neutralizing the advantages of manufacturers in lower-wage countries.

However, some industry representatives argue the tariff will do more harm than good. To support their argument, industry representatives point to employment statistics; American manufacturers of solar panels, the intended beneficiaries of the tariff, make up only a fraction of individuals employed by the industry as a whole. Nationally, approximately 260,000 people work in the design, installation, service, and manufacturing of solar energy products; only 38,000 of those jobs relate to manufacturing, 36,000 of which involve production of ancillary equipment, not solar cells and modules.

As such, about three-quarters of one percent of workers in the American solar industry actually manufacture solar panels and will be directly benefitted by the tariff. That number is expected to grow as a result of the tariff, with established domestic manufacturers planning modest expansions and new solar module assembly plants. However, according to the Solar Energy Industries Association, the tariff will result in the loss of approximately 23,000 net jobs and cause the potential cancellation of billions of dollars worth of planned investment.

This is not the first tariff imposed on foreign-made solar panels. In 2012 and 2014, the Obama Administration attempted to combat China's heavily-subsidized solar panel manufacturing industry by imposing tariffs higher than those announced by the Trump Administration. However, the broad tariff under the Trump Administration applies to other countries beyond China, including countries such as Malaysia, South Korea and Vietnam, whose cost advantage derives from less expensive labor rather than government subsidies. The decision to impose the tariff on a global, rather than country-specific, scale leaves American suppliers with few, if any, short-term options to mitigate increased costs.

The dramatic expansion of the solar power industry over the past decade has been fueled largely by plunging equipment prices. From 2010 to 2017, the price of a module producing a given unit of power fell approximately 80%, bringing the economics of solar power on-par with other conventional sources.

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The tariff will slow the industry expansion, but it won't come close to stopping it. Independent analysts forecast a roughly 10% reduction in new solar power generation capacity over the tariff's four-year term, now anticipating the addition of about 56 gigawatts. That figure, however, still represents a more-than-doubling of the current national solar capacity.



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