

ONE HUNDRED TWELFTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
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September 22, 2011

The Honorable Fred Upton
Chairman
Committee on Energy and Commerce
U.S. House of Representatives
2125 Rayburn House Office Building
Washington, D.C. 20515

Dear Chairman Upton:

We are writing to ask that the Committee expand its investigation of Solyndra and the Department of Energy's loan guarantee program to examine whether U.S. policies and incentives are adequate to ensure that U.S. manufacturers can compete effectively in the global solar market. During the past month, three U.S. solar manufacturers have filed for bankruptcy. Meanwhile, the dominance of Chinese solar manufacturers is growing. The Committee needs to understand the forces behind these trends.

We are concerned about the Solyndra bankruptcy and its costs to the taxpayer and welcome further inquiry by the Committee into what went wrong in this particular instance. But we also believe the Committee should examine the factors behind China's emergence as a solar manufacturing power and its implications for U.S. policy. If we focus only on Solyndra, we will risk drawing incomplete and potentially misleading conclusions.

Currently, U.S. solar manufacturers are struggling to compete with their heavily subsidized Chinese competitors. In August, Evergreen Solar of Massachusetts and SpectraWatt of New York filed for bankruptcy. Germany-based Solon SE also announced that it would shut down its Arizona solar-panel factory.¹ Earlier this month, California-based Solyndra announced that it would be filing for bankruptcy and closing its factory, leaving 1,100 workers without a job. BP Solar shut down its factory in Frederick, Maryland, last spring. Two other U.S. manufacturers, Energy Conversion and Daystar Technologies, have both lost more than 80% of their market value this year.²

¹ Dow Jones Newswires, *US Solar Market Favors Project Developers Over Manufacturers* (Aug. 29, 2011).

² Bloomberg, *Solar Purge Drives Weakest Into Buyouts, to Spur More Deals* (Aug. 30, 2011).

These companies have consistently pointed to Chinese competition as a major factor contributing to their difficulties. In its bankruptcy filing, for example, SpectraWatt stated that “United States-based manufacturers are under a great deal of stress because of the emergence of manufacturers in China, who receive considerable government and financial support.”³

China has in place both policies to boost demand for solar panels and financial incentives to support manufacturing of such panels in China. China’s current Five-Year Plan includes carbon intensity and energy intensity reduction goals, as well as a target to increase non-fossil energy generation to over 11% by 2015.⁴ In addition, in early August, the Chinese government introduced a national feed-in tariff for solar power generators to sell electricity to the national grid at a guaranteed price.⁵

The government subsidies available to companies manufacturing solar panels in China are extensive. In 2010, the China Development Bank provided more than \$30 billion in loans to Chinese solar manufacturers.⁶ According to K.K. Chan, chief executive of Nature Elements Capital, a Chinese clean energy investment company based in Beijing, Chinese manufacturers also benefit from “free or subsidized land from local governments, extensive tax breaks and other government assistance.”⁷ David Sandalow, Assistant Secretary for Policy and International Affairs at the Department of Energy, reports that many renewable energy companies in the United States “say it is cheap capital, not cheap labor, that gives Chinese companies the main competitive advantage.”⁸

China’s policies and incentives have resulted in huge increases in China’s solar market share and plummeting solar panel prices. Between 1995 and 2010, the share of photovoltaic cells and panels manufactured in the United States dropped from over 40% to just 6%. Since 2005, China’s market share has increased from 6% to 54%. Half of the world’s largest ten solar panel manufacturers are now Chinese.⁹ This influx of cheap Chinese solar panels has pushed down the global price of solar cells by 42% in the last nine months.¹⁰

³ Bloomberg, *Intel-Backed Solar Company Files for Bankruptcy as Prices Slide* (Aug. 24, 2011).

⁴ Subcommittee on Energy and Power, *Hearings on the American Energy Initiative*, Testimony of Deborah Seligsohn (Apr. 4, 2011).

⁵ New York Times, *U.S. Solar Company Bankruptcies a Boon for China* (Sep. 1, 2011).

⁶ Forbes, *Solyndra’s Failure Is No Reason to Abandon Federal Energy Innovation Policy* (Sep. 2, 2011).

⁷ New York Times, *U.S. Solar Company Bankruptcies a Boon for China* (Sep. 1, 2011).

⁸ *Id.*

⁹ House Committee on Energy and Commerce, Subcommittee on Oversight and Investigations, Testimony of Jonathan Silver, *Hearing on Solyndra and the DOE Loan Guarantee Program* (Sept. 14, 2011).

¹⁰ *Id.*; Forbes, *Solyndra’s Failure Is No Reason to Abandon Federal Energy Innovation Policy* (Sep. 2, 2011).

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Though lower-priced solar panels bring this renewable energy technology closer to parity with fossil fuel energy sources, they also are putting tremendous competitive pressure on U.S. manufacturers. That is why it is important for the Committee to understand whether our government's policies and incentives to encourage domestic solar manufacturing are adequate in light of China's robust array of policies and subsidies.

Just last week, some of America's leading businessmen, including Bill Gates, the CEOs of Xerox and General Electric, and the former CEO of Lockheed Martin, issued a warning that America cannot afford to give up on leading the clean energy future. These industry leaders said:

"We know the federal government has a vital role to play in energy innovation. We know the federal energy innovation system can be structured effectively to achieve real results. And we know there are several ways to pay for public investments in this domain. If the U.S. fails to invent new technologies and create new markets and new jobs that will drive the transformation and revitalization of the \$5 trillion global energy industry, we will have lost an opportunity to lead in what is arguably the largest and most pervasive technology sector in the world."¹¹

We agree with these industry leaders and ask that you convene hearings to examine how we ensure that we do not surrender the clean energy market to China and other countries.

Sincerely,



Henry A. Waxman
Ranking Member



Diana DeGette
Ranking Member
Subcommittee on Oversight
and Investigations

cc: The Honorable Cliff Stearns
Chairman
Subcommittee on Oversight
and Investigations

¹¹ American Energy Innovation Council, Press Release, *Top Business Leaders Issue New Report on Critical Role of Government Investment in Energy Tech Innovation* (Sept. 13, 2011).