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Contact for inquiries:
podewils@esmc.solar

ESMC feedback on Diversify EU

Solar PV must be a priority sector – fair competition is a prerequisite for diversification

The European Solar Manufacturing Council (ESMC) welcomes the Commission's diversification initiative and calls for solar PV to be a priority sector. Solar is essential to Europe's energy security and clean energy transition, providing affordable renewable electricity that can be deployed rapidly, supporting the EU Electrification Action Plan. A sustainable transition requires Europe to reduce its dependence on a single country. China dominates almost the entire solar value chain and accounted for more than 95% of the EU's solar panel imports by value in 2024. Europe must rebuild manufacturing capacity across the value chain.

Subsidised Chinese overcapacity is pushing PV prices to levels European manufacturers cannot sustain, forcing factories to close and deterring investment. The EU strictly controls public support for its own manufacturers, yet does too little to counter the distortions caused by subsidised imports and dumping practices. This undermines European production and prevents alternative suppliers from gaining a foothold, reinforcing dependence on China. Restoring fair competition is therefore a prerequisite for successful diversification. The EU must act now, without waiting for WTO reform.

The scale of the distortion can be quantified. According to the OPIS/McCloskey price assessment of 20 October 2026, TOPCon modules are sold in Europe (DDP EU) at 10.9 euro cents/Wp. The Fraunhofer ISE/SolarPower Europe study (September 2025) puts the minimum sustainable price of a fully Chinese-made module delivered to Europe – covering production costs from polysilicon to module, a 5% net margin and shipping – at 15.9 euro cents/Wp. Chinese modules are thus sold in Europe 5 euro cents/Wp, or 31%, below their own sustainable price; expressed as a dumping margin on the export price, this equals 46%. The gap has persisted at 5–7 euro cents/Wp every week since August 2024. No European manufacturer can compete against prices that do not even

cover Chinese costs; this is the market failure that Diversify EU and the EU's trade defence instruments must correct.

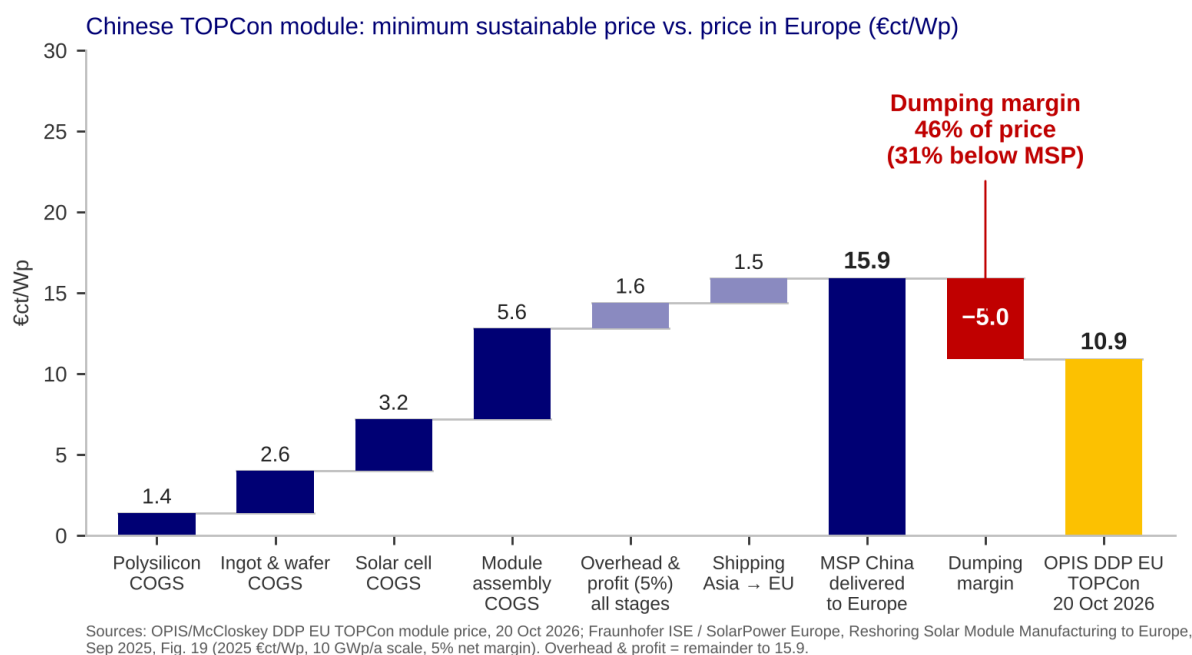


Figure 1: From Chinese production cost to the European market price. Sources: OPIS/McCloskey DDP EU TOPCon module price (20 October 2026); Fraunhofer ISE/SolarPower Europe, Reshoring Solar Module Manufacturing to Europe (September 2025), Fig. 19.

The Net-Zero Industry Act (NZIA) introduced diversification tools through its resilience criteria. However, loopholes allow Chinese suppliers to meet these requirements without meaningfully reducing upstream dependence on China. Diversifying imports must go hand in hand with reshoring. Production in India, Türkiye and the US can contribute, but access to these supplies cannot be guaranteed during a crisis. Diversification must therefore be combined with EU market protection against unfair competition. Changing the country of final assembly also does little to reduce dependence if critical upstream inputs still come from China. As distributed energy resources become increasingly important for grid stability and flexibility, diversification and resilience assessments should consider not only manufacturing location, but also operational control and the trustworthiness of suppliers, as strategic dependencies can arise throughout the lifecycle of critical energy technologies.

Europe has companies, technologies and investment plans spanning quartz, metallurgical-grade silicon, polysilicon, ingots, wafers, cells and modules, alongside inverters, mounting structures and production equipment (see map below). The European solar industry is ready to scale up, with major investments across the value chain in the pipeline. However, these investments depend on a strong and predictable European industrial policy framework. Continued dependence on heavily subsidised Chinese imports is neither sustainable for European industry nor compatible with Europe's long-term energy security. As set out in our letter to European governments and policymakers, "Rebuilding the European solar value chain from quartz to cells" (8 October 2026), a European PV value chain producing 30 GW annually could support 80,000 jobs and add €4 billion a year to EU GDP. Europe has the industrial foundations to deliver these benefits, but our member companies need the right support to make these investments a reality.

Solar PV manufacturing in Europe

Potential annual production capacity in the next 5 years, by value-chain step (GWp/a)



Figure 2: European solar PV manufacturing capacity and announced projects across the value chain. Source: ESMC.

Resilience and rapid solar deployment can go together. Any manufacturing cost premium must be assessed against total project costs and the wider benefits of European production. The

Fraunhofer ISE/SolarPower Europe study estimates an increase of less than 1 euro cent/kWh in the levelised cost of electricity from new utility-scale PV. In our estimations the final price increase would be even lower; around 0.25 euro cents/kWh, or a 2.8% increase of the whole production cost.

The cost premium associated with European manufacturing should be viewed as an insurance premium against supply chain disruption. The COVID-19 crisis demonstrated how severely disruptions can affect Europe's economy. Investing in domestic capacity is therefore a proportionate way to manage risks that today's market prices do not reflect.

ESMC recommendations to Diversify EU

- **Swifter use of trade defence instruments** and the Foreign Subsidies Regulation, alongside a diversification instrument addressing systemic overcapacity and persistent distortions across critical value chains. This should build on the call for stronger action in the joint letter from President Macron and Chancellor Merz, and lessons from earlier PV measures. Effective safeguards against circumvention are essential.
- **New trade defence tools** that the Commission can activate quickly and effectively to reduce dependencies and support the reshoring of manufacturing. They should allow early intervention before unfair competition causes irreversible losses of European capacity. Diversify EU must combine diversified imports with rebuilding Europe's full PV value chain. Effective market protection, predictable demand and adequate financial support are needed now to turn existing investment plans into operational industries.
- **An ambitious and swift implementation of the Industrial Accelerator Act**, with a strict Made in Europe definition and binding requirements that create demand for European products through procurement, auctions and other public support. The full PV value chain should be covered within five years of entry into force, including European production equipment.
- **Effective enforcement of NZIA resilience criteria**, backed by verifiable evidence of where components are manufactured. The Commission should investigate concerns arising from French and Italian tenders and close loopholes involving rerouting, tariff reclassification and superficial processing in third countries.
- **Coordinated EU funding**, including through the proposed European Competitiveness Fund, combining investment grants and loan guarantees with targeted, temporary operating support and affordable energy for strategic PV manufacturing. Support must reach

upstream producers and European equipment manufacturers, with simple access for SMEs. Demand aggregation and long-term purchasing commitments should secure predictable markets.

- **Binding diversification objectives**, monitoring of upstream dependencies and close cooperation with industry. Progress should be measured through declining supply concentration, increased European production and additional operational capacity from reliable alternative suppliers. The Commission should work closely with industry to identify bottlenecks, assess actual manufacturing locations and ownership, and take corrective action where targets are missed.
- **Trustworthiness and operational control**: for technologies that are critical to grid stability and system operation, assessment criteria should consider not only manufacturing location, but also ownership structures, operational control, governance arrangements, jurisdiction, remote access capabilities and long-term dependencies.
- **A large-scale European campaign promoting Made in Europe**, aimed at all public entities and at European citizens. Public buyers, from municipalities to national administrations, should be made aware of the strategic value of choosing European PV modules and of the tools available under the NZIA and the Industrial Accelerator Act. Households should be able to identify and choose European modules with confidence, through a clear and verifiable Made in Europe label. Pride in European manufacturing is strikingly absent from public debate today, and a growing share of Europeans feel that the industrial race against China is already lost and that Europe has been on the losing side of recent trade negotiations. This perception is both inaccurate and damaging: European PV manufacturers exist, have resisted years of dumping and are ready to scale up. The Commission should invest substantially in making Made in Europe a visible and positive choice.