

ESMC ALERTS THE EU MEMBER STATES NOT TO LOSE THE PV MANUFACTURING OPPORTUNITIES IN EUROPE

The European Solar Manufacturing Council (ESMC) congratulates the Recovery and Resilience Facility (RRF) as the timely instrument to push the European Green Deal objectives forward. The minimum 37% expenditure target for Climate investments and reforms outlined by the European Commission clearly reflects the priorities of the €672.5 billion support package. However, the Recovery and Resilience Plans (RRPs) presented by the Member States to the European Commission do not reflect the European Union's determination to address the critical issue of European renewables installations, namely the import overdependency of solar Photovoltaics (PV) components. The majority of the RRP already presented to the European Commission do not include support for domestic PV manufacturing. This is a worrying and disappointing signal for the European Union as well as the individual Member States.

ESMC conducted an analysis of the [Dominant PV trade flows in Europe](#), which concluded that the European countries currently face a €7.4 billion deficit, by almost fully relying on import of PV cells and modules. Another recently published ESMC document is the [Policy Statement – appeal to RRF commitment](#). In that analysis, ESMC forecasted that the current €7.4 billion trade deficit of PV cells and modules would be transformed into a local PV manufacturing value of about €50 billion by 2026, in case the Member States' RRP would include efforts for PV manufacturing, compiled to €20 billion of RRF support from the EU.

In this statement, ESMC wants to alert the Member States and the European Commission not to miss the chance for EU to restore its leadership in PV manufacturing. The European Commission's current RRP assessment process is the last opportunity to plan for an adequate PV manufacturing support. The ambitious Member States targets for green investments in installations should be met by targets for a correspondingly sized PV manufacturing capacity in EU.

An analysis of the already submitted national RRP, evaluating the support for PV manufacturing, has been performed by the ESMC. It shows that the Member States have not included PV manufacturing in their RRP, with very few exceptions where the PV manufacturing could be supported indirectly. This is a worrying and disappointing signal for EU and the individual Member States, since it steers EU into a new type of energy dependency, namely a hardware dependency where the necessary components for the renewable energy installations must be imported. This hinders the EU goals for an open strategic autonomy.

ESMC draws the following conclusions after assessing the RRP already submitted to the European Commission:

- I. Although the Member States foresees huge solar PV installations for the achievement of Climate and Green Deal targets, they do not explicitly include PV manufacturing in their RRP.
- II. Several Member States (Italy, Portugal, Spain, Poland) include support mechanisms for industrial value chains, which potentially could be used to support a PV manufacturing industry.
- III. Industrial value chains are considered essential elements in most RRP. However, hydrogen and other sectors are prioritized higher, leaving almost no or not enough strategic place for PV manufacturing (Germany, France, Belgium, partly Poland).

18 Member States have submitted their RRP so far, and none of them formed a separate RRP component for PV manufacturing, nor did they explicitly include it as a priority support area. Only 4 Member States included PV manufacturing among the potential support areas indirectly, meaning that dedicated financial support for industrial value chains could be used for PV manufacturing. Italy, Portugal, Spain, and Poland referred to PV manufacturing in their RRP, enabling the concrete effort for a support mechanism in line with the EU competition rules for PV manufacturing in Europe. This send a signal for the market to start investing in PV manufacturing, as the support has been stated in the four countries RRP, and it can possibly strengthen other parts of the value chain in other countries as well. As follows, there are concrete examples on how to express support for European PV manufacturing in the national RRP, based on factual experience of Member States.

The Italian RRP is the most concrete and targeted in terms of solar PV. As stated in the plan, PV opens a significant window of opportunity for Italy *"given its leading role in the sunny Mediterranean area, placing it in a most favourable context to the European standard."* Despite the fragility of the Italian solar industry, which the RRP describes as a *"market currently being dominated by Asian and Chinese producers (70% of panel production) and a small part by European players (only 5% of panel production)"*, the RRP identifies the PV growth as a unique opportunity for Europe and Italy to *"relaunch an own manufacturing PV industry to compete globally."* The RRP foresees investments in the Italian/European industrial supply chain to avoid excessive dependence on Asian manufacturers *"to develop renewable energies (mainly PV) with €680 million dedicated to industry, innovation, R&D, and create new jobs"* – this could be a real breakthrough to strengthen the PV industry and become the center of new market intelligence in Europe.

In Spain, there are no direct references to PV manufacturing in the RRP. But the *"Establishment and consolidation of industrial value chain of Renewable Energies"* are, however, clearly prioritized. If the deliverables and financial support of the PV manufacturing value chain would be specified, the PV industry would have very concrete support framework through the RRP. Special emphasis, including €3.2 billion investments, is made for renewable energy integration in buildings, including development of innovative solutions and incentives. Considering the already existing Spanish industry specialization in Building Integrated PV solutions, this could also be treated as a commitment for PV manufacturing.

The Portuguese RRP do not explicitly referred to PV manufacturing. However, two investment support areas emphasize the acceleration of the structural transformation of the Portuguese economy, through creating Agendas and Alliances for business innovation, with focus on reindustrialization, support, and promotion of several agendas in strategic areas. As these projects include manufacturing industries, technologies, and energy projects, this could potentially include PV manufacturing. In that case, the Portuguese RRP emphasizes efforts in development, diversification, and specialization of national value chains, with defined goals on exports, qualified employment, and R&D investment. The potential for the PV manufacturing is not only acknowledged by these support directions, but also by the meaningful financial support for the Agendas and Alliances of €558 million and €372 million, respectively.

The RRP of Poland do not mention PV manufacturing explicitly, either. However, in the component of Support for a low-carbon economy, Poland stresses the support of a low and zero-emission economy, through industry, mobility, or energy projects aimed to development and dissemination of the technologies and improving the quality of the environment. The financial package for this component equals to €1.1 billion. Excluding the e-mobility measures, an assumed €214 million could be dedicated for PV manufacturing. While evaluating the intentions of the Polish RRP, conditions should be included to secure adequate instruments of financing for PV manufacturing as well as ensuring the financial support availability for the private sector.

Many of the countries with existing PV manufacturing industries have not specified any support for it in their respective RRP – Germany, France, Austria, Belgium and Lithuania for example. This could be interpreted as a negative signal for the PV manufacturing market already established in these countries. Especially since ambitious policy and financial support measures for hydrogen development has been included in the RRP of mentioned Member States. This creates even higher demand for solar PV installations, despite the already planned renewables installation targets. The politically and practically grounded EU choice for green hydrogen should be supported, but without properly balanced support for green hydrogen and PV manufacturing, Member States and the EU is in a risk to disbalance solar PV installations and own PV manufacturing leading to the reliance on extensive PV components import.

ESMC concludes that Member States such as Germany, France, Austria, Belgium and Lithuania have huge potential for a thriving PV manufacturing that are in the risk not to be utilized properly unless the support instruments through RRP are in place. Creation of competitive and strong PV manufacturing industry in the EU without these countries is hardly possible as the RRP of other EU countries didn't refer to extensive support, either. Not including PV manufacturing efforts in the RRP, combined with other support programs, may lead to a situation with increasing PV installations and a neglected European PV manufacturing industry. Consequently, an increasing import dependency will be created. ESMC concludes that PV manufacturing has

not been reflected adequately in RRP's yet, but the window of opportunity still exists in case the European PV manufacturing vision will be taken seriously and without delay – during the ongoing RRP assessment and before its approval.

The Member States are encouraged by ESMC to include or strengthen PV manufacturing in their RRP's – this is dedicated to Member States finalizing the RRP's and Member States already submitted their RRP's to the European Commission. The extensive possibilities of the Article 19 of the RRF Regulation state that despite the already started assessment process of the RRP's *“the Commission may make observations or seek additional information. The Member State concerned shall provide the requested additional information and may revise the Recovery and Resilience Plan if needed, including after the official submission of the Recovery and Resilience Plan”*.

Including PV manufacturing in the RRP's is not only in line with the individual Member States objectives and the EU targeted policies on strategic autonomy and renewed European industrial strategy, but also complies with all the specific six pillars of RRF, which constitute the basis for the Commission's assessment of RRP's. EU has the possibilities to initiate the PV manufacturing renaissance – which should be the subject of comprehensive policy and financial measures. RRP's are one of the measures of the package, it is critically important to start the PV manufacturing renaissance without delay with the empowerment of RRP's.

ESMC has evaluated 18 Recovery and Resilience Plans already submitted to the European Commission, namely those of: Belgium, Denmark, Germany, Greece, Spain, France, Croatia, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Austria, Poland, Portugal, Slovenia, and Slovakia.