

To the EU Member States

Dear Head of State or Government,
Dear Minister,

18 January 2023

EUROPEAN SOLAR MANUFACTURING COUNCIL REQUESTS MEMBER STATES TO SUPPORT EUROPEAN PV MANUFACTURING IN THE ONGOING STATE AID REVISION PROCESS

The recent actions initiated by the European Council and the European Commission on State aid exemptions for the strategic industries in Europe go in the right direction in response to the US Inflation Reduction Act (IRA). It would also address the EU's already well-identified energy security and independence weakness vis-à-vis China. Without an immediate and strong EU response, it will be difficult, if not impossible, for the EU to ensure its energy security going forward. This includes the risks of luring EU businesses into moving investments to the US – as already communicated in the recent letter from the Executive Vice-President of European Commission Margrethe Vestager on January 13. The Net-Zero Industry Act, together with the temporarily adapted State aid rules to speed up and simplify investments by increased EU funding, spotlighted by the European Commission President Ursula von der Leyen at the World Economic Forum on January 17, clearly defines a game-changing potential for European PV manufacturing.

The European Solar Manufacturing Council (ESMC) welcomes these long-awaited measures and expects decisive changes to be implemented very soon. This is crucial to reach the European renewables targets and freeing the appropriate incentives for the necessary scale-up of the European PV manufacturing capacities. Once implemented, these would secure the jump-start to scale up PV manufacturing, which is necessary, as substantially larger domestic production volumes are critical for the long-term competitiveness of the EU PV industry and economies.

By this letter, the ESMC, uniting more than 50 industrial members of the European PV manufacturing community, kindly requests you to support the actions taken by the European Commission to revise the State aid framework and support the European PV manufacturing industry, by creating State aid exemptions for PV manufacturing and constructing dedicated and concrete financial support vehicles. The ESMC proposes to implement measures as described below, while revising the Temporary Crisis and Transition Framework without delay.

Within the establishment of the IRA, the cost gap between EU producers and their counterparts in the US is estimated to be 11-18 \$ cents/W. Given the goal to establish at least 30 GW by 2025, and then grow the capacities so that at least 40-50 GW of annual PV deployment can be covered by European PV production, there is an annual competitive gap of approximately € 6 billion. Accordingly, € 6 billion on a yearly basis, or a total of € 48 billion until 2030, should be dedicated to European PV manufacturers in effective support mechanisms – e.g., state guarantees, tax exemptions, capital (CAPEX) and operational (OPEX) expenditure measures.

STATE GUARANTEES: State guarantees could be an important backup measure to function as market insurance, linking PV manufacturing and PV off-takers. At least three types of state guarantees could be applied: a) state guarantees for production (e.g. for banks); b) state guarantees for acceptance of modules for PV systems (by EPCs, electricity providers); c) state guarantees for off-take agreements (as a back-up guarantee, for situations where off-take agreements are not fulfilled).

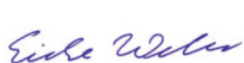
TAX EXEMPTIONS: 5 to 10 years of tax exemption during the European scale-up period for manufacturers within the PV value chain would make a large difference for stakeholders when setting up business plans. This measure would be almost cost-neutral to the Member States, considering that the related tax income would be improbable without the incentive.

CAPEX AND OPEX MEASURES: The effective combination of CAPEX and OPEX measures would ensure the competitiveness of European PV manufacturing, and would at the same time increase the investor's trust. On the CAPEX side, the investment incentives applied for the industry would have a considerable positive impact on establishing PV manufacturing capacities, as 40-50 % CAPEX subsidies with € 10 billion fund would help build up to 40 GW European PV manufacturing capacities. Considering OPEX, potential support measures regarding electricity costs for the manufacturing industry, and support towards retraining for green jobs are key, as these are the most important cost streams of the industry.

Once implemented in an adapted temporary State aid framework, these measures would ensure energy independence, high returns to Member States in the long run by tax revenues, job creation and competitiveness of all the value chains of European economies. These measures must be in place and ready for use by June this year, at the very latest, to secure the competitiveness of PV manufacturers in the EU. In this context, ESMC has already provided 8 concrete proposals to the European Commission in December 2022, as guidance for the European Solar PV Industry Alliance. These include, but are not limited to, the creation of a special financial vehicle as a first step to de-risk investments, developing effective off-take agreements for local production, and setting EU standards on labour laws, CO2 footprint and circularity.

ENCLOSURE: ESMC Milestone Proposals for the European Solar PV Industry Alliance (5 pages).

On behalf of the European Solar Manufacturing Council,



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