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Date: January 30, 2024

URGENT APPEAL FOR EMERGENCY MEASURES TO SAFEGUARD EU PV MODULE PRODUCERS

We, the European Solar Manufacturing Council (ESMC), representing nearly the entire European solar photovoltaics (PV) manufacturing industry (almost 80 companies), urgently request the European Commission to swiftly implement emergency measures to safeguard EU PV module producers and associated parts of the value chain. The significant increase in PV modules import creating a significant oversupply is causing serious injury to EU PV module producers, jeopardizing the possibilities to rebuild the PV manufacturing industry in the EU and undermining the 2030 European Union net-zero industrial goals. Our collective plea emphasizes the time-sensitive nature of this issue, as any delay in action could exacerbate the challenges currently faced.

There is currently a surplus of imported PV modules in stock in EU ports and warehouses estimated in a range of 70–85 GW (equivalent to at least 140–170 million PV modules). The oversupply of PV modules from China in late 2022 and throughout 2023 has triggered a drastic reduction in PV module prices, plummeting from 30€/Wp to around 10€/Wp. **European manufacturers were forced to reduce their production in 2023 to only around 2 GW of PV modules, leaving 0.8–1 GW languishing in their inventories.** Unfortunately, these stocks remain unsold due to the prevailing market conditions characterized by ultra-low pricing, a situation expected to persist at least throughout 2024.

The EU is now entering a pivotal phase where, over the next 4–8 weeks, major EU PV module producers and their European suppliers are poised to shut down manufacturing lines unless substantial emergency measures are promptly implemented. In recent months, we have already witnessed the loss of 180 MW of PV module manufacturing capacities. Without immediate intervention, the risk intensifies, and there is a looming danger of forfeiting an additional 3.5 GW of operational PV module production capacities within the coming weeks. These capacities constitute more than 50% of the contemporary and operational EU PV module manufacturing capacities.

If the European Commission and Member States remain committed to the strategic stance that the EU should not become 100% import-dependent on PV hardware — especially acknowledging solar PV as an essential net-zero industry for the EU's green transition — swift action on emergency measures is imperative. **On behalf of the EU PV manufacturing industry, we earnestly request the European Commission to adopt concrete action plans for the implementation of these key emergency measures as expeditiously as possible:**

- 1. Establishment of an EU level buy-out facility for accumulated EU PV module inventories.**

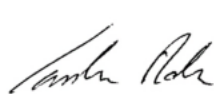
2. **Immediate modification of Temporary Crisis and Transition Framework (TCTF) to empower financing the projects with EU-produced PV modules or operational expenditures of the EU PV module producers.**
3. **Accelerated implementation of the EU PV producers' supportive elements outlined in the legislative initiatives of the Net-Zero Industry Act (NZIA) and Forced Labour regulation (FLR) from July 2024 by creating a simplified and effective resilience auctions system for a temporary period.**

The measures proposed should be implemented as a package of temporary emergency measures to bring the expected stabilisation effect to the EU PV manufacturing industry. The initial proposals and requests for these measures were submitted to the European Commission already in September 2023. Consequently, we anticipate that potential solutions have already been framed and are poised for swift advancement without any unnecessary delay. We are open to modifications that enhance the effectiveness of the suggested interventions and are eager to work closely with the European Commission to address urgently the pressing challenges confronting the European PV manufacturing industry. The activation of these measures is imperative to provide breathing space for EU PV module producers during the interim period of the next 2 to 3 years. **On behalf of EU PV module producers and manufacturers across the entire EU PV value chain, we urgently request the creation of space for at least 5 GW annual EU PV module production during 2024–2026.**

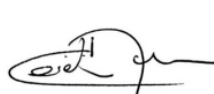
In the event that the proposed emergency measures would not be possible for a swift adoption within the next 2 months, we urge the activation of trade defence measures — starting with the safeguard investigation by applying provisional safeguard measures and potentially extending it to include other trade defence measures — as a last resort, but necessary, action.

The failure to adopt these measures will result in the destruction of current EU PV module producers as additional 3.5 GW operational PV module production capacities would be closed within the coming weeks. Failing to make decisive decisions, as proposed in this urgent request, carries far-reaching consequences in an area of the direct responsibility of the European Commission — the EU could become entirely reliant on technologies and scaled supply from South-East Asia, notably China. Beyond economic ramifications, inaction poses risks to societal well-being, environmental integrity, climate goals, and even the geopolitical standing of the entire European Union. The repercussions of neglecting these critical decisions today could echo for decades, affecting future generations and undermining the EU's aspirations for a sustainable and resilient energy future. The time to act is now to secure a thriving and self-sufficient European PV manufacturing industry.

On behalf of the European Solar Manufacturing Council,



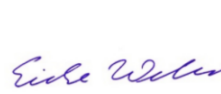
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ENCLOSURE: *Status quo* of the EU PV module producers: current and potential injury to the industry, inventories, proposed emergency measures.

***Status quo* of the EU PV module producers: current and potential injury to the industry, inventories, proposed emergency measures**

I. The European solar photovoltaic (PV) manufacturing industry was seriously injured during 2023, and the adverse effects persist in 2024.

Despite the extensive policy efforts by the European Commission, which include the adoption of the Temporary Crisis and Transition Framework (TCTF) and the proposals of legislative initiatives such as the Net-Zero Industry Act (NZIA) and Forced Labour Regulation (FLR), currently in the legislative pipeline and expected to be adopted in spring 2024, no effective policies and regulations have been implemented yet and hence the EU PV manufacturing industry remains severely impacted. The oversupply of PV modules from China in late 2022 and throughout 2023 has triggered a drastic reduction in PV module prices, plummeting from 30¢/Wp to around 10¢/Wp. This decrease, which is below the manufacturing cost even for the largest Chinese module producers, is posing a direct threat to EU PV module producers. The oversupply issue is evident in the export figures. Based on data from International Trade Centre (ITC) the world's leading solar manufacturing nations exported modules worth \$22.9 billion to EU countries in 2022, with the majority originating from China. In the first 10 months of 2023 the export has amounted to \$18.1 billion, despite considerable drops in module prices. Consequently, between 80 and 90 GW of solar modules (equivalent to at least 160–180 million PV modules). have been imported to the EU in both 2022 and 2023 respectively. If SolarPower Europe's deployment figures of approximately 41 GW in 2022 and 56 GW in 2023 is correct, it would mean that there is currently a surplus of imported PV modules in stock in EU ports and warehouses estimated in a range of 70–85 GW (equivalent to at least 140–170 million PV modules). This oversaturation is leading to a situation where the EU has ample PV modules for more than a year of deployment, with continued imports and unsustainable ultra-low prices.

Due to the aforementioned circumstances, European PV module producers are grappling with difficult decisions — facing the suspension of production, closing facilities, and succumbing to insolvencies and bankruptcies. **The EU is now entering a pivotal phase where, over the next 4–8 weeks, major EU PV module producers and their European suppliers are poised to shut down manufacturing lines unless substantial emergency measures are promptly implemented. In recent months, we have already witnessed the loss of 180 MW of PV module manufacturing capacities with the bankruptcies of Exasun in Netherlands and Energetic in Austria. Without immediate intervention, the risk intensifies, and there is a looming danger of forfeiting an additional 3.5 GW (at least) of operational PV module production capacities within the coming weeks.** Announced examples are the three German producers *Meyer Burger*, *Heckert Solar* and *Solarwatt* that have stated that they will exit PV module manufacturing this spring because of current disrupted market conditions if no political support is provided, which would mean the loss of 2.5 GW of module manufacturing capacity alone. In addition, other EU module manufacturing companies in other countries have disclosed to ESMC that they are facing the same harrowing decision. **The 3.5 GW of module capacities constitute a staggering 52% of the contemporary and operational EU PV module manufacturing capacities.** Furthermore, in the last few months, ingot producer *Norwegian Crystals* and *REC Solar Norway* had to close down, while *NorSun* halted its ingot and wafer production due to the market situation. The closure of such

significant capacities would have far-reaching and irreversible negative consequences for the entire EU PV manufacturing industry, impacting its trajectory for years to come. Swift and decisive action is imperative to avert this crisis and safeguard the future of the EU PV manufacturing industry.

This regrettable scenario would result in the loss of an estimated 5 000 jobs, while extinguishing the possibility of creating an additional 25 000 jobs by 2030 in a scenario of scaling up to 30 GW PV manufacturing capacities in the EU. The broader repercussions extend to substantial investment losses, estimated at €25 billion. Currently, the EU faces an annual trade deficit in PV products with China exceeding €20 billion, a figure that is likely to escalate further unless the structural competitive conditions for European PV manufacturing are effectively safeguarded. The gravity of this situation underscores the urgent need for proactive measures to preserve jobs, stimulate growth, and protect the economic viability of the European PV manufacturing industry.

II. The inventories held by EU PV module producers are blocking any possibilities to restart or to optimize production to maintain the manufacturing capacities during the unprecedented situation in the market.

In 2023, the EU's estimated PV module production capacities reached approximately 11 GW, with actual operational capacities accounting for roughly 6 GW of PV module production. The additional 5 GW are assessed to be unmodern sleeping module lines, that have not been operational in 2023. Only around 2 GW of PV modules have actually been produced in 2023, leaving 0.8–1 GW languishing in the inventories of European PV module producers. Unfortunately, these stocks remain unsold due to the prevailing market conditions characterized by ultra-low pricing, a situation expected to persist at least throughout 2024.

The severe cash-flow deficit, exacerbated by the unexpected market situation and the lingering inventories of PV modules — even the production in most of the cases have been suspended in August–September 2023 — has intensified the risk of insolvencies of EU PV module producers.

Projections within the global PV industry indicate that both European and Chinese PV module producers anticipate an unprofitable one to two years ahead, as the projected consolidation within the Chinese manufacturing industry is set to unfold over the next two years. This, in turn, may force numerous industry players to resort to loss-making sales. Faced with the challenge of selling existing inventories in such a constrained market, EU PV module producers are compelled to exert all efforts to minimize inevitable losses, resorting to selling PV modules below production costs with immediate threat of insolvencies and bankruptcies.

It is evident that the EU PV manufacturing industry's survival hinges on a delicate balance between short-term emergency measures and long-term policy interventions. While the European Commission has proposed long-term policy measures already in 2022 and 2023 — the NZIA, the Forced Labour Regulation and the inclusion of PV modules and Inverters in the Ecodesign and Energy Label legislation — currently progressing throughout the legislative pipeline, the critical short-term emergency measures, despite early warnings and concrete proposals from the ESMC dating back to August–October 2023, have yet to be implemented. The urgency of the situation underscores the immediate need for decisive actions to mitigate the imminent threats to the industry's survival and pave the way for a stabilisation of the EU PV module production capacities.

III. The implementation of emergency measures is crucial to safeguard EU PV module producers from insolvencies and bankruptcies.

If the European Commission and Member States remain committed to the strategic stance that the EU should not become 100% import-dependent on PV modules, especially acknowledging solar PV as an essential net-zero industry for the EU's green transition, swift action on emergency measures is imperative. These measures should be promptly activated to safeguard European PV module production capacities, aligning with the 40% European manufacturing target set for 2030 as outlined in the NZIA. Emergency measures are not only vital to preserving the industry now, but also serve as a crucial bridge to facilitate achieving the ambitious 40% European manufacturing target by 2030. The activation of these measures is imperative to provide breathing space for EU PV module producers during the interim period of the next 2 to 3 years. Failure to initiate these emergency measures would not only jeopardize the immediate future of the EU PV manufacturing industry but would also delay its revival for an additional 2 to 3 years, resulting in the loss of 3.5 GW of modern PV module manufacturing capacities. The urgency of the situation demands swift and decisive action to secure the future of the European PV manufacturing industry.

To this end, there are several potential measures that can be swiftly applied to immediately safeguard PV module production capacities in the EU. On behalf of the EU PV manufacturing industry, we earnestly request the European Commission to adopt concrete action plans for the implementation of these key emergency measures as expeditiously as possible:

- 1. Establishment of an EU level buy-out facility for accumulated EU PV module inventories.** Establishing a dedicated €200 million buy-out emergency framework at the EU level for European-produced PV stocks (~800 MW) would be a short-term swift emergency acquisition facility unleashing much-needed cash-flows for the EU PV module producers. This framework would minimize the current losses by preventing bankruptcy decisions of the existing EU PV module producers.
- 2. Immediate modification of Temporary Crisis and Transition Framework (TCTF) to empower financing the projects with EU-produced PV modules or operational expenditures of the EU PV module producers.** Modify TCTF to allow Member States utilizing Recovery and Resilience funding, for a temporary period, to purchase EU-produced PV modules for projects exceeding 6 MW capacity or to support PV module producers directly by compensating operational expenditures. Immediate modification of the TCTF — as it has been already successfully done by the European Commission in March 2023 allowing to compensate some capital expenditures — would enable Member States to share some of the losses, simultaneously committing EU PV module producers to maintain facilities until the NZIA becomes effective. This ensures ongoing support for the industry, safeguarding its presence in the market.
- 3. Accelerated implementation of the EU PV producers' supportive elements outlined in the legislative initiatives of the Net-Zero Industry Act (NZIA) and Forced Labour regulation (FLR) from July 2024 by creating a simplified and effective resilience auctions system for a temporary period during 2024 and 2026.** Both NZIA and FLR contain provisions beneficial to EU PV producers, however, it will be operationalized practically only in 2 to 3 years. To expedite the positive impacts, the proposal suggests the creation of a simplified and effective resilience auction system, incorporating NZIA and FLR elements from July 2024. This temporary system, requiring PV modules free from forced labour, aims to kick-start the implementation of resilience auctions promptly. Additional financing from existing EU-level net-zero resilience and innovation funding programs can

support this temporary framework, ensuring timely support for the EU PV manufacturing industry. Significant off-take share of EU-produced PV modules would consist only 5–10% of the EU deployment capacities during 2024–2026.

The measures proposed should be implemented as a package to bring the expected stabilisation effect to the EU PV manufacturing industry. The initial proposals and requests for these measures were submitted to the European Commission already in September 2023. Consequently, we anticipate that potential solutions have already been framed and are poised for swift advancement without any unnecessary delay. In proposing these emergency measures, our commitment to collaboration and flexibility is unwavering. We are open to modifications that enhance the effectiveness of the suggested interventions and are eager to work closely with the European Commission to address the pressing challenges confronting the European PV manufacturing industry. **On behalf of EU PV module producers and manufacturers across the entire PV value chain, we urgently request the creation of space for at least 5 GW annual EU PV module production during 2024–2026.**

It is crucial to highlight that, even in a conservative scenario, the price of PV modules constitutes not more than 29% of the total Levelized Cost of Electricity (LCOE) on the concrete PV project are being implemented. In this context, it is important to note that the price difference between the total dependence on China scenario and the resilience scenario would be less than 1¢/kWh. This information underscores the manageable impact of the proposed measures on the overall cost structure, emphasizing their feasibility and potential to ensure a resilient and sustainable future for the European PV manufacturing industry.

The European Commission, tasked with overseeing EU trade policy, wields a range of trade defence instruments, including anti-dumping, anti-subsidy, and safeguard investigations. These tools could be potentially mobilised to safeguard EU PV module producers — strategic industry crucial for the development of EU net-zero industries and entire EU economy. However, swift adoption of proposed emergency measures, designed to substantially support the EU PV manufacturing industry, would naturally prevent the stakeholders from taking actions towards initiation of trade defence instruments.

In the event that the proposed emergency measures would not be possible for a swift adoption within the next 2 months, we urge the activation of trade defence measures — starting with the safeguard investigation by applying provisional safeguard measures and potentially extending it to include other trade defence measures — as a last resort, but necessary, action. This is deemed a necessary measure to safeguard EU PV module producers facing imminent threats to their viability.

The failure to adopt these measures will result in the destruction of current EU PV module producers as additional 3.5 GW operational PV module production capacities would be closed within the coming weeks. Failing to make decisive decisions, as proposed in this urgent request, carries far-reaching consequences in an area of the direct responsibility of the European Commission — the EU could become entirely reliant on technologies and scaled supply from South-East Asia, notably China. Beyond economic ramifications, inaction poses risks to societal well-being, environmental integrity, climate goals, and even the geopolitical standing of the entire European Union. The repercussions of neglecting these critical decisions today could echo for decades, affecting future generations and undermining the EU's aspirations for a sustainable and resilient energy future. The time to act is now to secure a thriving and self-sufficient European PV manufacturing industry.