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SOLAR PV MANUFACTURING SHOULD BE PRIORITIZED DURING THE NEW MANDATE OF THE EUROPEAN COMMISSION

During the last 10–15 years solar PV deployment in the EU has reached unprecedented growth making a major impact on EU renewables development. However, solar PV manufacturing suffered existential challenges — almost all PV manufacturing has moved to China, where solar PV industries are heavily subsidized, and consequently EU PV manufacturing capacities diminished heavily. This applies to all stages of the value chain in the production of PV modules (including polysilicon, wafers and cells) and the same development has also started for inverters. Given the fact that solar energy is the cheapest form of energy and is predicted to become the world's biggest energy source in the coming decades, a dependency on one single country is undermining not only the European Green Deal but also European energy security as a whole.

During the last mandate of the European Commission the general frameworks to bring back PV manufacturing to the EU have been created including but not limited to European Solar Energy Strategy, Temporary Crisis and Transition Framework (TCTF), Net-Zero Industry Act (NZIA), European Solar PV Industry Alliance, etc. **As from now, during the new mandate of the European Commission, concrete subsequent measures and actions should be implemented without delay to link the objectives of already created frameworks with the real competitive PV manufacturing capacities in the EU.**

Although the Net-Zero Industry Act (NZIA) — adopted recently and coming into force from the end of June 2024 — can deliver positive impact to EU PV manufacturing capacities, there is an urgent strategic necessity for the EU to develop additional policy measures to address the challenges of EU PV manufacturing. The 40% domestic PV manufacturing target in 2030 will not be achieved without vested and concrete actions of the Member States and the European Commission. Therefore, **EU PV manufacturing should be among the key priorities of the European Commission during its new mandate, including concrete policy actions starting from the end of 2024.**

The NZIA and European Solar Charter are adequate recent policy instruments, however, there should be new additional measures delivered to address three structural challenges:

- 1) to protect still existing EU PV manufacturing capacities (~2 GW of EU PV module production);
- 2) to create appropriate conditions for the new PV manufacturing capacities in the EU (~40 GW across entire PV value chain by 2030);
- 3) to address energy security issues of the PV inverters as the EU electricity system currently is at risk of becoming controlled by third parties.

To deliver appropriate investments and reshoring PV manufacturing capacities in the EU, the quantitative targets for the EU PV manufacturing should be defined. At least 7% (5 GW) of European-made PV modules and components along the whole value chain should be deployed in European PV installations in 2025, at least 10% (7 GW) in 2026, at least 15% (12 GW) in 2027, at least 23% (20 GW) in 2028, at least 30% (27 GW) 2029 reaching 40% (40 GW) in 2030. Quantitative

targets would safeguard current manufacturing capacities and will allow the further development of new EU PV manufacturing capacities.

European Solar Manufacturing Council (ESMC), representing the majority of the European solar photovoltaics (PV) manufacturing industry (almost 80 companies), is proposing certain priority actions to the European Commission, which by managing the operational costs of the EU PV manufacturing would safeguard the existing EU PV manufacturing industry and would pave the way for the extension of manufacturing capacities within 2–3 years to reach the 2030 EU PV manufacturing targets. These measures should be implemented without delay during 2025 — if not, all the efforts delivered till now will be useless as there will not be sufficient demand for made in EU PV modules and all the components along the entire value chain.

- 1) A European buy-out facility should be created to ensure certain up-take for European-made PV products while sharp price decrease of imported PV modules continues.** In parallel to historically proven measures when the EU accomplished buyouts or purchase programs of products from domestic producers in certain situations, typically as part of its agricultural policy, certain framework should be created for the EU PV manufacturing industry. Ukraine is now suffering from the lack of distributed electricity generation capacities — consequently, European-made solar modules utilizing European buy-out program could be transferred to Ukraine in ensuring fast, distributed, reliable and resilient electricity supply. Member States potentially already now could utilize such an option individually, but European framework within the leadership of the European Commission would make this measure more impactful both while supporting Ukraine with resilient electricity supply and supporting EU PV manufacturing industry during unprecedentedly low prices of PV modules, which are even lower than the production costs of the major Chinese companies (including subsidies).
- 2) In a scenario of European PV manufacturing industry or Member States requests, the European Commission should consider appropriate trade defense measures for the EU PV manufacturing, similar to the already taken measures for battery electric vehicles *vis-à-vis* China, as it has been concluded that China benefits from unfair subsidies causing economic injury to EU producers.** Unfair trade policies which heavily subsidized the PV industry in China have drastically reduced the competitiveness of the European PV manufacturers — hence any NZIA type measures within the EU without leveling the playing field *vis-à-vis* China will be insufficient while addressing the costs gap as a major threshold for the EU competitiveness. Temporary safeguard measures should be under consideration due to the sharp import increase of PV modules below the production costs from China in 2022–2024, which is continuing and have heavily injured the EU PV manufacturing industry. The measures already taken by the European Commission in applying Foreign Subsidy Regulation confirms that the EU has appropriate instruments which should be empowered to safeguard EU manufacturing industry. Any of trade defence measures should be taken in a way not to jeopardize the PV deployment in the EU market.
- 3) The guidance of the European Commission on VAT reduction/exemptions for resilient and sustainable PV modules and products along the whole value chain in residential sector.** Member States could apply reduced or 0% VAT to the PV modules / systems in line with sustainability and resilience criteria of NZIA while for the rest the original level of VAT would be applied. Several Member States are already using reduced or 0% VAT framework to enhance the PV deployment in the residential sector. Sustainable

and resilient PV modules would have a circa 20% price advantage in residential sector in case such a framework would be implemented. European Commission should provide guidance for the Member States on the potential of such a measure, its consistency with the goals of NZIA and legal possibilities to apply such a framework without any delay as this measure could be implemented on the level of individual Member States.

- 4) **Competitive industrial electricity prices should be ensured across the EU PV value chain.** The European Solar PV Industry Alliance has already delivered proposals on such framework as competitive industrial electricity prices are the key for the most critical parts of the PV value chain. As one of the suitable options in the proposals of the Alliance have been indicated contracts for difference — governments guarantee predictable, stable and sufficient volumes of electricity at internationally competitive price levels. Such a stable, predictable electricity price could support energy intensive industries with sufficient green energy at an internationally competitive price level.
- 5) **Energy security measures for the inverters deployed in the EU market.** The EU should take decisive horizontal policy actions to prevent remote control of European PV systems, as this is a major threat to the energy security of the EU. Legal, regulatory and other necessary provisions should be implemented that would prevent third countries from direct access to the control of the PV inverters installed in the EU energy systems so that PV inverters could not be controlled nor be switched off remotely by a third-party nation outside the EU.

The implementation of this package of the measures would partly, but fundamentally, level the playing field for the EU PV manufacturing industry *vis-à-vis* global competitors, including supply from China, without creating extensive additional legal provisions or taking lengthy implementation procedures. Once implemented it will ensure gradual increase of competitive EU PV manufacturing and operational capacities, decrease the risks of not achieving PV deployment targets in environmentally sustainable way and will minimize energy security risks for the EU.

ESMC is eager to present detailed proposals on each of the measures proposed in order to contribute to the implementation of the measures without delay in 2025.



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Subject: ESMC letter on the priorities of the new European Commission

Dear Mr Lindahl,

Thank you for your letter of 6 September 2024 setting out a request to position the EU PV manufacturing among the priorities of the new European Commission. The President has asked me to reply on her behalf.

The Commission agrees that a resilient, sustainable and competitive European solar value chain is essential to achieve our renewable energy targets while enhancing security of supply and mitigating the risk of supply chain disruptions.

The competitiveness of European industry is the main focus of the President-elect's Political Guidelines for the next mandate, and this is also reflected in the mission letters to the Commissioners-designate. The Commission will present a Clean Industrial Deal for competitive industries and quality jobs in the first 100 days of taking office. It will build on the existing instruments to support industry, and will set out initiatives to create the right conditions for companies to reach our common goals. Your recommendations will enrich our reflections going forward, also in the context of the implementation of existing instruments.

Industry input will be key to our success, and we look forward to your continued involvement.

Yours sincerely,

Elisa Roller

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