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A Measured Rebuttal to China Over Solar Panels

By KEITH BRADSHER and MATTHEW L. WALD

The Commerce Department said on Tuesday that it would impose tariffs on solar panels imported from China after concluding that the Chinese government provided illegal export subsidies to manufacturers there.

The tariffs were smaller, at 2.9 to 4.73 percent, than some American industry executives had expected. At that size, their effect on the market could be limited. But additional tariffs could be imposed in May, when the Commerce Department is scheduled to decide whether China is “dumping” solar panels into the United States at prices below their actual cost. A finding of dumping would result in additional tariffs that could be far larger than these.

But whatever the size of the penalties, Tuesday’s ruling is likely to further heighten trade tensions with China, and to have implications for renewable energy policy in this country.

Although the ruling is the result of a quasi-judicial review process by civil servants in the Commerce Department, the imposition of tariffs by an arm of the Obama administration also seems certain to enter the partisan fray.

The president’s supporters might point to it as evidence that he continues to play tough with Beijing. But opponents, including the Republican presidential candidate Mitt Romney, who are already criticizing Mr. Obama for what they say is a low level of attention to China trade issues, might call the small penalties insufficient.

The Commerce Department declined to comment Tuesday.

Li Junfeng, a Chinese government renewable energy policy maker who is also the president of the Chinese Renewable Energy Industries Association, a government-backed trade group, welcomed the Commerce Department’s decision not to levy heavier tariffs. “I’m happy that it’s not a lot, but not surprised — the Chinese government does not give too many subsidies to the companies,” he said.

Whatever political spin proponents or critics might want to put on the tariff decision, there is no question that solar panels from China now control about half of the American market, while panels from the United States control less than a third.

American imports of Chinese solar panels have soared to \$2.65 billion last year from \$21.3 million in 2005.

While American manufacturers oppose the imports and filed the trade case against China, users of solar energy have benefited from low-cost Chinese solar panels. An American industry group composed of companies that sell and install solar panels said Tuesday that it was pleased with the relatively small size of the tariffs, having braced for higher ones.

“This is a huge victory for the U.S. solar industry and our 100,000 employees,” said Jigar Shah, president of the Coalition for Affordable Solar Energy. “Given all our expectations, this is really good news.”

Barry Cinnamon, chief executive of Westinghouse Solar, which imports panels from China and adds wiring, racking and other components, said he was relieved by the decision, which will raise the price of his 250-watt system to about \$610 from \$600.

“If the tariffs were big, 20 percent or 50 percent or 100 percent, it would be really bad for U.S. jobs,” he said. “If it’s a small tariff, it does send a signal to encourage manufacturers to do more manufacturing in the U.S., but it’s not enough to have a huge impact on costs.” And it will not set off a trade war, he predicted.

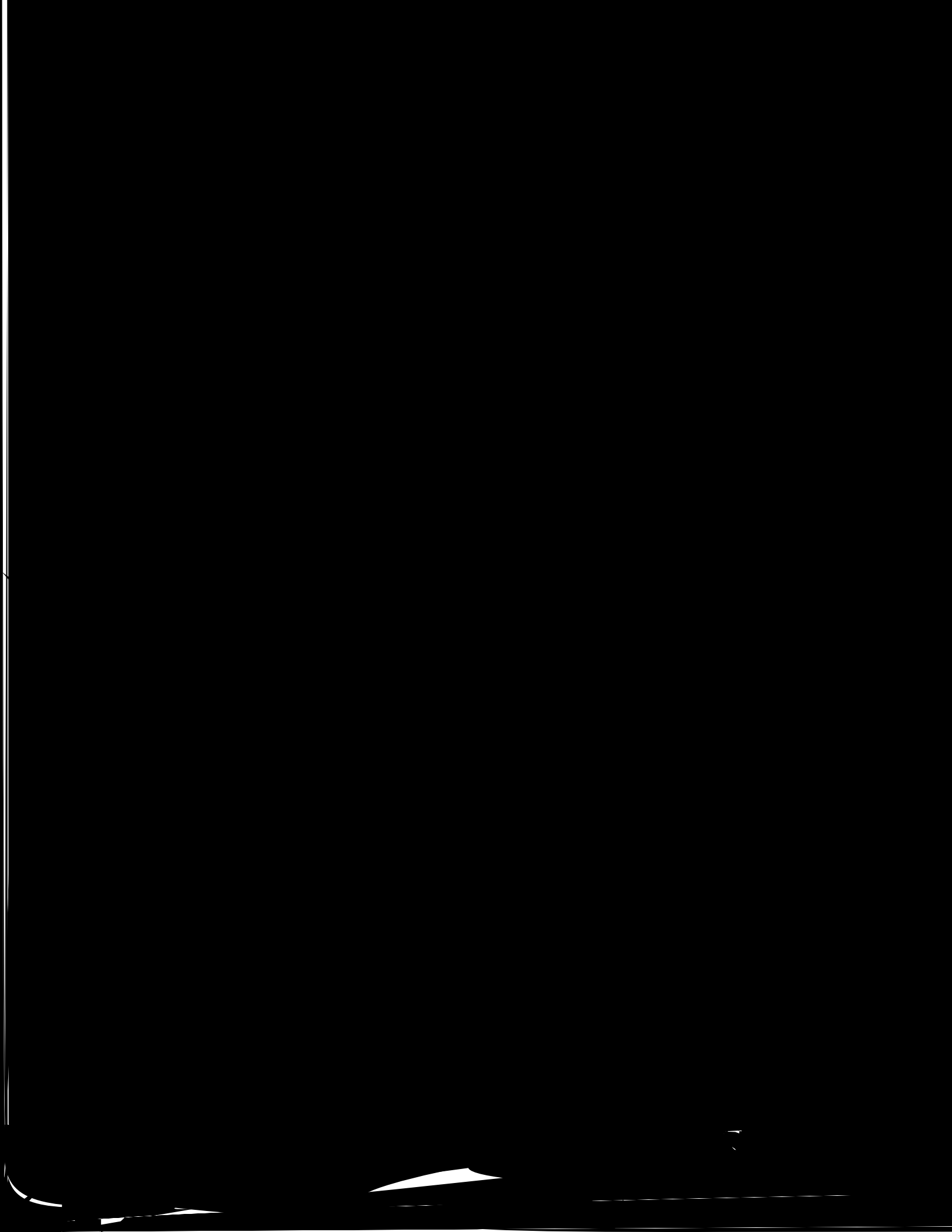
Globally, low-cost Chinese panels have driven down the cost of solar energy by two-thirds in the last four years, narrowing but not eliminating the wide price gap that used to separate solar power from electricity generated by burning fossil fuels.

But the solar energy boom has had few benefits for American manufacturers. The plunging prices led to the bankruptcy of three American solar panel makers last August.

One of the failures was Solyndra, which cost the federal government more than \$500 million. Solyndra’s collapse has been the subject of an investigation by Congressional Republicans, who contend that the Obama administration should not have lent so much money for an unproved clean energy program.

The Commerce Department decision Tuesday may be the most comprehensive review yet by an American government agency of how China uses subsidies to dominate an industry.

China now has about 700 solar panel manufacturers with a combined annual production



survivors have also resorted to sizable layoffs in the last two years.

One of the companies, Evergreen Solar, announced in January of last year that it was moving production from Massachusetts to China because the Chinese government was offering more financial support for manufacturers there. But the move came too late to save the company from declaring bankruptcy.