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Solar-PV Capex Cuts Will Ease Capacity Growth in Time for Recovery

Familiar challenge: Photovoltaic device makers struggle to line up investments with fickle market conditions.

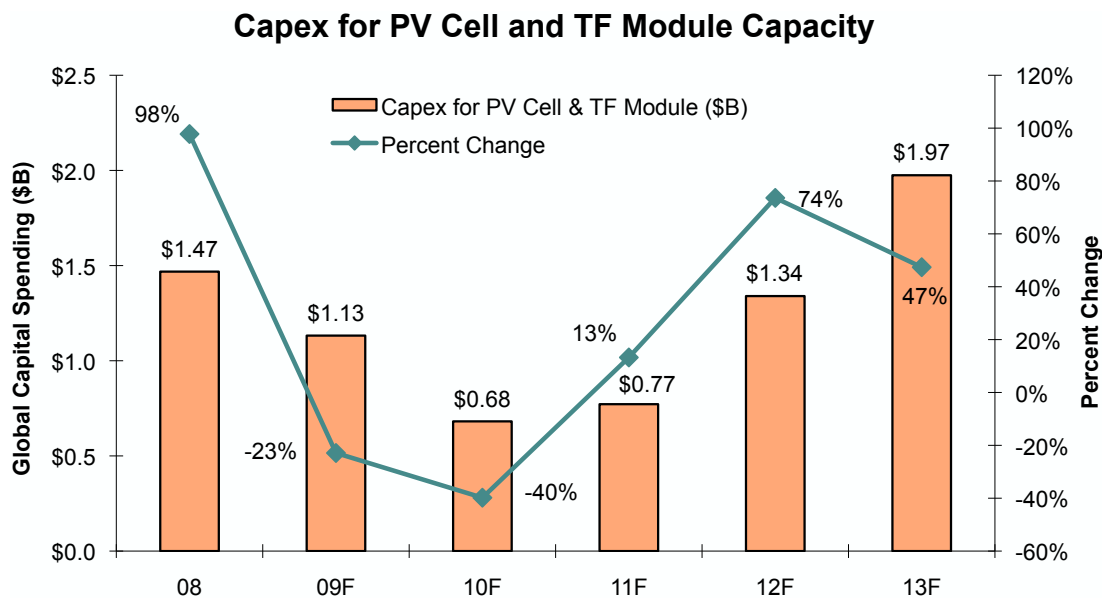
Much like the boom-to-bust IC industry in recent decades, manufacturers of solar-energy cells and thin films are having a difficult time matching investments for new production capacity with the recessionary and recovery throes of the fledgling photovoltaic (PV)-device market, based on the analysis in a new 2009 report from IC Insights: *Solar Energy: Growth Opportunities for the Semiconductor Industry*. The mismatch of photovoltaic capacity expansions and slumping market demand is underscored by the expected 32% increase in global PV production capacity in 2009 despite a forecasted 22% decline in solar system installations this year, according to the new report.

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Although PV-device manufacturers made known their intentions in late 2008 to trim capital spending, many of the top suppliers have been unable to abruptly halt those expenditures in 2009. Consequently, global PV solar-device production capacity is expected to rise 32% in 2009 to a total output capable of generating 11.5 gigawatts of electricity. This follows a 69% increase in installed photovoltaic cell and thin-film (TF) plant capacity in 2008 to 8.7GW, says IC Insights' new report. Cuts in capital spending will slow capacity expansion to just 15% in 2010, but that will come when the solar market begins to recover with a 37% growth in system installations next year, based on the report's 2009-2013 forecast.

In 2010, IC Insights believes that capex spending levels for PV cell and TF module capacity will fall further than the 23% decline forecast for 2009 as producers confront rising inventory stockpiles and plummeting capacity utilization. The report shows global solar PV cell and TF capital expenditures falling 40% in 2010 to about \$680 million from \$1.13 billion in 2009, excluding capex on assembly of cell-based modules and panels. However, solar PV capital expenditures will begin a steady recovery in 2011, rising 13% that year to \$772 million but surging 74% in 2012 to \$1.34 billion, based on IC Insights' five-year forecast (see Figure 1).



Source: IC Insights

Figure 1

With PV manufacturers unable to abruptly curb additions to production plants, capacity utilization rates for solar devices are forecast to plummet from 83% in 2008 to 54% in 2009 and to 52% in 2010. However, IC Insights is forecasting a steady rise in plant capacity utilization to 63% in 2011 and to 82% in 2013. The efforts to achieve high levels of capacity utilization will stretch out to the end of the forecast period and will be an important contributor to the industry's reduction of the cost per watt of solar systems.

The new 2009 solar report estimates that plants in mainland China and Taiwan accounted for 39% of total global PV device production in 2008, with European production at 28% of the worldwide total and Japan 16%. U.S. producers captured only 10% of the total in 2008, based on IC Insights' data.

Report Details

Solar Energy: Growth Opportunities for the Semiconductor Industry was written to help current semiconductor manufacturers and suppliers gain a clearer understanding of solar technology and markets as they consider exploiting existing and upcoming opportunities available in the fast-growing solar PV sector. It contains five-year forecasts for photovoltaic cells, solar modules, PV pricing trends, semiconductors in solar systems, PV-production capacity, capital expenditures, and polysilicon sales for PV cells. Regional market trends along with profiles and a ranking of the industry's top 15 photovoltaic device suppliers are also covered in the new report. Single-user copies of the 118-page report sells for \$2,975 with each additional copy priced at \$495. A multi-user corporate license is available for \$5,880.

About IC Insights

IC Insights, Inc., based in Scottsdale, Arizona USA, is dedicated to providing high-quality, cost-effective market research for the semiconductor industry. Founded in 1997, IC Insights offers coverage of global economic trends, the semiconductor market forecast, capital spending and fab capacity trends, product market details, and technology trends, as well as complete IC company profiles and evaluations of end-use applications driving demand for ICs.

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