Polysilicon prices on the rise in China, but the US is excluded

A sharp rise in demand for polysilicon in China is leading to a partial price recovery; however US manufacturers are unable to take advantage after losing access to the market, according to market research company IHS.

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Its been a tough couple of years for polysilicon manufacturers, since a global oversupply of the material forced the prices right down in 2014. Some hope has emerged, as demand skyrockets in China, however U.S. manufacturers are being forced to just sit back and watch, as the trade dispute between the two countries continues.

Market research firm IHS highlighted an upcoming change in Chinas feed-in-tariff (FIT) on 30 June 2016 for the increase in demand. It expects that the price of the material will rise from a dismal $12 per kilo in January to $19 per kilo in April. Strong demand for polysilicon prices is triggered by the FIT deadline in China, said Karl Melkonyan, solar supply-chain analyst for IHS Technology. Buyers cannot wait any longer to buy polysilicon for solar modules, if they want them produced and installed before the end of June.

Some observers consider $19 per kilo to be a target that is too ambitious, believing that the short term rise may soon hit its peak. "The peak of solar module demand in China ahead of the FiT decline has already been crossed; module, cell and wafer prices are consequently heading south," said Johannes Bernreuter, head of Bernreuter Research. "Within a few weeks, this price trend will also hit polysilicon."

Whereas previously, supplies had been building up at the manufacturers, this sudden demand is allowing some suppliers to reduce their inventory. This is particularly the case for Korean manufacturers, who now make up almost half of all of the polysilicon imported by China.

U.S. polysilicon manufacturers are not able to enjoy such relief, as high import duties on U.S. imports has essentially lost them access to the Chinese market. This, in turn, is benefitting Korean and other Asian suppliers, leading some to begin capacity expansions in 2016. It is a huge blow to U.S. polysilicon manufacturers, as China is by far the largest solar module manufacturer, making up 70% of the market in 2015.

Western manufacturers can no longer sell into China, which is leading to inventory over-supply and even causing some factories to close, said Jessica Jin, solar supply chain analyst for IHS Technology. Although they are trying to sell polysilicon at bargain prices, there is low demand for purchasing silicon outside of China, because most wafer factories are located in China.

The drop in polysilicon prices, which was once at a high of $35 per kilogram, is forcing some U.S. manufacturers to scale back their operations, as their inventories reach critical levels.

It is not clear what will happen to polysilicon prices in China once the FIT is changed later in the year. It is highly unlikely that polysilicon prices will continue increasing in the second half of the year, but a flat pricing outlook is certainly a possibility, if demand remains as high as previously forecast, said Melkonyan.