Polysilicon goes

Slower demand from China in 2018 meant a bumpy ride for polysilicon producers worldwide. But the biggest players remain committed and are taking advantage of low electricity rates in western China to bring huge new capacities online, giving the market yet another shake-up. pv magazine caught up with polysilicon market analyst Johannes Bernreuter, Head of Bernreuter Research, for a look at the latest upstream developments.

Photo: Wilhelm Breuer

Johannes Bernreuter is Head of Bernreuter Research. He founded the company in 2008 to analyze polysilicon manufacturers, market trends, and technologies.

How have polysilicon prices developed so far in 2019? What are the drivers behind this?

There has been a price slump in the first quarter, which some would attribute to oversupply. The interesting conclusion for me is that the actual increase of polysilicon supply in China, if you take domestic production and imports together, wasn't that huge in the first quarter. If you take both together, the increase is only a little more than 4% over the prior-year quarter.

You can see a significant increase in domestic production, definitely. But it has been tempered by decreasing imports. The major explanation for the price slump in Q1 is sluggish demand.

Have new capacities coming online in western China changed the game already? What do you expect for the rest of the year?

The increase in domestic production was caused by the new capacities of GCL Poly, East Hope New Energy, and Daqo in Xinjiang, the new factory of Tongwei in Inner Mongolia, and the expansion of its subsidiary Sichuan Yongxiang. Those are the main expansions that are driving the increase of polysilicon production.

Even in February, which has fewer working days and contains the Chinese New Year holiday, output increased versus January, and in March you had almost 29,000 metric tons, compared to 24,000 in March 2018 – due to the ramp-up of the new capacities. In April, however, the number dropped again slightly – that was the first reaction to the slump in market price.

> *"Everybody is waiting for increased demand in the third quarter – then they will probably accelerate their ramp-ups"*

What we will see is that companies with big new expansion projects will steer the pace of ramping up according to market conditions. Everybody is waiting for increased demand in the third quarter – then they will probably accelerate their ramp-ups. The China Non-ferrous Metals Industry Association is even speculating about a short-term shortage when demand picks up in Q3. But I think you have to take this with a grain of salt, it might be wishful thinking.

Is China's goal still to be free of polysilicon imports? On what timescale?

[Last year] was the first year that the volume of imports into China decreased. That's the first fruit of China's long-term aspiration to reduce polysilicon imports. And yes,

west

the ultimate goal is to be free of imports – the Chinese have proclaimed several times they want to be self-sufficient in polysilicon production, there is no doubt about that. But they still have a way to go. In 2018, the import volume was 139,600 metric tons, compared to 158,900 metric tons in 2017 – approximately a 12% reduction. If you look at the huge expansion in China, you could argue that imports could easily be replaced by domestic production. But there is still the old question of quality. I would guess – and Wacker alluded to this in its most recent conference call – that there are still differences between foreign and domestic suppliers of mono-grade polysilicon, and with better material you get higher solar cell efficiencies.

> *"The price has reached the bottom now"*

Will prices go up again in the second half of the year?

The price has reached the bottom now, because Chinese suppliers have taken some capacities offline and slowed down ramp-ups to prevent further oversupply. I think demand will pick up, based on China's announcements so far. Most are expecting around 40 GW from China again this year, and if you have only 10 GW in the first half, this will lead to a significant pick-up in the second half. That will support higher polysilicon prices – but hardly beyond $11 per kilogram. pv

Interview by Mark Hutchins