

Commodities

Norwegian polysilicon maker rallies 65 per cent on US-China trade deal

Beijing has agreed to buy more supplies of the solar panel material that REC produces in the US

Henry Sanderson in London JANUARY 16 2020



Shares in polysilicon producer REC Silicon jumped by 65 per cent on Thursday after China agreed to buy more US supplies of the solar panel material as part of the countries' "phase-one" trade deal.

Beijing agreed to buy an additional \$77.7bn of manufactured goods from the US over the next two years as [part of the deal signed at the White House](#) on Wednesday. That includes purchases of US polysilicon, the agreement said — a potential boost for Norway-headquartered REC, which has two plants in the US.

"It is really positive that the US government has recognised the importance of the US polysilicon industry. Being locked out of the global market for polysilicon for the last several years has cost the US high-paying jobs and billions of dollars in investment," Tore Torvund, chief executive of REC Silicon, said.

The trade deal could mark a turnaround for the industry following years of rapid expansion of capacity in China that has caused polysilicon prices to fall by over 60 per cent over the past five years.

Polysilicon is a critical material for solar panels and semiconductors. China accounts for over 92 per cent of global polysilicon demand because of dominance in solar panel production.

In 2014, China [imposed tariffs on US solar-grade polysilicon](#). That forced REC to close its \$1.7bn polysilicon plant in Moses Lake, Washington state last July and lay off 450 workers, it said.

The trade deal could eventually lead to a recovery in the market, especially as older coal-fired Chinese capacity closes, said Francine Sullivan, vice-president at REC Silicon, adding that it might be possible to reopen the Moses Lake plant.

The test of the trade deal will be on January 18 when China releases a final review on its duties on US polysilicon, Johannes Bernreuter, an analyst of the market, said. "That will tell us more than the trade agreement," he said.

The rally for [REC Silicon](#) is a big win for one of Norway's richest men, Kjell Inge Rokke, whose Aker investment company bought 64m shares in REC Silicon on 9 December at a price of Nkr1.325 a share. Based on today's share price of Nkr5 a share, he has made a return of 277 per cent.

REC and two other US polysilicon producers Hemlock Semiconductor and Wacker Polysilicon all welcomed the US-China agreement in a statement on Wednesday.

"We hope this agreement will result in a more level playing field for this important building block to the solar and electronics industries," Mark Bassett, chief executive of Hemlock Semiconductor Operations, which is based in Michigan, said.

"Maintaining and expanding US production capacity is vital to supporting high-wage American manufacturing jobs based on high-tech innovation."

Shares in Germany's Wacker Chemie, which owns Wacker Polysilicon, also rose by 4.4 per cent to trade at €66.52.