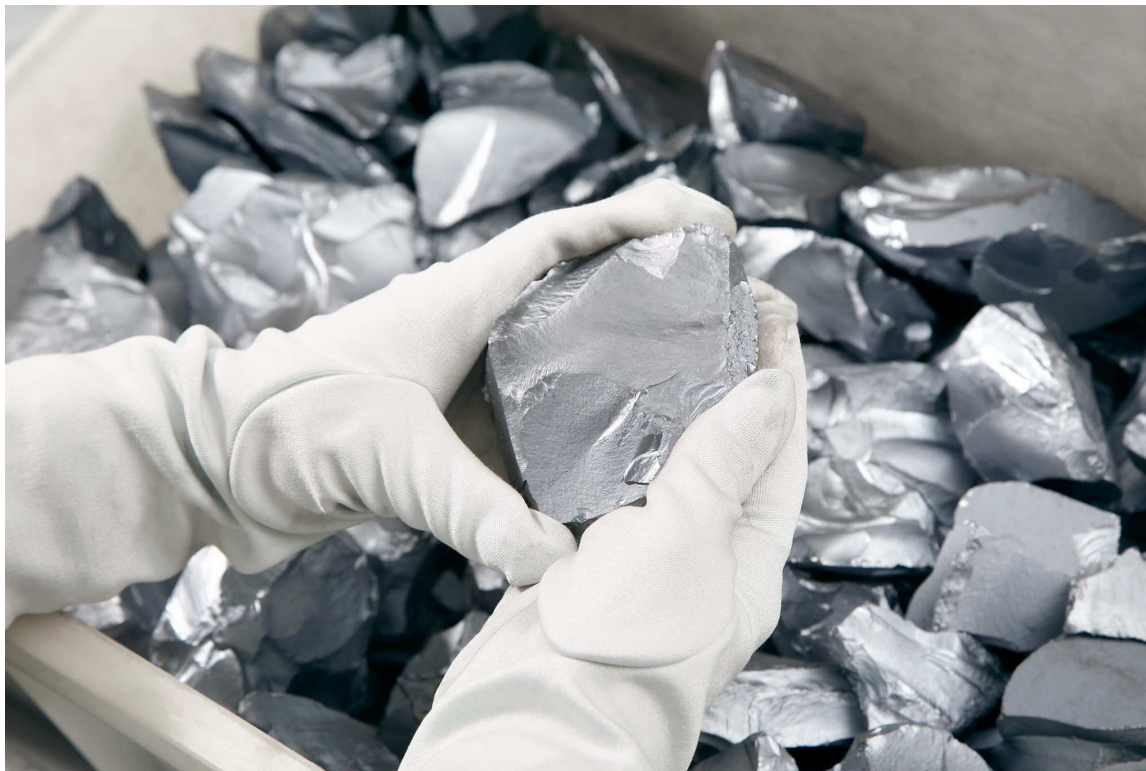


Is this the end for Korean polysilicon?

The nation's only two poly manufacturers could both shutter factories in their homeland due to downward price pressure. OCI says it will maintain only 6,500 MT of its 52,000 MT annual production capacity in an operational state and Hanwha Chemical says it is 'examining the situation'. Poly analyst Johannes Bernreuter has discussed the reasons for the crisis with **pv magazine**.

FEBRUARY 13, 2020 **EMILIANO BELLINI**

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South Korea is running up the white flag because it cannot compete with Chinese polysilicon, says Johannes Bernreuter.

Image: Daqo New Energy

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South Korean polysilicon manufacturer **OCI** is planning to idle most of its production capacity. "We are closing all facilities in **Gunsan** except [production line] P1, which will be used only for manufacturing electronic-grade ... poly-Si," the company told **pv magazine**.

Financial news website **Pulse** and corporate magazine **BusinessKorea** had earlier reported **OCI** and polysilicon peer **Hanwha Chemical** were considering halting all domestic production lines because of the downward pressure on poly prices.

OCI told **pv magazine** its P1 factory accounts for 6,500 MT of its 52,000 MT annual polysilicon production capacity in South Korea. In terms of the company's other domestic production lines, the manufacturer said: "For now, we do not have any plan to reopen it unless the price of solar grade poly-Si increases significantly."

The company added, its 27,000 MT polysilicon facility in Malaysia will continue operations.

Hanwha Chemical told **pv magazine** simply: "We are examining the situation."

Electricity price

Analyst **Johannes Bernreuter** said the closing of **OCI's** **Gunsan** factory has not come out of the blue.

"The company had to fight an uphill battle not only against extremely low, subsidized electricity rates of \$0.03/kWh and less for competitors in western China – [which] other, non-Chinese polysilicon manufacturers have to fight as well – but also against the rise of industrial electricity rates in South Korea to more than \$0.10/kWh today – an increase of 71% since 2009, according to **OCI**," **Bernreuter** told **pv magazine**.

The analyst said **OCI's** basic chemical division, which includes the polysilicon business, has reported negative margins since the third quarter of 2018. "It is, hence, comprehensible that management wanted to get rid of this drag on profits," he said. "What is less comprehensible is that **OCI** hardly compensates for the massive capacity loss of 52,000 MT in **Gunsan** with expanding its second polysilicon plant in Malaysia."

Surrender

According to **Bernreuter**, the Malaysian factory has enough space for expansion and enjoys an electricity rate close to that of western China. Previously stated expansion plans were intended to compensate any loss of South Korean capacity but **OCI** is now planning to increase polysilicon production in Malaysia by only a meager 10%.

Polysilicon specialist **Bernreuter** said the company's investment strategy has been conservative since the first shake-out of the polysilicon industry, in 2011/2012. "Abandoning a sizable market volume of roughly 50,000 MT despite a competitive electricity rate in Malaysia – and no anti-dumping duties on imports from there into China – means hoisting the white flag of surrender against Chinese state capitalism," said the analyst.

Bernreuter said Chinese competitor **Tongwei** recently revealed plans to increase its polysilicon production capacity from 80,000 MT to a staggering 220-290,000 MT in 2023. The company had already expanded capacity from 20,000 to 80,000 MT in 2018. "If you have ever had doubts about the ambition of the Chinese polysilicon industry, they should have been removed now," he said.

In mid-January, China's Ministry of Commerce announced [anti-dumping duties applied to U.S. and South Korean polysilicon would remain for a further five years](#).