

Renewable energy

## Polysilicon price soars after blasts at key Chinese plant

56% rise is a blow for governments keen to promote adoption of renewable energy



Polysilicon is melted into cylindrical ingots and sliced into thin wafers that are then turned into solar cells used in solar panels © PA Archive/PA Images

Henry Sanderson AUGUST 12, 2020



Explosions last month at a plant in China have pushed up the price of polysilicon, the raw material for solar panels, raising costs for governments keen to stimulate the use of renewable energy.

Prices for polysilicon have risen by over 50 per cent since a series of blasts at the site in the country's Xinjiang region in July. They are likely to go higher, due to the spread of coronavirus into the region, according to analysts.

The incident highlights the global solar industry's reliance on China, which produced about 67 per cent of the world's polysilicon last year, according to Bernstein, a broker. Nine of the top 10 solar cell makers are Chinese.

The price spike also comes as solar installations are expected to grow globally following the passing of a green-tinged stimulus package by the EU last month.

"The cost pressure in the value chain will rise and the margins will shrink to razor thin levels," said Johannes Bernreuter, a polysilicon market analyst. He noted that higher prices for solar modules might delay some projects until next year, adding that the "most decisive factor" is the trajectory of Covid-19 infections in Xinjiang.

Last week Yan Zhuang, president of Canadian Solar, a maker of solar modules, said the company was seeing "some margin pressure due to cost increases from polysilicon supply shortages."

Mr Zhuang said the company would pass on part of that higher cost to customers and had started to raise solar module prices.

On Monday Tongwei Solar, the world's largest solar cell manufacturer, said it had raised prices for its multi-crystalline solar cell by 11 per cent.

The blasts at the plant, run by China's GCL-Poly Energy, removed about 48,000 tonnes of polysilicon from the market, or about 10 per cent of global supply. They were caused by an explosion of the refrigerant mixture, according to Shanghai Metals Market, a market-data provider.

Solar-grade polysilicon was assessed on Wednesday at \$10.68 a kilogramme compared with \$6.83/kg on July 15, according to PVinsights, a research company.

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The GCL-Poly Energy plant is likely to be offline for nine months, said Philip Shen, an analyst at Roth Capital Partners. Other producers in Xinjiang have also been told to investigate the safety of their production lines, according to reports.

A gas leak at another plant in Xinjiang in early July owned by New York-listed Daqo New Energy has also affected production, according to SMM.

Still, shares in Daqo have risen by about one-third since the event, giving the company a market capitalisation of \$1.7bn, as investors anticipate it will benefit from rising prices.

Francine Sullivan, vice-president for business development at Norwegian producer REC Silicon, said that the supply shortages following the accidents

could help pep up prices, after years of rapid Chinese expansion and overcapacity.

"We think the market will be in balance sooner rather than later — because of demand," she said.