

Insider Interview

## Analyst: Chinese solar firms separating production due to U.S. labor concerns

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Solar suppliers in China are setting up separate production lines free from forced labor for goods bound for the U.S., according to polysilicon industry analyst Johannes Bernreuter, who says U.S. trade restrictions alone likely will not be enough to push the industry to reform labor practices for goods consumed in China or elsewhere.

Bernreuter, who leads a [research firm](#) focused on "the polysilicon industry and its markets, the solar and semiconductor industries," told *Inside U.S. Trade* in a recent interview that solar products made with forced labor likely will be redirected "to other places, outside the U.S.," as a result of restrictions by U.S. Customs and Border Patrol on goods from China's Xinjiang region, where the country has come under fire for concerns about human rights abuses against the Uyghurs, a predominantly Muslim ethnic minority.

However, "Basically all consumers outside of China would have to implement restrictions against forced labor" to push the industry to fully eliminate the practice, he contended.

China's solar market is "growing rapidly," he said, estimating that the country could see at least 100 gigawatts of solar installations this year -- roughly 42 percent of all installations globally. Accordingly, he said, demand in China alone would "almost be enough" to consume all the polysilicon -- a key input for solar products -- produced from Xinjiang.

He noted that China-based LONGi Green Energy Technology -- the largest solar wafer manufacturer and largest solar module supplier in the world, according to Bernreuter -- said in a January call with Jefferies Financial Services that it "separately manages its supply chain for shipments to the U.S. and is confident of meeting U.S. Customs requirements," according to a Jan. 23 note about the call by Jefferies shared with *Inside U.S. Trade*.

"I suspect that other Chinese major manufacturers have done the same," Bernreuter said. "More concretely, these separate production lines will use polysilicon that does not come from Xinjiang."

According to a May 2021 [report](#) by Laura Murphy and Nyrola Elimā, of Sheffield Hallam University in England, about forced labor in the solar supply chain, the four largest polysilicon producers in Xinjiang account for about 45 percent of the global "solar-grade" supply of the material.

The report identified LONGi, among other companies, as a customer of polysilicon companies engaged in what the authors described as coercive, state-sponsored "labour transfer programmes" in the Uyghur Region.

Imports of solar products made by LONGi and others have faced detainment by U.S. Customs and Border Protection after CBP last June issued a withhold-release order on silica-based products made by Xinjiang-based Hoshine Silicon Industry Co., Ltd., and its subsidiaries.

The investment banking firm ROTH Capital Partners, in a note to clients, said CBP recently released hundreds of shipping containers, holding about 100 megawatts of LONGi solar panels, according to a Feb. 21 [report by PV Magazine USA](#). ROTH also believes that CBP has released the "vast majority" of detained product from Trina Solar, another major producer affected by the WRO, according to the report.

Bernreuter said the release suggests that companies have learned what kind of evidence CBP requires to clear shipments under the WRO.

The Uyghur Forced Labor Prevention Act, [signed into law last December](#), meanwhile, set in motion the establishment of new import restrictions on goods made in Xinjiang. The law requires CBP, within 180 days, to presume that all goods from the Xinjiang region are banned under Section 307 of the Tariff Act of 1930, which prohibits the import of goods made with forced labor. Importers can rebut the presumption with "clear and convincing evidence," the law says.

While downstream solar companies face U.S. pressure to ensure their supply chains are free of forced labor, Bernreuter said it is hard to know whether companies alleged to have directly employed forced labor are changing their practices.

"Research on the ground in Xinjiang is difficult," he said.

He noted, however, that Hoshine last September announced expansion plans, at an estimated cost of about 7.6 billion yuan, at Shanshan Stone Industrial Park in Xinjiang, according to a [press release](#).

Murphy and Elimā flagged the site in their May 2021 report, concluding there was "evidence that Hoshine has actively recruited and employed 'transferred surplus labour' from rural villages around Turpan to its Shanshan facility. The company's labour recruitment process promises 'transformation of surplus rural labour into industrial workers and urban dwellers, making them become fresh combat troops for industrialization, urbanization, and agricultural modernization.'" Two internment camps are located in the park, although "it is unknown whether detainees are (or were) deployed to work in the park," they added.

As of January 2022, more than 300 solar companies and organizations -- including LONGi Solar Technology (U.S.) Inc. -- have signed a [pledge](#) stating their "firm opposition to the use of forced labor within the solar supply chain" and support for "the development of an industry-led solar supply chain traceability protocol as a tool for identifying the source of primary raw materials and inputs and tracking their incorporation into finished products, including solar modules."

In addition to U.S. trade restrictions, Bernreuter noted solar companies could soon face some increased scrutiny in the European Union.

The European Commission on Wednesday adopted a proposal for a "Directive on corporate sustainability due diligence" that it was crafted "to foster sustainable and responsible corporate behaviour throughout global value chains," according to a [statement by the Commission](#). Under the new rules, certain companies "will be required to identify and, where necessary, prevent, end or mitigate adverse impacts of their activities on human rights, such as child labour and exploitation of workers, and on the environment, for example pollution and biodiversity loss" and could face fines for failure to comply, the statement notes. -- *Margaret Spiegelman* ([mspiegelman@iwnews.com](mailto:mspiegelman@iwnews.com))

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