

PV Paradise Spain: from Hero to Zero

Spain's Ministry of Industry investigates large-scale PV plants after construction and finds two-thirds false reports. Unfinished projects are now threatening to exhaust the quota for 2009.

The painful end has become a pain with no end. In September 2008, Spain introduced the new incentive Real Decreto RD 1578/2008 with a 500 MW cap for installations in 2009. In terms of figures, the new rule is expected to slash market size of the former unlimited solar paradise to one fifth in view of nominal growth of 2.5 GW in 2008. But in practice it could even get much worse for the sector in 2009: fraud allegations involving project companies that misleadingly declared project completion in order to benefit from the old RD are substantiating. In the past weeks, Spain's National Energy Commission (CNE) began to inspect solar projects completed in the months prior to the deadline. Greentechmedia recently reported that of 287 solar parks inspected by CNE only 97 had been finished in time. Jeff Osborne, analyst of US investment bank Thomas Weisel Partners Group, Inc., now believes that falsely claimed capacities could be carried over into 2009: "Projects that were not completed in time by September 28th will now get first consideration to fill the 500 MW cap the government has set for solar power development in the country through 2009."

If the frauds get confirmed, new projects in 2009 could face a drastic setback. "We could see these fraudulent solar farms take up the entire 500 MW cap next year given the new scope of the investigation", said Osborne in his most recent market report. "It is our understanding that solar plants that were not in compliance can reapply in first and second quarter of

2009 and will have priority", continued the equity analyst. Tomás Díaz, Head of PR at Spanish PV association Asociación de la Industria Fotovoltaica (ASIF), believes that essentially even the 2010 cap could be affected. In a press release of December 15th, ASIF requires that deceptive solar parks be excluded from the RD 1578/2008 benefits and forced to sell electricity at regular market price. In case of a registration in the framework of the new RD, the development of the market could be endangered. "In the opinion of ASIF only installations registered after September 30th 2008 should profit from RD 1578/2008", says Díaz. In collaboration with CNE, the Ministry of Industry currently tries to clarify the scope of the fraud. According to Spanish newspaper Público, CNE is inspecting 1,200 installations with a total capacity of 600 MW.

Waiting for the first allocation round

In line with the RD 1578/2008, the decision for the first of four allocation rounds was supposed to be made before January 16th 2009 allocating licenses and respective volumes for each new PV project. "I think the market will focus on roof-top systems as a new business opportunity", says Jorge González Cortés, Head of Sales and Marketing of Spanish project company Solynova Energía SA. But even though González Cortés believes the market is developing in the direction of roof-top installations, Solynova will for now continue business in the area of open space systems. "Solynova will not promote any roof-top installations as long as we have the chance to realize large-scale open space systems", says González Cortés.

German manufacturer Systaic is one of the first to take a step back from large-scale projects in Spain.

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IBC Solar and Spanish utility Grupo Enercoop completed a 13 MW solar energy plant in the neighbourhood of Alicante in December 2008.

Photos (2): IBC Solar

According to Achim Zolke, Head of PR, the company will put additional weight on BIPV in the future. "We will be collaborating with the French construction company Saint Gobain in Spain to enhance distribution of our energy roof. But we will also extend our activities regarding solar energy projects in other southern European regions", says Zolke. But so far the industry is waiting for an unambiguous statement on the part of the government. "The uncertainties of the Spanish market are very challenging. Nevertheless we are well positioned in the Spanish PV market and due to our flexible business model, we are able to react to the new regulations, whatever they shall be", says Andrea Zepf, Head of PR at German Phoenix Solar.

However, it could take time until the market participants gain certainty. On December 17th ASIF reported plans of the Ministry for Industry, Tourism and Trade (MITyC) to modify RD 1578/2008. According to the report, the high number of applications submitted to the Ministry made a postponement of the first allocation round for the tariffs until March 1st necessary.

Surplus capacities leading to price collapse

Spain's reputation for worldwide highest system and module prices might soon be challenged as the booming market seems on the verge of collapsing. Paula Mints of international market researcher Navigant Consulting believes that about 1.7 GW of modules were bought in Spain until the new RD got introduced in September 2008. However, only

800 MW were actually realized. Project companies are now trying to find new customers to sell the now useless capacities. Because of the surplus, some Spanish installers and distributors turned to cut module prices to as low as US\$ 3 per Watt, reports Uclia Wang in her finance blog "Seeking Alpha". Gema Garay, expert for the Spanish market at PV online trading platform pvXchange, also observes a downward price trend for monocrystalline modules from a maximum of € 3.40 in the second and third quarter in 2008 to a current bottom price of 2.80 €/W.

Where these modules will in the end be going remains open – especially in the face of global economic recession. Many manufacturers that previously sold nearly all their products on the Iberian Peninsula are now shifting towards other target markets. Top of the list are Italy and Germany: Italy for its attractive combination of high solar irradiation levels and appealing tariffs; Germany for its unlimited market and sales potential for the rising module production in the past years.

Workers laid off

In order to survey the market assessment of domestic PV companies, the Spanish company Aser-Energía at the beginning of October 2008 commissioned a study published in the December issue of special interest journal "Era Solar". 125 companies active in Spain participated in the study. 71.2 % of the respondents expect a negative trend in the PV sector after introduction of the new legislature. The most serious problem across all company sizes is seen with financing (23.6 %), low profitability (22.5 %) and stagnation of the entire sector (21.3 %). Especially smaller companies of less than 15 employees worry about administrative hurdles (5.6 %). Some even fear possible bankruptcy (7.9 %).

According to ASIF, more than 10,000 workers have so far been laid off in the sector since fall 2008. Only 1.1 % of the respondents, however, expect that installers will begin to disappear from the Spanish market. González Cortés of Solynova believes that a consolidation of the Spanish PV market is not an impossible scenario. The new RD, however, is only seen as one of the reasons. "The second problem is a lack of financing from Spanish banks that will stop the development of new projects", says González Cortés. The industry currently has to wait for the liquidity crisis to end and the government to actively free the market from present uncertainties.

Stefan Hausmann

Further information:

Aser-Energía: www.aser-energia.com

ASIF: www.asif.org

Comisión nacional de Energía (CNE): www.cne.es

Ministerio de Industria Turismo y Comercio (MITyC): www.mityc.es

Phoenix Solar: www.phoenixsolar.de

pvXchange: www.pvxchange.de

Seeking Alpha: www.seekingalpha.com

Solynova Energía: www.solynova.com

Systaic AG: www.systaic.de

Thomas Weisel Partners Group: www.tweisel.com