

Solar - China

Wood Mackenzie solar expert call
takeaways

Industry Overview

Key takeaways from Wood Mackenzie solar expert call

We hosted a call with Yana Hryshko, Managing Consultant and Head of Global Solar Supply Chain Research at Wood Mackenzie (Woodmac). They are more conservative expecting a flattish demand outlook in 2024, coupled with rising capacity in China posing downside risk to profits. On the other hand, they think US premium pricing can be sustained with domestic manufacturing still lagging demand. More manufacturers may use a mix of China and non-China polysilicon in the US market.

Demand: See no growth in 2024 on China's decline

Woodmac has a conservative solar module demand forecast expecting a -1% decline in 2024 to 353GW from 358GW in 2023. The main reason is a decline in Chinese demand from the high base in 2023, while the overseas market can still achieve low-teens growth. Longer term they see annual growth rate at 4% depending on policy support and investment in transmission infrastructure to unlock more growth. That said, Woodmac highlighted their data do not capture non-grid-connected capacity, e.g. installation is likely close to 400GW in 2023 and higher in 2024.

Capacity: Announced capacity >4x demand by 2026

China's module capacity reached 840-1000GW by end 2023, and will be more than 4x global demand by 2026 at almost 1,700GW, if all announced capacity comes online. But this is not realistic with intensifying competition and falling profitability. Also it will be increasingly challenging for China to export modules to other destinations on rising trade measures like tariffs. Indeed over 70GW of production capacity has been suspended or cancelled in China. Only integrated manufacturers can still compete in the current price war, and Woodmac sees some smaller manufacturers potentially going bankrupt by end of 2024 if not earlier.

US solar pricing may stay elevated

Woodmac thinks Southeast Asian imports will still be the main source of US modules with US domestic module capacity at <5GW in 2023 and at best 50GW by end 2024. Woodmac believes this will still be a seller's market with US module prices returning to normal USD40c/W except 1Q on high inventory. They see module production cost in Southeast Asia at USD20-25c/W while US module pricings are still at USD30c/W+ (but a large range). Hence US is a very profitable market for the Chinese makers.

US policy more relaxed toward China polysilicon

Policy seems to be more relaxed toward using non-Xinjiang Chinese polysilicon into the US market. It may also be the case that manufacturers are better at supplying traceability reports to customs. Woodmac believes more Chinese manufacturers will use a mix of China and non-China polysilicon, which is more than doubled the cost of China mainly due to higher energy costs.

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