

Solar - China

European solar channel checks with
Huasun Energy

Industry Overview

We hosted Mr Christian Comes, Head of European Business Development at Huasun Energy to discuss the solar developments in Europe with key takeaways below:

European module inventory still high at 50-80GW

Mr. Comes believe 50-80GW of solar module inventory in the warehouse in mid 2023. The high inventory levels were due to a confluence of factors, including the shift in technology to N-type, too optimistic outlook from resellers, demand slowdown etc. Cost reductions in the upstream and hence even lower module costs means a race to the bottom and exacerbates the situation. He sees the inventory sitting mainly at the downstream/distributors but not manufacturers, and is mainly for distributed segment and old PERC technology. He thinks the situation will recover in a few months as the inventories will be sold at a very low prices as demand recovers, while some are shipped back to China. In general, he sees healthy inventory levels at 1-2GW for every 10GW demand, while some could say 3-4GW as construction runs ahead on lower module costs.

Demand pipeline is strong in Europe

On demand, Mr. Comes sees the developing pipeline as much higher than last year's. If all projects are implemented today we would see well over 100GW p.a.. The main constraints are administrative issues like permissions, projects delay, legal issues, which are not related to underlying demand nor grid constraints. Lower energy prices may hurt distributed solar demand, but utility scale demand will likely remain high growth on low solar levelized cost of energy (LCOE).

Industry prices may stabilize as margins are vanishing

Solar manufacturing is capex intensive, hence some firms are willing to sell at below net profit to keep utilization high. He thinks gross margin needs to be at 15% for net profit breakeven as a rule of thumb. As the margins are vanishing in the key segments, he thinks this will bring stability to prices/margins as the demand outlook is structurally very positive. Prices in utility-scale project have started to stabilize compared to declining trends before. He does not see major European trade measures on Chinese solar imports in the next 1-2 years.

Technology: TOPCon the mainstream and rising HJT

Mr. Comes thinks there is less differentiation on cell type in distributed segment, but utility-scale projects will likely choose TOPCon. He estimates PERC module needs to be USD3c/W cheaper than TOPCon for LCOE to be comparable. But with TOPCon module prices already at USD11-13c/W, it will be hard to see that happen. On HJT, he thinks the LCOE is already lower than TOPCon today for large-scale greenfield projects, but the major obstacle is the high initial capex. He thinks 2024 will be a ramp-up year for HJT module and end the year with decent demand pipeline.

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PERC: Passivated Emitter and Rear
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HJT: Heterojunction

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