

New Feed-in Tariffs: German PV promotion decreases significantly

EuPD Research

| International Solar

After heated debates, the coalition of CDU/CSU and FDP, presents the latest decision of the cabinet regarding further cuts of the German feed-in tariffs for solar electricity. Despite huge concessions on part of the PV branch, many experts believe the targeted cuts are too drastic while the relief for electricity customers is actually only marginal.

For several weeks now, Berlin has been struggling over the amendment of the feed-in tariffs for solar electricity as defined in the Renewable Energy Act (EEG). On the one hand, the debate came to the forefront once again after consumer advocates called on politics to relieve electricity customers. On the other hand, the debate was aggravated by the necessary industrial political adjustments of the feed-in tariffs to the latest state of development of the PV industry. A decision by the cabinet now determines the corner points of new promotion regulations. Experts expect that the cuts made public on 23 February will be stipulated into German law without any amendments and will come into effect – after consultation in the German Bundestag and the bill in the German Federal Assembly – just in time for the cut-off date.

The corner points of the newly adjusted incentives for PV anticipate the following:

- As of July 1, the feed-in tariffs for solar electricity from rooftop systems will be cut back by a further 16 percent. Taking into account the cuts that were already made at the beginning of January, the electricity from rooftop systems of up to 100 kWp will receive an over cut of 23.56% in promotional funding. At the same time, electricity from rooftop systems larger than 100 kWp face a 24.4% cut altogether.
- As of July 1, the tariffs for solar electricity for open-space systems, such as on conversion areas, will be reduced by a further 11%. Open space plants on

other surfaces will receive a cut of 15%. Taking into account the cuts that were already made at the beginning of January, promotional funding for large-scale systems will cut by 24.35% overall.

- In the future, large-scale systems on agricultural fields will receive no funding whatsoever.
- For investors having received a building permission for the construction of a solar park by 1 January 2010, a transitional period is currently under discussion.
- Additionally, there will be a growth corridor for 2011. If the newly-installed capacity in 2010 exceeds 3.5 GW, there will be a further 2.5% depression along with the depression that is already planned. If more than 4.5 GW is installed, the planned depression will increase by a further 5%.

Finally a clear picture: "However, the promotion cutbacks are drastic. Following primary speculations and various statements concerning the issue of solar incentives, there is now a clarity towards the future of the incentive rates," according to Markus A.W. Hoehner, CEO of the market research and consulting institute EuPD Research. In principle, Mr. Hoehner has approved a rotational adaptation of the PV incentives to the market forces, but the extent of this reduction is "incredibly ambitious," says the industry expert.

In his point of view, such drastic promotional cutbacks cannot be justified with the current situation of the PV market and the rise in electricity prices. In fact, the additional charges were not caused by the promotion of solar electricity but by other factors such as the continuously rising electricity production costs, higher transport costs and higher tax burdens.

According to EuPD Research, the additional cost for the promotion of solar electricity accounted for only 24 cents per head and month in 2009.

Fluctuating System Costs 'Not Ideal' as a Basis for Calculation

It is clear to see that the purchase prices for solar plants and their amortization period have reduced significantly in the past few months, due to technological improvements, higher efficiency rates and higher levels of market penetration. "It is not advisable to calculate political incentives solely on the basis of a short-term price decline, but on the basis of long-term trends and forecasts. Actual system prices, which serve as a foundation for calculations by the federal government, reflect a distorted image," according to Markus A.W. Hoehner, whose company provides the only representative price surveys of this branch. On a quarterly basis, the analysts in Bonn conduct national and international surveys on module and system prices, and compile the "Photovoltaic Price Index." In this context, the prices reflect a much more realistic price level than similar methods used to evaluate purchasing prices. The price margin of solar systems is enormous, and the severe price reductions in the last quarter are not revealing for the long term. It is unclear as to what extent the amended incentives will impact the German solar market and the German-based industry. In any case, solar experts expect strong cuts on all steps of the solar value chain in Germany.

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