

SPEEDLETTER

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EEG compromise: PV-funding to be tailored to installed capacity

Berlin was the scene of an agreement between branch representatives and members of the German government on the adjustment of solar incentives, a step which can indeed be seen as an earlier than planned reduction. Future feed-in-tariffs (FIT) are to be adjusted in accordance with annual installed capacity. Possible cutbacks are being brought forward to July 1. Market experts see the danger of an artificial stimulation of the market and warn against a misinterpretation of the possible pull-forward effects.

Berlin. The German solar industry association (BSW-Solar) has agreed to a new compromise on PV funding with the German Federal Ministry for the Environment. The resolution sees further reductions to FIT's in accordance with the amount of solar electricity installed annually. The expected installed capacity for the year 2011 will be based on the figures for new installations in the period from March to May. By multiplying the result by a factor of four, the Federal Net Agency should then come to a projection of the estimated installed capacity for the year 2011.

Should the calculated PV market capacity be more than 3,500 MW, further reductions of 3 percent are to be introduced mid-year on July 1. The resolution reached between legislators and BSW-Solar has determined a decline of 6 percent should projected capacity be over 4,500 MW, annually installed capacity of over 5,500 MW would incur cuts of a further 9 percent, more than 6,500 MW by 12 percent and an installed capacity to the same amount as last year, over 7,500 MW, will be subject to a 15 percent reduction. As the planning of open-space plants requires more time, their degression will not come into effect until September 1, 2011.

Funding is, as previously planned, to be cut by a further 9 percent at the turn of the year, 2012. Furthermore, an audit carried out by the Federal Net Agency will verify that the estimations made in spring 2011 were accurate. According to the announcement, subsequent corrections will be made should this be of necessity.

Right Direction – Questionable Impact

Following this announcement, the adjustments presented by Norbert Röttgen, Minister for the Environment and Günter Cramer, president of BSW-Solar are to be sent to parliament for deliberation. A final decision is expected in February. As the country will soon be in the throws of state elections, experts assume that there will not be a lengthy bargaining process on percentage points, as was seen in the year before last.

„The modification of incentives in line with market conditions along with a regular review of tariffs is generally a step in the right direction and is supported by the industry“ assessed Markus A.W. Hoehner, CEO of the market research and consulting house EuPD Research. Generally speaking, the fact that tariffs are to be aligned with the figures for installation should also be greeted. However, as to what extent a reduction in FIT's can contribute to a pacifying of the markets is open to doubt. "The announcement, itself, of an early adjustment on July 1 equates to a simulation of the market," says the expert and warns against potential pull-forward effects.

Hoehner, a market observer with over a decade of expertise in international markets of renewable energies points out: "The German PV market is still overheated, the reoccurring discussion on amendments to incentives fuels this situation further." Germany currently finds itself in a dilemma. Without further adjustments the market is threatened by excessive growth, a point which speaks for the measures suggested. Yet a "run" in the first half of the year is likely to overcompensate for the slowdown effects of said adjustments.

„The review of the EEG in 2012 will play a decisive role in the future of photovoltaic in Germany“, believes Markus A.W. Hoehner. "Legislators, industry representatives and stakeholders now face the challenge of developing a concept that encompasses all sources of renewable energy. A clear message on the future of the German renewable energy industry should also be sent to international markets in order to strengthen investment security". Hoehner sees the tone in which this discussion has taken place as positive. In comparison to last year, there is a greater willingness to enter talks and a clearer course of action can be recognized. Although the current debate may not be crucial to the long-term development of the industry, it certainly shows the direction to be taken. It is imperative that a destabilization of the markets, as seen recently in France, Spain or Czech Republic, is avoided.

EuPD Research

Adenauerallee 134

D-53113 Bonn

Fon +49 (0)228 97143-74

Fax +49 (0)228 97143-11

press@eupd-research.com

www.eupd-research.com