

Contact:

Carole Jacques
Lux Research, Inc.
(617) 502-5314
carole.jacques@luxresearchinc.com

SOLAR MARKET SHAKEOUT UNDERWAY

Oversupply will lead to company failures, but set the stage for long-term growth for survivors

Boston, MA – February 18, 2009 – Few doubts remain that the solar market is at the leading edge of a massive correction. The latest report from Lux Research, entitled “Finding the Solar Market’s Nadir,” projects that the available capacity of solar cells and modules will measure twice the demand in 2009, while the overall market could shrink from last year’s \$36 billion over 5.5 GW to \$29 billion over 5.3 GW this year. The report also addresses the question that suppliers, manufacturers and investors are asking now: Where and how soon can they expect the market to bottom out.

“While oversupply in the solar market has been looming for some time, the correction has been more aggressive due to the economic crisis,” said Ted Sullivan, Senior Analyst at Lux Research, and the report’s lead author. “In order to reduce inventories, suppliers will have slashed their cell and module prices by 25% or more. While this spells a shakeout in the near term, the price reductions will push solar closer to grid parity and prime the market for recovery and growth.”

In preparing its report, Lux Research updated the market size and demand forecast made in the September 2008 report “Solar State of the Market Q3 2008,” and matched this revised demand forecast with updated capacity projections from 184 polysilicon producers, 162 crystalline silicon cell and module makers, 29 high-concentrating PV (HCPV) developers, 91 thin-film silicon producers, 10 cadmium telluride (CdTe) thin-film module manufacturers, 33 copper indium (gallium) diselenide (CIGS/CIS) developers, and 12 solar thermal providers. The report finds that:

- Cell and module capacity will overshoot demand by twofold in 2009 to reach 10.4 GW, precipitating a shakeout that will eliminate all but the top players.
- Silicon availability will become increasingly irrelevant as module players seek to cut inventory. But the resulting price reductions will flatten out by 2011, bringing solar closer to grid parity and enabling the market to grow to \$70 billion across 18.5 GW in 2013.
- As the most readily financeable technology, crystalline silicon will continue to dominate the market this year. But competing thin-film technologies, including amorphous silicon and CdTe, will continue to grow aggressively, and CIGS also stands to gain overall despite expectations of widespread company failure.
- As the Spanish market dwindles, Germany will again become Europe’s buyer of last resort. The U.S. market growth, meanwhile, will depend heavily on the government stimulus package just signed.

“Last year, we successfully predicted that an oversupply of solar modules and dwindling project financing would lead to a shakeout,” said Sullivan. “Now we’re projecting that in coming years the decrease in solar module prices will begin to taper off and that demand will pick back up, setting the stage for even broader adoption.”

“Finding the Solar Market’s Nadir” is part of Lux Research’s Solar Intelligence Service. Clients subscribing to this service receive continuous research on solar industry market trends and forecasts, ongoing technology scouting reports and proprietary data points in the weekly Lux Research Solar Journal and on-demand inquiry with Lux Research analysts.

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