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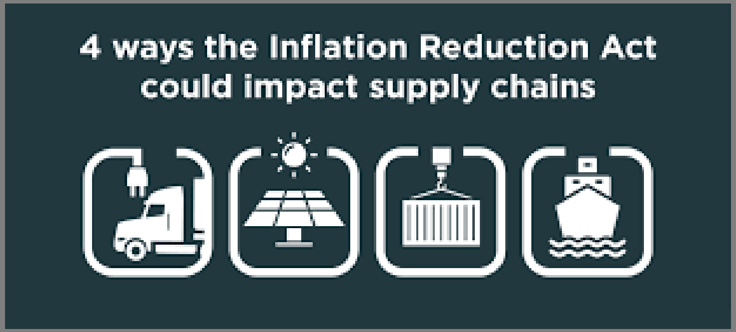
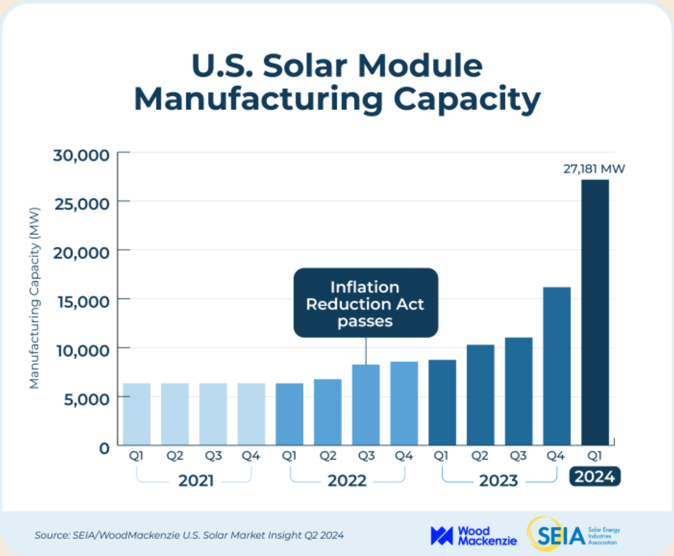
# IRA Spurs Domestic Production...

but be carful what you ask for.

# U.S. Capacity Triples




**The Inflation Reduction Act (IRA) accomplished what it set out to do: created a domestic supply chain.**

**But the questions is: Did it accomplish it in such a way as to ensure long-term viability?**

- According to the U.S. Solar Market Insight report (sponsored by the Solar Energy Industries Association (SEIA) and Wood Mackenzie), in the two years since passing the IRA solar module production in the U.S. has over tripled.
- Solar panel capacity has increased from 8.3 gigawatts in 2021 to over 27 gigawatts today.

That's the good news but...
(What? You thought I would just promote the industry party line?)

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**China's annual domestic production of solar modules totaled more than a terawatt at the end of 2023.**

**That's 25x the nascent U.S. production capacity.**

# China still in control

- China remains the dominant global force in solar panel manufacturing and controls over 80% of the global supply chain.
- More pertinent to the U.S. government's desire to spur domestic production – by next year Chinese firms will control almost 50% of U.S. panel production.
  - That's right – U.S. taxpayers are subsidizing Chinese manufacturers to build panels in the U.S. instead of China.
  - Worse yet, the Chinese manufacturers are primarily focused on assembling panels, not on developing all the necessary components (cells, wafers, and polysilicon). These are still imported from China and other Asian countries.

But it gets worse

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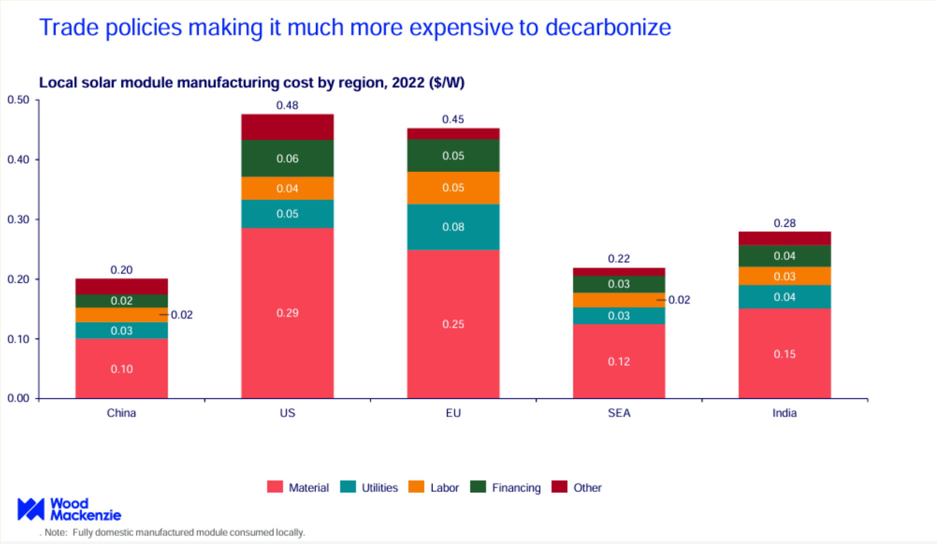
**Subsidies incentivize both the manufacturing side and demand side through domestic content tax breaks.**

**Take those away and you have a “zombie” industry.**

# What happens if (when) the subsidy party ends?




- In an October 2023 Wood Mackenzie presentation, it noted the vast price advantage China enjoys on material production.
- Without subsidies it’s unlikely U.S. manufacturers can compete globally.
- Without the domestic content tax breaks it’s highly unlikely domestic developers will continue to use U.S. manufactured solar panels.

Be prepared to subsidize these industries forever or watch them collapse. What would have been a better strategy?

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**The IRA is typical of what you get when governments try to manipulate a market:**

**Long on short-term political benefits.**

**Short on long-term viability.**

# Foster international competition

- The sentiment behind the IRA was sound: we needed to lessen our dependence on China.
- At a minimum, the incentives should have precluded China from participating.
- A better approach would have been to foster international supply chains in countries friendly to the U.S.
- Doing so would have increased the potential for those suppliers to compete globally and stand on their own two feet.
- Of course, that might have been a tough sell to American taxpayers and would offer little political benefit.

So what the heck am I thinking? That isn't the world we live in, unfortunately.

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