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QY Research

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Solar Grade Polysilicon shortage continue, Average selling price increase in the coming 2008.

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Sharp as the world biggest silicon crystal cell manufacturer published they Mass-Production of Thin-Film Photovoltaic Modules in July 2007, in China the SG(Solar Grade) polysilicon price was continue increasing from 1750RMB/Kg(about 230USD/Kg) in 2007H1 to 2000 RMB/Kg(about 260USD/Kg) in 2007H2,

Global polysilicon manufacturers such as REC Wacker MEMC started selling more wafer than polysilicon(that is to say, most of their polysilicon will use in their owned wafer plants). The above information show us the following conclusions:

About Sharp, also similar as other solar cell or module manufacturers(such as Wuxi Suntech etc) also have mass production thin film plants. It was no totally because of thin film module is good than silicon crystal cell module, but because of shortage of polysilicon, as we know, most large solar cell or module manufacturers will sign some long term contracts with some PV system companies. So they will also signed some long term contracts with polysilicon or wafer manufacturers, but as we know, upstream solar polysilicon shortage and offer can not offer enough polysilicon or wafer. Thus cute cell manufacturers also can not offer enough modules to the downstream PV system companies, this bring large cell or module manufacturers hope thin film module can help decrease their reliance on polysilicon.

About polysilicon ASP of China market, according QY Research survey, there only four companies who manufacturing polysilicon in China, they are Xinguang Guiye, Luoyang Zhonggui, Emei

Semiconductor and Jiangsu Zhongneng. About them, Emei Semiconductor is the eldest polysilicon manufacture has more than 40 years, but Emei Semiconductor polysilicon capacity is very small as only 100 tons before 2005, and their today annual capacity also only 200 tons, while Luoyang Zhonggui is the second polysilicon manufacturer since their polysilicon put into production in Dec 2005. in 2007H2, Luoyang Zhonggui annual capacity is about 1000 tons, while Xinguang Guiye started producing polysilicon on Feb 26, 2007 with annual capacity of 1260 tons, is the biggest manufacturer in China, another company is Jiangsu Zhongneng, it is a new comer on Sep 2007. they said their capacity is about 1000 tons, but according our survey, they can only produced no more than 10 tons in 2007. Xinguang Guiye will produce about 300 tons in 2007. Luoyang Zhonggui also will produce no more than 450 tons in 2007. Emei Semiconductor will produce about 200 tons in 2007. that is to say total production in 2007 of China are about 1000 tons, all of the above production will sell to the China solar related companies and their average selling price is about 2000 RMB/Kg (about 260 USD/Kg); according QY Research survey, China polysilicon ASP will continue increasing in 2008 as downstream demand increase faster than polysilicon shipment increase.

China Polysilicon Market Data

Year 2005 2006 2007 2008 2009 2010 2011 2012 2013

Production(Ton) 80 230 1000 2000 7000 13000 18000 23000 28000

Demand(Ton) 1151 3688 9194 16724 24143 28864 34465 37687 40265

Shortage(Ton) 1071 3458 8194 14724 17143 15864 16465 14687 12265

Date Source: QY Research Solar Energy Research Center, 2007.11

Production means total productions from local China manufacturers

Demand means total demand from local China SG(Solar Grade) and EG(Electronic Grade) polysilicon

About REC MEMC Wacker etc polysilicon manufacturer sell more wafer in the coming years, Thus they will sell less polysilicon, so the ASP of polysilicon will increase as total supplyment will not increase as expectation.

Global Polysilicon Market Data

Year 2005 2006 2007 2008 2009 2010 2011 2012 2013

Production(Ton) 30680 33390 37500 51000 73500 96500 115200 142000 168000

Demand(Ton) 33850 39520 46900 62940 81340 103440 121560 148150 173200

Shortage(Ton) 3170 6130 9400 11940 7840 6940 6360 6150 5200

Date Source: QY Research Solar Energy Research Center, 2007.11

About global polysilicon shortage, It will reach a top in 2008, and then, shortage will reduce, but can not reach a balance till 2013. so we forecast, 2008 global polysilicon average selling price will increase and keep high level in the coming five years.

As we know, solar module average selling price is good in 2007 and hopeful a little increase in 2008H1, thus the solar grade polysilicon demand will increase more in 2008H1, though some new projects such as Japan M.Setek Korea DCC will produce their polysilicon in 2008, but this can not satisfy greatly increasing demand. so shortage continue, ASP increase in the coming 2008.

In China, polysilicon manufacturing cost is about 40 USD/Kg, and average selling price is about 230-330 USD/Kg, this bring a lot of new comer in polysilicon, but according our survey, it is not easy to success as polysilicon technology sources was controlled by the manufacturing companies and non of them will share their technology to others.

Solar energy is hot all over the world, though there was some voice said some government (such as USA German Japan) would change their support policy on solar energy, but according QY Research survey, more and more government will support solar energy development, and the published policy will also continue as the local plebs support and energy demand. today, German Japan Spain US are the biggest PV market in the world, and some other EU countries such Italy, France UK and China Korea Australia India etc will also give great support to the solar energy development. The future of solar energy is good and polysilicon companies will enjoy high margin days in the coming years.

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