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Market Scan

Solar Sector Radiates Hope For Chinese Subsidy

Melinda Peer, 03.26.09, 06:25 PM EDT

Beijing intends to support solar power with generous payments that could strengthen the sector.

Trina Solar Limited
03/26/2009 4:02PM ET
\$12.19 \$3.53 40.76%
At A Glance Chart News People
Suntech Power Holdings Co., Ltd.
BATS Real-Time Market Data by Xignite







News that the Chinese government plans to subsidize solar power installations spread optimistic rays across the industry on Thursday, energizing shares of

companies that have suffered from weak pricing and [tight credit markets](#).

On Thursday, the Chinese government said sun-powered projects producing more than 50 kilowatts in energy output qualify for government-provided funding equal to 20 yuan (\$2.92) per watt.

"This level of subsidy is substantial given that even in Germany panels are today being sold at close to 2 euros/Wp (\$2.70)," said JPMorgan analyst Sandeep Deshpande, referring to watts peak, or maximum power output. "Thus the Chinese government will virtually fund the entire panel, which seems an extremely high upfront subsidy."

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The [American depositary receipts](#) of Chinese solar companies soared on the news and closed Thursday's trading session significantly higher. **Trina Solar** (nyse: [TSL](#) - [news](#) - [people](#))

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added \$3.54, or 40.8%, to close at \$12.19, **Suntech Power Holdings** (nyse: [STP - news - people](#))' shares gained \$3.44, or 43.8%, to \$11.29, and **JA Solar Holdings** (nasdaq: [JASO - news - people](#)) closed ahead by \$1.11, or 41.7%, at \$3.77.

Deshpande sees the potential for significant growth in solar demand based on similar subsidy plans in Germany and Spain and also sees rising prices for solar panels, which have suffered from an inventory glut.

"Polysilicon pricing had started to collapse in 2008's fourth quarter due to the oversupply of panels and inventories of Chinese manufactured modules in European markets. The Chinese subsidy program will increase domestic demand in China and will help pricing of panels and potentially stabilize polysilicon prices," Deshpande said but advised investors to be cautious until the Chinese government reveals specific requirements of the plan.

Shares of U.S. solar companies also closed Thursday's session broadly higher. **First Solar** (nasdaq: [FSLR - news - people](#))'s stock gained \$16.41, or 12.3%, at \$150.39 and **SunPower** (nasdaq: [SPWRA - news - people](#)) shares added \$2.64, or 11.0%, to close at \$26.68.

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Although President Barack Obama has yet to detail specific solar subsidies for the United States, he has put forth a broad plan to invest \$150.0 billion in clean energy initiatives, including specific loans for wind and solar projects, and intends to make sure that 10.0% of U.S.'s electricity comes from renewable sources by 2012 and 25.0% by 2025.

Thomson Reuters contributed to this article.

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