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Booming German PV market could cost ratepayers 70% more in 2011

The declining feed-in tariffs could equal consumer electricity price in a few years. According to the industry lobby organization VIK, the continued high growth of the German PV-market could result in most ratepayers having to pay a fee of 3.5 eurocents/kWh in 2011 compared with the present 2.047 eurocents/kWh. If correct, this will put further strain on new PV feed-in tariffs. Pure feed-in EEG-costs excluding benefits came to 10.8 billion euros in 2009 (3.2 billion euros with PV included: 29%). Reaching the highest 2010 growth corridor will result in a 2012 feed-in tariff for small roof installations that is only 3 eurocents/kWh higher than the current consumer electricity price of 20 eurocents/kWh.

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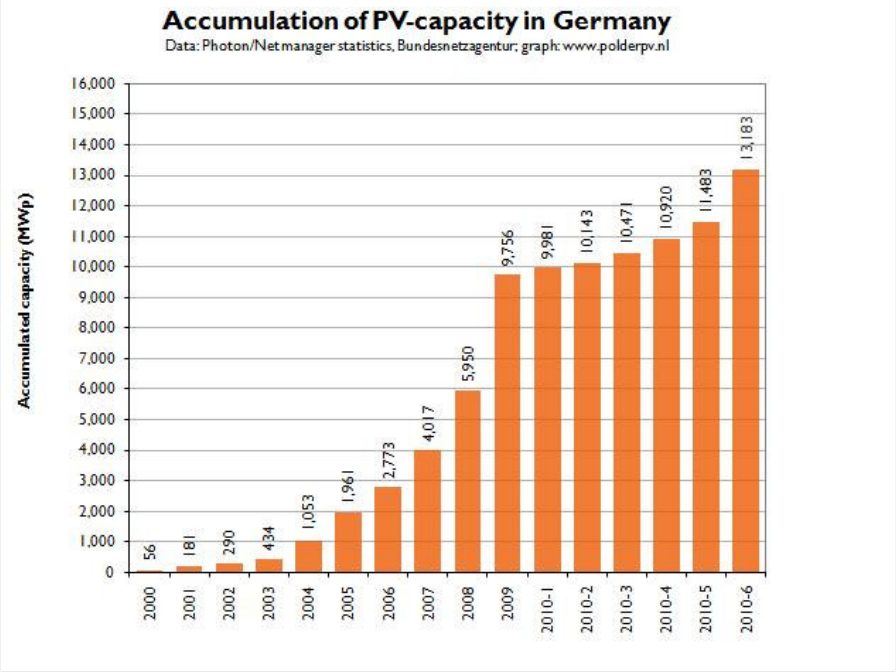
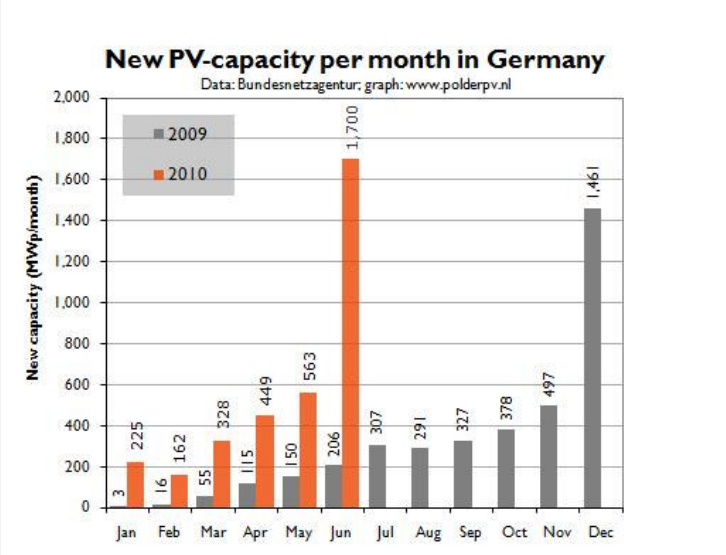
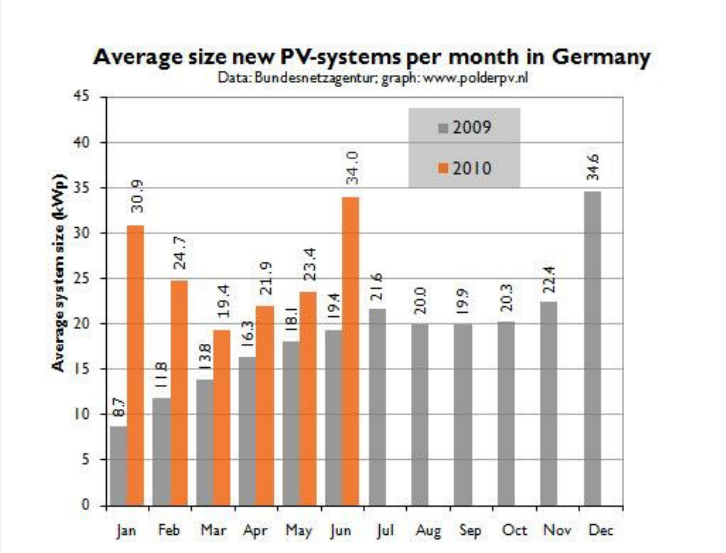
Germany has turned out to be the most reliable PV market because of its unparalleled EEG feed-in law. Growth percentages ranged from 86% in 2005 to 41-48% in 2006-2008, In 2009, this stimulated a photovoltaic industry of 10,000 companies, including suppliers, and 63,000 jobs. 3,806 MWp of capacity growth was also achieved in that year (a 39% increase). Over 13 GWp of PV-installations may have accumulated (Figure 1) by June 2010.



160,000 new installations were reported for 2009. 39% of these concerned new capacity in Bavaria. Installations up to 30 kWp claimed 44% of total capacity and 87% of installations. Systems greater than 1 MWp included 212 new installations with 636 MWp, the largest of these being the 53 MWp Lieberose in Brandenburg. There were new capacity increases almost every month, culminating in the record month of December registering 1.46 GWp (Figure 2). Accumulated PV-installations produced 6.6 TWh (8.8% of renewable electricity: a 49% increase), reducing CO2 emissions by 2.7 million tons in that year. 9.6 billion euros were invested in PV, 54% of which was in German renewable installations.



Despite three hotly debated feed-in tariff degressions for PV (Jan. 1: 9-11%, July 1: 8-13%, and Oct. 1: 3%) 2010 will become another world record year. Huge growth was stimulated in the first half of the year (3.4 GWp, Figure 2) through a combination of the free-fall of module prices in one year at over 30% (crystalline spot market: €2.6/Wp in Jan. 2009 to €1.7/Wp in Jan. 2010) plus the ominous July 2010 degression. This was particularly true in June with Bundesnetzagentur predicting 1.7 GWp for over 50,000 installations. Monthly volumes were 4-10 times greater than in 2009 and as much as 80 times greater for January. On occasion, the local net manager in Bavaria was receiving 300 applications a day for grid connections. Inverters were hard to come by, as were premium modules. Figure 3 shows the average system size per month based on Bundesnetzagentur data which reveals the major December 2009 and June 2010 installation rushes, as well as the fact that overall average system size has increased considerably in 2010 compared with 2009.



The third quarter of 2010 is expected to see some relaxation in the German market. However, another end-of-year rush is considered possible, since large free-field installations have up until the end of the year to connect to the grid, applying for the higher pre-July EEG-Novelle tariff. iSuppli has upwardly adjusted its prognosis for 2010 to 6.6 GWp (market growth app. 68%). Other sources allege an even (far) larger market. German inverter producer SMA reported a record turnover of 816 million euros in the first six months of 2010 with healthy growth anticipated for the second half of the year.

iSuppli predicts 9.5 GWp in 2011 with market stabilization for 2012. Cumulative degressions are putting considerable strain on German companies with high cost structures and confronted with aggressive PV-module cost reductions in Asian industries. Complete system prices should drop well below the current level of 3 euros/Wp for small installations. A level of 2.5 euros/Wp is already feasible for installations up to 500 kWp, although module prices are currently stabilizing or increasing slightly as a result of continuous high demand.

Sources: BDEW, BMU, BSW, Bundesnetzagentur, DGS, iSuppli, Photon, VIK

Photograph and graph captions:

South of the small eastern Bavarian village of Sammarei/Haarbach with many roofs fitted with photovoltaic installations, including industrial roofs.

Accumulation of PV-capacity in Germany
Data: Photon/Net manager statistics, Bundesnetzagentur; graph: www.polderpv.nl
Fig. 1. Accumulation of PV capacity in Germany from net manager statistics summarized by Photon and data from preliminary Bundesnetzagentur monthly reports as of Jan. 1, 2009 (June 2010: estimate).

New PV-capacity per month in Germany
Data: Bundesnetzagentur; graph: www.polderpv.nl
Fig. 2. Newly installed PV-capacity per month in Germany, data from Bundesnetzagentur (June 2010: estimate).

Average size of new PV-systems per month in Germany
Data: Bundesnetzagentur; graph: www.polderpv.nl
Fig. 3. Average size of new PV-installations per month in Germany based on data published by Bundesnetzagentur (June 2010: rough estimate).

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