



A tale of two solar industries: Manufacturing and installation

November 12, 2012 - Upstate New York

In this country, as in many countries, there are really two solar industries. One that creates jobs and economic value, and the other one. So, let's separate the solar installation industry from the solar manufacturing industry so you can get a clearer look at the real winners and losers. As soon as people begin to speak about "solar" you will invariably hear the following words, Solyndra, Abound Solar, Beacon Power, and Evergreen Solar. And in case you haven't been following the box scores, these are some of the largest solar company failures in the U.S. Just these companies have combined losses of over \$640 million of taxpayer money. Umm...yeah. The lure was that they were creating manufacturing jobs in an economic climate that desperately needed the help. For every job created, a number of jobs emerge to support that job. Typical economic development rule of thumb is a 1 to 1 ratio. Each job creates another. The reason our government was so anxious to support the manufacturing sector of the solar world is because the multipliers are closer to 4 to 1. Each manufacturing job creates 4 more. Very nice. But guess what, China understands this too and they are willing to subsidize this industry to the point where they are losing an enormous amount of money in order to capture market share. Because of this, our domestic manufacturers could not compete on price. Solar system costs have dropped significantly over last few years, in part because of intense global solar competition. How significantly? According to the Office of Public Affairs, at the Department of Energy (DOE), the cost of solar panels has dropped by about 47% since last year. For perspective, imagine the hypothetical situation where gasoline drops from the current \$4.20 to \$2.23 per gallon...in one year. I'm guessing this news would make us cancel the election and move right to the inauguration.

Now contrast this with the solar installation industry. According to the Solar Energy Industries Association (SEIA), the U.S. solar industry had its second-best quarter in history and is expected to install as much solar power in 2012 as the 10 years before 2010. Go read that last sentence again. In the second quarter of this year, the industry has installed 772 megawatts of domestic solar electric capacity, an increase of 125% over the same period last year. So what? Don't get too unsettled on reports of U.S. solar companies going out of business. Solar installations for both commercial and residential applications are booming and can help you to save money. In addition to the jobs created in the U.S. directly for the installations (roofers and electricians), there are engineers, lawyers, inspectors, and financing professionals all tied to this growth. These jobs are all domestic, very hard to outsource, and represent a better pay scale than the labor cost of solar panels made overseas. This is the multiplier we mentioned earlier and we have seen this first hand at Montante Solar. It's absolutely brilliant to behold.

SEIA is an organization representing 1,100 companies focused on expanding the U.S. solar market, and about 5,600 U.S. companies in all 50 states that provide solar systems installations. According to research from the SEIA, third-party financing programs in major state markets like California,

Arizona and Colorado, account for more than 70% of total 2012 installations. Some states offer cash-back programs for installing solar systems on your home or business. The rebates vary on territory, system size and can be based on performance over the course of five years on a fixed dollar per kilowatt-hour basis. For residential properties, this can range from 3 cents to 30 cents per kilowatt-hour. If you lease a solar system, you are locking in a certain rate that you are paying for your power generated by that solar system for 10 years or more. That rate should be better than what you are currently paying for your electric bill.

Yes, it would be an incredible boost for our economy if the manufacturing base for solar panels was strictly a domestic industry. The economic development multipliers for any manufacturing industry are excellent, but that is not our current reality. Space in this article does not allow a comprehensive examination of the U.S. Commerce Department's anti-dumping tariffs imposed on Chinese solar panels or an explanation on why China would subsidize this industry so heavily. What it does allow for is the expression of the notion that if China wishes consider itself as an industry "winner" by subsidizing our renewable energy infrastructure without any ownership or control, and to pay a big part of the cost for the solar system you and I wish to put on our houses and businesses, then that is ok with me.

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