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Another Spanish market in the making?

American philosopher Yogi Berra once observed about a crowded, trendy restaurant that the place had become so popular that no one goes there anymore. A similar judgment appears to be plaguing the European solar photovoltaics market, which is drawing so much public support that policy-makers apparently want less and less.

As *RER* goes to press, German newspaper *Handelsblatt* is reporting that the new German government coalition partners, Chancellor Angela Merkel's CDU/CSU and the Free Democratic Party, have drafted specific proposals to implement their plans for slashing solar photovoltaics subsidies while extending the lives of Germany's nuclear power plants.

The alliance, which has discussed for weeks its intentions to cut solar power schemes (*see story page 4*), is looking to reduce government support beginning next year by 30%, citing similar levels of reduction in production costs for solar PV plants, *Handelsblatt* said.

The solar PV industry in Germany, as a result, appears set to be penalized for securing near-term cost reductions – though, recent advances in PV efficiencies notwithstanding (*see story 24*), are largely the result of oversupplies at the front end of the development chain, as China-based manufacturers churn out PV wafers at lower costs than their Western competitors.

Germany, like Spain in 2008, seems ready to undercut its world-class solar industry, even as the municipal utility in Nürnberg, Germany is deluged with PV hook-up applications (*see story page 25*). The winners from this approach – aside from the nuclear industry, which under the Merkel/FDP plan would have a revival that could last decades – will likely be the United States and China, which are nurturing home-grown PV manufacturing plants, as well as foreign investment markets like Israel, where Siemens has purchased thermal power developer Solel (*see story 9*).

A similar problem of producing too much clean energy emerged this year in Switzerland, Michael Kauffman of the Swiss Federal Energy Office said at the Green Power Marketing conference in Geneva, Switzerland on October 1. The country launched a renewable energy feed-in tariff in 2009, he said, but had to put the program on hold after six months because it proved so popular. The government received more than 8,000 applications for the feed-in tariff, with solar PV proving especially popular.

"The Swiss parliament said the feed-in tariff would be an incentive for investors," Kauffman said. "But it said it couldn't cost too much. This is a contradiction. We had to stop the whole thing because it was more than we could afford."

Oliver Thalmann of venture capital fund Aravis Energy 1 offered a word of caution at the Geneva conference to countries unwilling to make firm policy commitments to renewables. "If you don't have a good feed-in tariff or a good quote system," he warned, "investors like us will disappear."

The choice policy-makers face in the coming years is whether to continue government financial support, even at steadily declining levels, to enable solar energy and other renewables to achieve grid parity, at which point they can compete on a level playing field – or whether to continue on-again, off-again policies that make the renewable energy industry, like Yogi Berra's popular restaurant, a victim of its own success.

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