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DESPITE PRICE EROSION, SOLAR MARKET REACHES \$100 BILLION IN 2013

Lux Research predicts many incumbents will fail after 2009

New York, NY – October 2, 2008 – Solar is poised for continued impressive growth, with new installations primed to increase nearly five-fold from 2008 to 2013. Starting in 2009, however, supply will exceed demand, leading to price decreases. According to the new report from Lux Research entitled “Solar State of the Market Q3 2008: The Rocky Road to \$100 Billion,” this change will transform the solar industry, creating a market where sales grow dramatically, but it is increasingly difficult for companies to profit.

“As solar subsidies diminish over the next year, the current bonanza in which all players are winners will come to an end,” said Ted Sullivan, Senior Analyst at Lux Research. “We expect module oversupply to occur early in 2009, and the resulting aggressive price reductions to trigger an industry shake-out, with the weakest players being acquired or failing. While falling prices will help stimulate continued demand growth, a booming supply build-out will mean that solar manufacturers will face margin pressures for years to come.”

To examine the solar market’s growth through 2013, Lux Research analyzed demand for solar installations across twelve key markets, three applications, and five key technologies, with demand driven by detailed economic viability projections for each of the technologies. These demand projections were matched to bottom-up supply estimates based on appropriately discounted announced capacities of all known solar manufacturers globally and new likely entrants. The report concludes that:

- Driven by aggressive capacity expansion and the increasing availability of polysilicon, the solar market will grow 48% annually through 2013, reaching 23 GW (GigaWatts), from 4.9 GW in 2008.
- Cuts to government subsidies and aggressive ramp schedules will push the market into oversupply in 2009, when 7.9 GW of modules will be installed.
- Oversupply in early 2009 will lead to significant average selling price declines. Thus, revenue will grow at a slower average growth rate of 33%, with the solar market reaching \$100.4 billion in 2013, up from \$33.4 billion today.
- The Spanish market will be limited by subsidy caps and the markets in France, Italy and Greece, will be slower to develop than expected.
- In Germany, which is the largest solar market today, years of strong investment in renewables such as solar and wind will push the market closer to the limits of grid infrastructure, which can only handle roughly 20% of intermittent renewable sources. As Germany approaches this cap in the next five years, growth will be limited to an average of 16% annually through 2013.

“As the market moves into oversupply, we expect the trend of forward integration to accelerate as cell and module manufacturers move closer to customers,” said Sullivan. “This is going to put tremendous pressure on the smaller players. Companies active in lower-cost thin-film technologies will be better positioned to weather the price reductions, but those without differentiated technology will still be at risk.”

“Solar State of the Market Q3 2008: The Rocky Road to \$100 Billion” is part of the LR Solar Intelligence service. Clients receive: 1) Continuous research on solar industry market trends and forecasts; 2) ongoing technology scouting reports and proprietary data points in the weekly Lux Research Solar Journal; and 3) on-demand inquiry with Lux Research

analysts. For information on how to become a client, contact John Schwartz at john.schwartz@luxresearchinc.com or (646) 649-9582.

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