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The Other Solar Failure

The Solyndra affair is gripping Washington, but the failure of another solar firm, Evergreen, speaks volumes about what ails the U.S. solar industry in the face of Chinese competition.

by [Eve Conant \(/contributors/eve-conant.html\)](/contributors/eve-conant.html) | October 22, 2011 12:18 PM EDT

If you get someone to answer the phone at Evergreen Solar, chances are they'll sound pretty down. The few employees left are waiting to see what unfolds as the company goes through the death throes of bankruptcy.

The Massachusetts-based solar company's demise has escaped much national notice as Congress delves into the political controversy surrounding the industry's other big failure, Solyndra, which got a risky half-billion dollar loan from the Obama administration. But the less-politicized tale of Evergreen speaks volumes about how President Obama's sunny promise to revive the solar industry quickly encountered the clouds of stiff Chinese competition.

"I don't know that I'd say this was a personal failing of Obama, but he got people thinking we'd move forward in the direction of green energy and that hasn't come to pass," says a frustrated Christian Ehrbar, Evergreen's vice president and general counsel. "It's been really tough. At least we had four or five months to shut down, unlike the god awful case with Solyndra, which had to just lock its doors. Not that our experience was any more pleasurable."

A few years ago Evergreen Solar was one of Massachusetts' hottest new sources of "green collar" manufacturing jobs and the nation's third-largest maker of solar panels.

But despite millions in state funding and tax breaks, Evergreen shipped the bulk of its operations to China. Its 1,000 workers are now down to 100, its \$450 million tax payer-assisted plant has been shuttered, and more layoffs are planned. Evergreen's assets from its Massachusetts and Midland, Michigan, plants will be auctioned off early next month, with Massachusetts only one of several large creditors listed in court filings.



Left, Evergreen solar panels installed on a building near Rome, Italy. Right, an employee assembles solar cells for a solar energy panel at Evergreen's headquarters in Marlborough, Massachusetts on May 28, 2008., AP Photo; Brian Snyder, Reuters / Landov

Evergreen's taxpayer funding was much smaller--\$58 million in state money pledged, \$24 million already spent – than Solyndra. But like California-based Solyndra, its death spiral leaves a troubling question: did the government fail by giving a budding industry too much support, or not enough?

The answer depends on who you ask.

Industry supporters say Solyndra and Evergreen are isolated cases, and that Americans have benefitted immensely from taxpayer subsidies for the industry. Massachusetts secretary for energy and environmental affairs Richard Sullivan says Massachusetts has seen a 30-fold increase in the amount of solar panels installed since 2007, along with a 65 percent increase in the number of jobs in clean energy. Despite all the Harvard and MIT grads floating around, the aim has been to make the state “not just a place where ideas are generated but where things are built,” says housing and economic secretary Gregory Bialecki.

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Others argue Evergreen is a classic case of why government and private business shouldn't mix. Massachusetts state senator James Eldridge says he was outraged when the company moved its jobs to China and doesn't see the logic in “rolling the dice and gambling on a company which may look at its bottom line and choose to go overseas while still collecting tens of millions from the state.”

The two arguments aside, there's little doubt the entire industry is suffering from unfettered competition from China, which forced prices for panels to fall by two-thirds in just over two years.

The industry is on track to provide some 2 gigawatts of new installations this year, but is fighting to keep its much-needed cash flowing. The Solar Energy Industries Association is urging a one-year extension of a U.S. Treasury grant program that pays for up to 30 percent of a solar project's costs and which could add more than 37,000 jobs to the economy next year (the number of Americans working in the solar industry has doubled in recent years to 100,000.) But that subsidy could expire, just as the Energy Department loan guarantee program that helped fund billions worth of installations expired late last month.

But with three solar companies filing for bankruptcy in August alone, lawmakers are taking notice of China's impact on U.S. renewable energy firms. The Obama administration filed a complaint with the World Trade Organization last December, accusing China of illegally subsidizing the production of wind power, and now lawmakers are calling for action on solar, as fears increase that we may replace a dependence on Mideast oil with a dependence on China for clean energy.

The companies are also taking matters in their own hands. Last week, seven American companies that make solar panels asked the government to slap stiff duties on more than \$1 billion a year of Chinese imports and accused China of dumping solar panels in the U.S. for less than the cost of manufacturing and shipping. If the companies win their case, it would mean driving up the price of solar energy in the U.S. but salvaging the domestic industry, which is worth about \$6 billion a year.

The U.S. is a leader in research and development for the solar industry with some \$7.1 billion spent in 2009, significantly higher than the European Union and the rest of the world, especially China, says Usha Haley, professor of international business at Massey University in Auckland, New Zealand who is writing a book on Chinese subsidies. But solar is a capital intensive industry, 520 percent more expensive than coal, she says, with manufacturing requiring lots of cash. That's an area where China has the edge politically and economically.

"In China the connection between government and business is seamless. Business is government, and government is business," Haley says. So while the U.S. spends money supporting the intellectual development of a product, a company may have to go elsewhere to manufacture it—leading to a clear risk. "China has great copyright and patent protections, on the books, but not in implementation. China is the #1 violator of patents and copyrights worldwide."

Evergreen's Ehrbar says the company is focusing on making sure its signature technology isn't stolen. "It's not like we make T-shirts or movies, which are easy to pirate. It's fairly easy to keep our arms around our stuff."

But others are doubtful. The Chinese had Evergreen "account for every nut and bolt of our silicon wafer furnaces—every piece, where it's made, and how it's used" says former employee and IT applications developer Andrew Koenigsberg "This was Evergreen's technological claim to fame—you can only imagine what's going to happen to this information."

A few years ago he took a pay cut to join Evergreen as an IT applications developer because, like many converts to renewable energy, he "really, really wanted to work in the green industry." But he's one of the 800 who lost his job this past spring.

"Our economic model went right out the window. And the solar industry isn't getting ... in tax breaks the way the oil companies are, so when our market was flooded with cheap panels from China there was nowhere to go but down."

Adding insult to injury, he says, the Obama administration slapped tariffs on aluminum imported from China, which protected other U.S. industries but hurt solar, which uses aluminum in its frames. “A few months after I got laid off I got a package from the Mass Dept of Labor saying I’d be allowed extra benefits because I was a victim of foreign competition. That’s the irony.”

The White House remains eager to tout general industry successes. And despite recent setbacks, the Solar Energy Industries Association says solar is our country’s fastest growing energy sector. But Koenigsberg isn’t convinced.

“I can’t see the solar panel industry coming back in this country. The administration has paid lip service to alternative energy but done very little to get it up and going,” he says. He wanted to find a “green collar” job after Evergreen, but couldn’t. These days you can find him at a software company.

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