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Germany's SolarWorld seeks Qatari savior as Hillsboro plant carries on

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on April 20, 2013 at 11:00 AM, updated April 20, 2013 at 11:01 AM

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Frank Asbeck, SolarWorld CEO from Germany, talked with employees at the company's Hillsboro plant when he visited in October 2010. Now as losses mount, he's expressing confidence while scrambling for a debt restructuring plan.

Randy Rasmussen/The Oregonian

It's Only Money

Financial clouds darkened again this week over **SolarWorld**, as the German company with a Hillsboro factory announced yet more losses, postponed its annual meeting and saw its stock plunge to a nine-year low.

Even consultant **Hari Chandra Polavarapu**, an industry watcher who supported SolarWorld through recent financial troubles, said you could flip a coin to decide whether the company will go bankrupt. Longtime skeptic **Fatima Toor**, an analyst at Lux Research in Boston, couldn't imagine Thursday who would give SolarWorld capital as the Bonn-based company holds talks to restructure debt.

The developments are disturbing for the 700 workers at the Hillsboro plant backed by Oregon taxpayers to the tune of \$42 million.

But this just in: a **Qatari investor** may back a debt-to-equity swap in which creditors would take over the German parent company, according to reports from Frankfurt Friday. What's more, **SolarWorld Chief Executive Frank Asbeck** says the company may actually expand, buying solar **factories that car parts supplier Bosch is unloading**, Germany's Handelsblatt newspaper reports.

The last-ditch deals would be classic Asbeck, a maverick entrepreneur who helped transform his native Germany into the world's leading solar power producer while thumbing his nose at China, which overran the industry. Asbeck, 53, told The Oregonian in February that he would lead his company through the crisis that has vaporized scores of solar manufacturers worldwide.

Usha Haley, author of a new book on SolarWorld's nemesis, state-backed Chinese manufacturers, says the company could prevail as a last man standing.

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"They're fighting the good fight, so I hope they win," said Haley, who wrote "Subsidies to Chinese Industry: State Capitalism, Business Strategy and Trade Policy."

SolarWorld still faces an unfair fight with China, said Haley, who directs West Virginia University's Robbins Center for Global Business and Strategy. Chinese companies go bankrupt but march on like zombies, she said, still dumping subsidized products in Western markets.

Polavarapu agrees that China remains SolarWorld's most formidable opponent, far more of a challenge than declining European solar subsidies and competition from cheap natural gas.

"You can manage shale gas over time," enlisting it as a nighttime energy supplier, he said. "But even if SolarWorld renegotiates everything and gets some breathing space, it doesn't guarantee long-term survival unless the market dynamics change with China."

Chinese invincibility shone through on March 20, when China's **Suntech Power Holdings Co.**, the world's largest producer of solar panels in 2011, went bankrupt. But Suntech didn't actually become insolvent. Instead Chinese banks pushed the company's main operating subsidiary into bankruptcy. The parent company continues trading on the New York Stock Exchange.

The city of Wuxi, where Suntech employs about 10,000, scrambled to bail out the enterprise, as if rewriting a chapter from China's iron-rice bowl era when state enterprises were all too big to fail.

"The provincial governments kick in," Haley said. "It could keep operating, like some sort of multihanded Hindu goddess."

SolarWorld has long complained that China subsidizes manufacturers that dump products below cost abroad. Last year a coalition led by **SolarWorld Industries America**



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Inc. won U.S. tariffs on Chinese imports. But officials say Chinese companies are underreporting exports to evade U.S. duties. And Chinese avoid duties legally through a loophole that waives tariffs for panels made from cells manufactured outside China.

SolarWorld is also seeking tariffs in Europe, its main market. But Toor, of Lux Research, expects those will come too little, too late. She faults SolarWorld for manufacturing commodity products of average efficiency and high prices, familiar charges that Hillsboro managers dispute.

Toor says competing manufacturers have better prospects. "SunPower and First Solar have both some sort of differentiation," she said, citing two U.S. manufacturers, "not only in terms of technology but also business strategy."

Oregon taxpayers have a financial stake in SolarWorld survival, having invested \$41.9 million so far in tax credits and more in county tax abatements. From those state credits, SolarWorld netted \$28.1 million, or less than 5 percent of its Hillsboro investment of more than \$600 million.

SolarWorld has received no federal subsidies for the plant opened in 2008, although during the last two years it got about \$4 million in matching research grants. The factory has generated state income tax revenues through its workers, who once numbered 1,000. It has spent hundreds of millions in Oregon on materials, parts, services and equipment.

Therefore net public investment is minimal compared with the lavish subsidies received by Chinese companies.

SolarWorld's potential rescue from Qatar might seem to come out of left field. But Dow Jones reports that the likely Qatari investor backs a SolarWorld joint venture in the Middle East emirate that makes polysilicon, a raw material for solar cells.

Two weeks ago **Greentech Media**, an industry news organization, published what it called "an incomplete list of the solar firms that have left the building, either by closure, bankruptcy or fire-sale acquisition" since 2009.

The "**list of deceased solar companies**" numbered 77.

SolarWorld is doing all it can to avoid becoming No. 78.

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