



Brussels, 24 February 2023

**President Charles Michel,**  
President of the European Council

**Ursula von der Leyen**  
President of the European Commission

## The Green Deal Industry Plan: The Solar Sector's Response

**CC:** Vice-President Frans Timmermans, Vice-President Margarethe Vestager, Commissioner Thierry Breton, Commissioner Kadri Simson, and the Permanent Representatives of the EU27 Member States

**Dear Council President Michel,**

**Dear Commission President von der Leyen,**

The world is entering a new geopolitical era revolving around the global race to clean energy and Net Zero in the coming decades.

As the leading technology in the energy transition, solar PV is playing a central role in global supply chain competition. At present, the solar PV supply chain is highly dependent on one country. The European Union must take rapid and robust action to strengthen its resilience in the solar PV supply chain<sup>1</sup> without restricting world trade and global supply relationships. The latter continues to be necessary as a basis for innovation and competitiveness, and to deliver on the EU's REPowerEU deployment targets for solar and renewables.

SolarPower Europe welcomes the European Commission Communication of February 1<sup>st</sup> on a Green Deal Industry Plan (GDIP), including the consultation for a State Aid Temporary Crisis and Transition Framework (TCTF), and looks forward to the legislative proposals for a Net Zero Industry Act and Critical Raw Materials Act later in March.

Today, we write to share our views on the two most critical aspects of the GDIP if the Europe Union is to deliver on its objective of reshoring solar manufacturing capacity to a minimum of 30 GW by 2025 across the solar PV supply chain: (1) mobilising public and private finance for large-scale solar manufacturing, and (2) leveraging solar PV demand for European manufacturing, by applying "Best-in-Class" solar labelling.

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<sup>1</sup> The solar PV supply chain includes all relevant value chain segments, spanning from raw material extraction to final solar product manufacturing, including all intermediate manufacturing steps, as well as connected production chains for industrial equipment technology, inverters and other BOS components.



## 1. Mobilising public and private finance for large-scale solar manufacturing

SolarPower Europe calculates that the investment needed to reach the 30 GW target, by 2025, for “polysilicon-to-modules”, to be around €30 billion. This requires step-change frameworks to mobilise national and European funding as soon as possible. To avoid fragmentation of the Single Market, it is of utmost importance that national and EU financing frameworks advance in parallel.

### A. Unlocking national financing by adjusting the EU State Aid competition rules

- **Timelines for State Aid frameworks should reflect those of the energy transition, rather than the energy crisis.** A 2025 time horizon, as currently proposed in the TCTF, is too short for the industry to ramp up its manufacturing capacity, due to administrative, financial, and supply chain constraints. Especially for operational expenditure (OPEX), aid should be possible at least until 2030 or longer, comparable to the 10-year aid visibility in the US Inflation Reduction Act;
- **The TCTF should allow aid for operational expenditures (OPEX)** in compensation for energy costs, as well as other structural disadvantages during the scale-up phase of the industry across the solar PV supply chain. Energy and electricity costs are central to the business case for all segments of the European solar PV supply chain. This currently puts the EU in a structural disadvantage, as energy costs are two to three times higher than in the US and China, where industries can benefit from state aid support. In the EU, any state support for energy costs could be made conditional to efforts to improving the carbon footprint of the sourced energy, for example via renewable Power Purchase Agreements, Contracts for Difference, or through any other sustainability criteria;
- **Aid intensity limits in the TCTF should be substantially increased** if it is to stand up against financing frameworks outside Europe. For example, a 1 GW module assembly plant in the US with an investment of around 100 million EUR would get 70 million EUR/year for 10 years, totalling 700 million EUR for the entire period of the Inflation Reduction Act. This compares to total maximum aid levels of 100 to 150 million EUR per undertaking, as currently proposed by the European Commission. Aid intensity should be substantially increased especially when applied in the form of tax breaks and/or when combined with EU funding. In these cases, aid intensity levels should be closer to 80%, rather than the 10% or 15% maximum limits as currently proposed by the European Commission. Making exceptional aid conditional on the location of the planned project in one or multiple Member States could create important limitations to vertically integrated manufacturing sites;



- **Maintain the focus** on the technologies that are most susceptible to short term distortions of the level playing field. As outlined under the European Solar Industry Alliance, the solar PV supply chain is central to the global supply chain competition and has a high dependency on one country;
- Any reference or application of **"state-of-the-art" technologies** should be clarified and workable.

### ***B. Mobilising EU funding***

Mobilising EU funding in parallel to adjusting State Aid rules is essential to guaranteeing a level playing field in terms of financial availability among all Member States and avoiding the risk of Single Market fragmentation.

- SolarPower Europe welcome the European Commission guidance on **leveraging existing REPowerEU chapter under the Recovery and Resilience Fund** and urges EU leaders to earmark parts of those funds for solar and inverter manufacturing. In addition, we invite the European Commission to initiate a reform process on the **Innovation Fund** and look at simplifying and speeding up the application and assessment processes, while increasing the aid intensity levels well above the current 60% of the relevant costs, and be open to products supporting innovative technologies in the solar PV supply chain;
- **Solar Power Europe also support setting up a new EU Sovereignty Fund**, exclusively dedicated to strengthening supply chains of strategic clean energy technologies, and supported by innovative governance structures that allow for targeted, speedy and quality spending. Such a fund could be instrumental in bringing together Member States in a fair and equal way, further avoiding the risk of fragmentation of the Single Market.

### **2. Leveraging demand for European solar PV manufacturing via Best-in-Class solar labelling**

Investments in new European production facilities across the solar PV supply chain at the scale required will only materialise if investors have visibility on the market demand for these European products. The demand side should, therefore, also be stimulated for its part by financial and fiscal incentives to maintain competitiveness for developers and off-takers, and generally accelerate demand for solar PV. European manufacturers should leverage high sustainability performance as the basis for a competitive advantage. Policymakers should, therefore, look at developing demand-side policies that strike the balance between leveraging



the competitive advantage on sustainability while maintaining commitment to open markets and global supply relationships.

- **Establish an EU-wide definition for “Best-in-Class solar”** based on a set of environmental, social, and governance (ESG) criteria with the objectives of recognising and rewarding the higher ESG performance of such products and informing off-takers of the higher ESG performance of such products. This should be based on high thresholds so that it only awards the top performing products. This is different from EU Ecodesign requirements, which are mandatory and establish a minimum market entry, excluding the worst performers from the EU market.
- **Apply the “Best-in-Class solar” definition in public procurement and specific auctions** in a non-exclusive and non-discriminatory manner, for example by allowing national governments to subsidise the cost premium of purchasing Best-in-Class modules and inverters through tax credits or a bonus. Policymakers should promote the wider application of non-price criteria in solar auctions across Member States, and similarly, encourage the uptake of such non-price criteria in ways that don't add bureaucratic complexity or introduce punitive requirements that can cause auctions to fail. We urge the European Commission to develop EU Green Public Procurement rules for solar PV as a matter of priority.

SolarPower Europe stands ready to provide you with more specific recommendations on the Best-in-Class solar labelling approach.

We remain at your disposal to discuss this important topic.

Yours Sincerely,

Walburga Hemetsberger, CEO of SolarPower Europe