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January 24th, 2022

Solar Tariffs and President Biden's Climate Agenda

Executive Summary

- In February, the Biden Administration must either end or extend expiring tariffs on solar panel imports that former President Trump originally imposed in 2018.
- Utility-scale bifacial solar modules are the most important for President Biden's climate agenda because they are the most efficient and will be increasingly used in large utility-scale energy projects.
- Despite the years of tariffs intended to boost domestic production of these utility-scale solar modules, they are still not manufactured in the United States.
- While the tariffs have failed to spur U.S. production of these solar panels, they have raised costs for U.S. consumers, leading to lower installation and utilization—clearly contrary to the Biden Administration's goal of expanding clean and renewable energy.

Introduction

The Biden Administration faces a looming decision to end or extend tariffs on solar cell and module imports that are set to expire in February 2022. The tariffs—imposed under Section 201 of the Trade Act of 1974—were originally levied in February 2018 by the Trump Administration to increase domestic production of solar cells and modules, a protectionist trade policy goal shared by President Biden. The Biden Administration has stated that it wants 100 percent of electricity to come from renewable sources by 2035—with a particular emphasis on solar energy—and to ensure that clean energy technology “will be built in the United States with American made steel and other materials, creating hundreds of thousands of jobs at home.”^{1, 2}

Bifacial solar modules are especially important for the Biden Administration's goal of expanding clean and renewable energy because they are the most efficient and will be increasingly used in large utility-scale energy projects.³ When the tariffs were first introduced, domestic production of bifacial solar modules did not exist. In the four years the tariffs have been in effect, domestic production of bifacials still does not exist, meaning the tariffs have failed to accomplish their objective.⁴ The tariffs have instead raised costs for end-users—U.S. solar panels price per watt is nearly twice as high as the world

¹ <https://www.washingtonpost.com/climate-environment/2021/09/08/biden-solar-climate-change/>

² <https://www.whitehouse.gov/build-back-better/>

³ <https://www.solarpowerworldonline.com/2018/04/what-are-bifacial-solar-modules/>

⁴ https://www.usitc.gov/calendarpad/events/usitc_hearing_no_in_person_hearing_crystalline_.htm

average—in turn leading to lower installation and utilization of solar panels, clearly contrary to the Biden Administration’s clean energy goals.

Section 201 Tariffs

On May 17, 2017, the United States Trade Representative (USTR) under former President Trump [initiated Section 201 investigations](#) into solar cell and module imports. Section 201 of the Trade Act of 1974 allows USTR to impose trade restrictions against countries if it finds that “increased imports have been a substantial cause of serious injury or the threat thereof with respect to an industry.”⁵ USTR eventually found imports of solar cells and modules have injured domestic producers of such products and, in response, levied tariffs starting in February 2018 on a variety of solar cells and modules for four years.⁶ The initial tariff rate was 30 percent while the first 2.5 gigawatts worth of solar cell and module imports were exempt from the tariffs. Any imports after the 2.5-gigawatt exemption—the United States imported 21.1 gigawatts worth of solar products in 2020—were then subject to the tariffs.⁷ The tariff rate decreased by five percent each subsequent year until 2022, when the rate was set at 15 percent.

Ineffective Tariffs: Bifacial Solar Modules and President Biden’s Climate Agenda

A central goal of the Biden Administration’s climate agenda is to have 100 percent of electricity generated from clean and renewable sources by 2035. This inevitably means developing new utility-scale solar power plants that will replace fossil –fuel-burning power plants. Utility-scale solar power plants are huge facilities that use many solar panels to generate and wholesale electricity to utility providers. These utility-scale solar power plants increasingly rely on bifacial solar modules to produce power from both sides of the panel—up to 30 percent more than traditional monofacial panels.

When former President Trump first announced the solar tariffs, there was no production of bifacial solar panels in the United States. In June 2019, bifacial solar panels received an exemption from the tariffs, only for the Trump Administration to reinstate the tariffs on bifacial solar panels in November 2020. In November 2021, the U.S. Court of International Trade (CIT) reinstated the exemption on bifacial panels based on legal technicalities, meaning they are not currently subject to the tariffs.⁸ Then on January 14, 2022, the Biden Administration, like the Trump Administration, appealed the exemption in an attempt to reinstate the tariffs on bifacial solar panels.

It is unlikely that the reinstatement of these tariffs will spur domestic manufacturers to produce bifacial solar panels to the extent the administration envisions. There was no increase in domestic production of these panels for the years the tariffs have been in place.⁹

⁵ <https://www.law.cornell.edu/uscode/text/19/chapter-12>

⁶ <https://ustr.gov/issue-areas/enforcement/section-201-investigations/investigation-no-ta-201-75-cspv-cells>

⁷ <https://www.usitc.gov/publications/other/pub5266.pdf>

⁸ <https://www.cit.uscourts.gov/sites/cit/files/21-154.pdf>

⁹ https://www.usitc.gov/calendarpad/events/usitc_hearing_no_in_person_hearing_crystalline_.htm

Contradictory Policy: Tariffs Increase Costs and Decrease Utilization

From 2018 to 2020, solar panel consumers in the United States paid an extra \$1.3 billion due to Section 201 tariffs. An analysis of Bloomberg New Energy Finance data reveals that in 2020, solar module prices per watt were nearly twice as high in the United States compared to the world average. This is key because although the higher prices help U.S. manufacturers of legacy solar panels and modules, the higher prices hurt U.S. users of all solar panels and modules.

Table 1: Average Monocrystalline Solar Module Prices per Watt in 2020 by Location

Downstream portions of the supply chain and end users of solar cell modules forgo new hires and projects to contain the increased costs due to these tariffs. According to the Solar Energy Industry Association, after only two years, the Section 201 tariffs resulted in the loss of 62,000 jobs in the solar industry, as well as the loss of 10.5 gigawatts of solar generation capacity and \$19 billion of private investment.¹⁰ Protectionist trade policy raises costs for end users of these products, ultimately reducing the installation and utilization of clean and renewable energy in the United States.

Upcoming Decision

The United States International Trade Commission (USITC) released a report in November 2021 arguing for an extension of the tariffs. The report did not mention climate objectives, instead focusing purely on raising the competitiveness of U.S. solar manufacturers.¹¹ The Justice Department under President Biden has also appealed the ruling by the CIT that removed tariffs on bifacial solar panels, in an attempt to reinstate these tariffs.¹² Combining these recent developments with the fact that President Biden has kept in place most of Trump's [tariffs](#) since entering office, it is likely the Biden Administration will elect to extend the Section 201 solar tariffs past their February 2022 expiration date and, if gets its way in court, will reimpose the tariffs on bifacial solar panels. Through those decisions, the Biden Administration will be engaging in protectionist trade policy that fails to boost domestic production and instead harms its long-term goals of expanding clean and renewable energy.

¹⁰ <https://www.seia.org/research-resources/adverse-impact-section-201-tariffs>

¹¹ https://www.usitc.gov/press_room/news_release/2021/er112411852.htm

¹² <https://www.pv-tech.org/us-doj-appeals-section-201-bifacial-exemption-repeal/>