

## SPEEDLETTER

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**Breaking News: The mediation committee has come to a compromise on the issue of solar funding. The German Federal Network Agency has reported the latest figures for newly installed capacity in Q1 2010.**

**Following weeks of discussion between the German Parliament and the Federal States on the funding of photovoltaics, the mediation committee has finally come to an agreement. The compromise is that remuneration will now be decreased in two phases. Furthermore, the Federal Network Agency has just published the figures for newly installed capacity in Q1 2010.**

Bonn/ Berlin. It was announced on Monday evening that the mediation committee has settled the dispute on the funding of photovoltaic between the German Parliament and Federal States. The mediation committee agreed to a model whereby funding will be reduced in two stages. The reductions will be to the same amount as originally planned. The only difference being that they will now be introduced on a step by step basis. Thereby, the reductions which will be backdated to July 1, 2010 are as follows:

- 13 percent for rooftop systems
- 12 percent for open-space systems
- 8 percent for surfaces designated for land use change

All three tariffs are to be decreased again by three percentage points from October 1, 2010. The German Bundestag and Bundesrat now have to agree to this compromise and are expected to do so this Friday. The intention to cut all subsidies for farmland as of July 1, 2010 has not been revised and will be enforced as originally planned.

### **Federal Network Agency announces newly installed capacity of 714 MW in Q1 2010**

According to the German Federal Network Agency, approximately 714 MW were installed in the world's largest sales markets for photovoltaics in Q1 2010. This is a ten-fold increase in comparison to the previous year. However, a word of caution is recommended here as the conditions are hardly comparable: In 2009, prices were in a freefall and the prospects of further price decreases stalled newly installed capacity. The year 2010 saw a completely different scenario and the discussion on cutting Feed in Tariffs (FIT) accelerated the market.

The analysis of the data posed another challenge: The registration and installation times did not always coincide. There were a number of late registrations particularly in the month of January. The difference between the point in time of installation and reporting is not without effect. Degression for the following year is calculated on the current status of registered capacity in the months June, July, August and September. "Market

development in 2010 has been determined by external factors which have both artificially accelerated the market and slowed it down. It has yet to be seen if market volume can actually be calculated on the months where these external factors had the biggest impact" says Markus A.W. Hoehner, CEO of the market research institute EuPD Research.

"Most agree that the year 2010 will indeed be a record year for the German market" adds Hoehner. The analysts of the market research institute based in Bonn assume that installed volume in Q2 2010 will be over 2.5 GW. They anticipate a total volume of 5.5 GW for the whole year.

### **Increase largely attributed to small and medium sized systems**

As expected, the individual market sectors have not experienced significant change. The small and medium systems sector is, by far, the strongest. Fifty five percent of installed capacity, and therewith 91% of installed systems, were accounted for by systems less than 50 kW. The average system size for the first quarter of 2010 was approximately 23.2 kW, in comparison to 23.8 kW last year. "We will see a temporary shift towards large systems in Q2 2010" says Markus A.W. Hoehner. The upcoming discontinuation of subsidies for farmland is the deciding factor here. There have also been no major developments with regard to a regional increase in newly installed capacity since last year. Bavaria remains the strongest regional market, and the most dynamic market is to be found in Schleswig Holstein.

Even with the reduction to the FIT, the market will not collapse. "Some installers are now taking a short break after working non-stop for the last 9 months. However, by August demand will increase again. In the second half of the year, the market will be mainly driven by small systems" concludes Hoehner in his projections for the coming months.

### **Current study on the German photovoltaic market**

The current changes will be addressed in the new study "The German Photovoltaic Market – Gigawatt Crisis or Way to Promotion Parity". This will provide an overview of the effects on the individual market sectors, as well as their relevance for corporate strategy. A further focus of the study lies in the optimum development of the marketing mix, which is becoming of ever increasing importance in a more competitive market. Please find more information here:

[http://shop.eupd-research.com/product\\_info.php/language/en/info/p95\\_Der-Deutsche-Photovoltaikmarkt-2010.html](http://shop.eupd-research.com/product_info.php/language/en/info/p95_Der-Deutsche-Photovoltaikmarkt-2010.html)

Should you have questions on the German solar market, please contact our press department:

### **EuPD Research**

Adenauerallee 134

D-53113 Bonn

Fon +49 (0)228 97143-74

Fax +49 (0)228 97143-11

[press@eupd-research.com](mailto:press@eupd-research.com)

[www.eupd-research.com](http://www.eupd-research.com)

[www.eupd-research.com/intsolar](http://www.eupd-research.com/intsolar)