

Korean polysilicon makers feel pinch of US-China rivalry

Contents (Restricted to clients)

A Sudden Review

No Fatal Impact
from 33.68% Tariffs

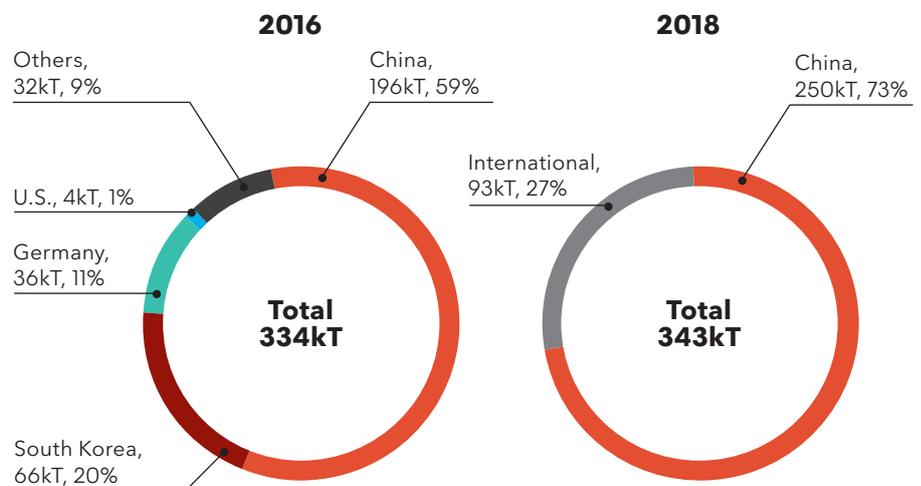
To Block or Not to Block

China's Ministry of Commerce initiated an unexpected midterm review of its previously mild anti-dumping duties on polysilicon originating in South Korea. This decision may be related to ongoing military tensions in South Korea. We analyse the impact of the potential new 34% tariff on downstream manufacturing costs.

- On 22 November, China's Ministry of Commerce (MoC) initiated a midterm review of antidumping duties on Korean polysilicon that will last for one year. The new tariff proposed by Chinese manufacturers is 33.68%, much higher than the previous rate of 2.4-12.3%.
- Chinese polysilicon makers submitted a similar midterm review application in 2015, but it was not accepted. The government's change of heart may be related to the deployment of the US Terminal High Altitude Area Defense (Thaad) program in South Korea.
- The potential new tariffs would be applicable to Korean polysilicon exported in 2018. Domestic polysilicon makers in China could be contributing 73% of total demand, compared with 59% now. At present, imports from South Korea are still necessary, especially for mono ingot production that requires higher-quality polysilicon.
- The tariffs could increase silicon prices by as much as \$4/kg. Contributing to this there may be an additional barrier against German supply from Wacker. However, even in the worst-case scenario, the impact is limited to a 1.6 cent/W higher cost for ingot production.

Figure 1

Estimates of polysilicon in China by origin, assuming 34% duties on imports from Korea in 2018



Source: Bloomberg New Energy Finance. Note: 2016 supply is scaled up from data for the first nine months in 2016.

By the numbers

33.68%

New anti-dumping tariff proposed for South Korean polysilicon entering China.

1 Year

Investigation period of the midterm review.

2 cent/W

Potential cost increase for ingot production, if new tariffs apply in 2018.

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