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Biden freeze on solar tariff puts green agenda over China tensions

Clearer path for Southeast Asian imports angers American panel makers

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WASHINGTON -- A recent White House move to free up imports of solar panels lifts one barrier to the Biden administration's goal of promoting renewable energy, but leaves American suppliers and China hawks frustrated.

President Joe Biden last week issued an order exempting panels manufactured in Malaysia, Vietnam, Thailand and Cambodia from import duties for up to two years.

His order eases concern about the risk of any new, retroactive tariffs hitting import-reliant solar power projects amid a federal investigation into accusations of Chinese products being routed through Southeast Asia to evade existing duties.

Though the freeze does not affect the probe itself, it is unusual for the president to get involved in an independent investigation of this kind.

The review was prompted by a small U.S. panel maker, Auxin Solar, which in February petitioned the Commerce Department to look into whether Chinese-made panels were being assembled or otherwise modified in Southeast Asia to change their origin for tariff purposes.

The probe, begun in March, threw the American solar industry into disarray. Foreign manufacturers, worried about the possibility of hefty duties on their products, halted shipments to the U.S. Solar panel installations hit a wall.

Of the roughly 27 gigawatts of planned U.S. installations this year, 64% were "in jeopardy" owing to the threat of tariffs along with rising commodity prices, potentially dropping actual capacity additions in 2022 to half of last year's total, research firm Rystad Energy said in May.

The two-year tariff freeze is expected to alleviate the shortage for now. The Solar Energy Industries Association applauded the move in a statement, saying that "the U.S. solar industry can return to rapid deployment."

The reaction from American manufacturers has been sharp. Auxin said customers have canceled orders and switched to cheaper foreign products.

"If we didn't do something now, I fear that this will be it. We will never again have solar supply chain production in the U.S.," CEO Mamun Rashid told Nikkei on Friday. "To us, this is a national security concern. This is an energy independence concern. This is an energy security concern."

"We're evaluating all of our legal options," Rashid said.

China hawks in Washington blasted the move as well. Rep. Michael McCaul, a Republican from Texas, said it "gives amnesty to products that the administration admitted are linked to genocide and slave labor." The Biden administration last year banned imports of solar panel materials tied to China's Xinjiang region over concerns about forced labor.

Scott Lincicome of the libertarian Cato Institute questioned the White House's approach.

"I'm happy that we're recognizing the costs of protectionism. I'm happy that the president sees that imports are important and needed," he said, but "a better approach is for Congress to be involved."

The U.S. solar industry has struggled under protectionist policies for years. President Barack Obama's administration in 2012 imposed anti-dumping tariffs on Chinese solar cells. The share of imported cells coming from China plunged from 58% in 2011 to nearly zero in 2021.

This gap has been filled by Southeast Asia, with the combined share from Malaysia, Vietnam, Thailand and Cambodia soaring to 92% from 12% over the same period.

President Donald Trump's administration imposed further measures restricting solar imports from China in 2018, which were extended by the Biden White House in February. The regulatory game of whack-a-mole has done little to shake America's reliance on imports.

The tariff freeze does not mean Biden has given up on his goal of revitalizing American solar production. On the same day that measure was announced, he invoked the Defense Production Act to boost U.S. production of solar panel parts. But legislation setting out major investments in climate and clean energy remains stalled in Congress.