

Chinese solar producer Suntech declares bankruptcy

JOE McDONALD - AP Business Writer - Associated Press

Suntech, one of the world's biggest solar panel manufacturers, was forced in bankruptcy court Wednesday, becoming the latest casualty of a painful slump in the global solar industry.

Suntech Power Holdings Ltd. said eight Chinese banks asked a court to declare it insolvent after the company missed a \$541 million payment to bondholders last week. Suntech said it would not oppose the petition.

The development is a dramatic reversal for a company that was a leading force in China's fast-growing renewable energy industry. Its founder, Shi Zhengrong, has seen much of his multibillion-dollar fortune evaporate.

"While we evaluate restructuring initiatives and strategic alternatives, we are committed to continuing to provide high-quality solar products to our global customer base," Suntech CEO David King said in a statement. "During this period, we will continue to work closely with all of our stakeholders and take the necessary steps to put Suntech back on track for growth."

Solar panel makers have suffered huge losses over the past year after rapidly growing production capacity outstripped demand and prices plunged. Another industry giant, Germany's Q-Cells, filed for bankruptcy last April.

Suntech, headquartered in the eastern city of Wuxi, west of Shanghai, has also been hurt by a revelation in July that a business partner faked \$680 million in collateral for a loan Suntech had guaranteed.

On Monday, the company said it was looking for new financing and was negotiating with creditors in hopes of restructuring its debt.

The company had said owners of 60 percent of the bonds agreed last week not to exercise their rights under the notes until May 15. But it said the bonds' trustee declared a default, which triggered defaults on other debts owed to Chinese lenders and the International Finance Corp.

Shi, who has a Ph.D. in physics, founded Suntech in 2001. He had gone to Australia in 1988 and got into solar power by chance when he needed a job after a university fellowship ended.

Shi, who had become an Australian citizen, was lured back by officials in Wuxi who wanted to develop high-tech industry and put up \$6 million to start Suntech. Shi later bought out his state backers with help from a group led by Goldman Sachs and

Chinese solar producer Suntech declares bankruptcy

Published on Chem.Info (<http://www.chem.info>)

went public on the New York Stock Exchange in 2005.

Shi's success made him one of China's most prominent entrepreneurs. He was named one of state television's businessmen of the year in 2006 and advised Beijing on energy policy. Forbes magazine estimated his fortune at \$2.9 billion at its peak in 2008 but that had tumbled to about \$500 million last year as Suntech's share price plunged.

The glut of supply in the solar panel market was brought on in large part by the Chinese government's efforts to promote the industry.

Communist leaders see renewable energy as a way to both generate higher-paying technology jobs and curb China's surging demand for imported oil and gas.

Attracted by tax breaks and subsidies, hundreds of small Chinese solar producers sprang up. New competitors were still entering the market as late as 2011, when weak demand and a supply glut forced producers to slash prices.

Other major Chinese producers including Yingli Green Energy Ltd., LDK Solar Co. and Trina Solar Ltd. have reported heavy losses. That has prompted expectations that the government will intervene and force companies to merge or shut down.

Prices of polysilicon wafers used to make solar cells plunged by 73 percent from 2010 to last year. The price of cells fell by 68 percent and that of modules by 57 percent.

Major manufacturers amassed debts of \$17.5 billion, according to Maxim Group, a research firm in New York City.

Deep-pocketed Korean conglomerates are moving into the solar industry, adding still more competition.

Chinese producers also have been hit with U.S. anti-dumping tariffs imposed to offset what Washington says are improper subsidies from Beijing. European solar producers also have filed anti-dumping complaints, with the European Union asking for higher tariffs on Chinese imports.

Last week, Suntech announced the closure of its U.S. factory in Goodyear, Arizona, and the elimination of 43 jobs as a cost-cutting measure.

Source URL (retrieved on 09/03/2014 - 3:30am):

<http://www.chem.info/news/2013/03/chinese-solar-producer-suntech-declares-bankruptcy>