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Solar's Saudi saviour?

For a solar industry scrambling through a supply glut and subsidy cuts in its traditional markets, the prospect of a brand new market is like manna from heaven.

Saudi Arabia revealed details last week of a $US1π09 billion plan to generate a third of its electricity from solar power. The world's largest oil exporter aims to build 41GW of solar capacity, comprising 25GW of solar thermal plants and a further 16GW of photovoltaic panels, over the next 20 years.

The new market could be a bright spot for the embattled industry, which had another tough week. The worst performer on the WilderHill New Energy Global Innovation Index, or NEX, was US polysilicon producer MEMC Electronic Materials, which lost almost a third of its market value. The solar segment of the NEX was down 6.9 per cent, while the NYSE-BNEF Global Energy Solar Index dropped 3.2 per cent.

In addition to Saudi Arabia's solar ambitions, Khalid al-Suliman, vice president of the King Abdullah City for Atomic and Renewable Energy – the agency responsible for the country's renewable energy strategy – said that nuclear, wind and geothermal would contribute a further 21GW by 2032.

Solar capacity will reportedly be added through at least two initial, competitive bidding rounds for utility-scale projects, starting with 1,100MW of PV and 900MW of solar thermal in the first quarter of 2013, with a second round to follow at the end of 2014. This is expected to be succeeded by the introduction of a feed-in tariff.

The Saudi solar market may not however, be entirely straightforward for international entrants.

Vishal Shah, an analyst at Deutsche Bank in New York, said in a note to clients that it is "likely to be a lot less profitable than existing markets," and may have strict local content requirements.

This means that companies like First Solar, which according to Shah has expressed interest in the potential of the Saudi market, would need to establish a local manufacturing presence. First Solar last month said it would shed 2,000 jobs – 30 per cent of its workforce – mostly in Germany, as it closes a factory in Frankfurt.

There were more dire announcements from the German solar industry. Module manufacturers Soltecture and Sovello filed for insolvency, joining Q-Cells, Solon, Solar Millennium and Solarhybrid on the roster of German solar companies that have done so since December.

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Away from the jittery solar industry, there were some large deal announcements for wind farms last week. The biggest was Parque Eolico El Arrayan securing $245 million in financing for a 115MW offshore wind project, Chile's largest. The joint venture is made up of developer Pattern Energy Group, Houston-based utility AEI and Chilean mining company Antofagasta Minerals. Construction has started and the joint venture expects to start operating in early 2014.

Another, 115MW wind project in South America got financing too: Tractebel Energia, the Brazilian unit of GDF Suez, received around $180 million from BNDES, Brazil's national development bank, for four wind farms. They will sell power in negotiated contracts to large power consumers, rather than to distributors in auctions, which has been Brazil's renewables development strategy of choice in recent years.

Finally, RWE's renewables unit, RWE Innogy, announced that it will build a €60 million ($78 million) wind farm in Poland. The 39MW project is the company's fourth in the country, as it aims to reach 300MW there by 2015. There has been uncertainty over the future of Poland's green certificate scheme but a revised draft of its new Renewable Energy Act is in its "final stages" according to the government.

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