

POLICY SPOTLIGHT

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Tariffs & First Solar (FSLR)

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POLICY SPOTLIGHT

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Tariffs & First Solar

This week we highlight the impact of solar tariffs on First Solar (FSLR) and the solar industry.

Company: First Solar, Inc. **Ticker:** FSLR

Policy: Section 201 tariffs ordered by the Trump administration after International Trade Commission (“ITC”) makes tariff recommendations

Period: April 26, 2017 (Suniva Inc. files petition with the ITC) – January 23, 2018 (Solar panel tariffs announced)



Executive Summary:

U.S. Trade Representative Robert Lighthizer announced President Trump has issued a 30% year-one tariff on imported solar cells and modules that declines over the next four-years to 15%. The announcement is the result of a Section 201 study performed by the ITC. Section 201 of the Trade Act of 1974 authorizes the President to take action, in

the form of tariffs, tariff rate quotas, quantitative restrictions or other actions, in response to an ITC determination that increased imports are a substantial cause of serious injury to domestic producers. Suniva Inc. and SolarWorld USA filed the complaint and alleged a surge of cheap imports from China and other countries destroy domestic manufacturing of solar panels.

Company & Industry Implications:

FSLR uses thin film solar cells, which were not mentioned in the trade case, instead of silicon panels. While FSLR's supply chain using production facilities in Malaysia with imports to the U.S. is not impacted, competitors using silicon panels will have a higher relative import cost due to the tariffs. The industry dynamics are dramatically changed, as the barriers to entry in the U.S. solar market are now fundamentally different. This may represent an opportunity for FSLR to grab market share while other firms reconfigure their supply chains.

Policy Implications:

This is the first major action taken by the Trump administration regarding trade policy. We think it's just the beginning of Trump's protectionist agenda. The Section 201 tariffs imposed by the Trump administration may embolden industries that were watching the outcome to file petitions as well.

The aluminum and steel industries may be next. The Trump administration initiated a Section 232 study in April 2017. Section 232 of the Trade Expansion Act of 1962 affords the president broad powers in determining whether certain imports have a negative effect on the country's national security. Commerce Secretary Wilbur Ross handed Trump reports for steel and aluminum on January 11, 2018, and January 22, 2018. President Trump now has 90 days to act on the report.



About EventShares

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EventShares offers numerous educational resources to help investors connect the worlds of Washington, D.C., and stock markets.

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