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Delivery under the seven year contract will start in the second half of 2008.

Wuxi, China-based [Suntech Power Holdings](#) (NYSE: [STP](#)) said today it signed a long term contract to buy \$1.5 billion of polysilicon from China's Asia Silicon.

Suntech said the seven year contract provides for the delivery of a volume range of polysilicon each year at fixed prices, using a take-or-pay approach, with delivery beginning in the second half of 2008.

"This contract with Asia Silicon will form a critical element of Suntech's polysilicon supply portfolio as the average price paid under the contract is so low that we believe that it reflects what is essentially grid parity pricing for Suntech, when combined with our high efficiency solar cells and world class low cost of production," said Zhengrong Shi, chairman and CEO of Suntech.

"We believe that this is truly transformational, with the price decreasing to substantially below \$40 per kilogram, as it enables Suntech to be at the forefront of leading the solar industry towards an environment without government subsidies or incentives."

Suntech said Asia Silicon is in the process of building a polysilicon plant in Qinghai, China, with polysilicon production capacity targets of 2,000 metric tons by July of 2008 and over 6,000 metric tons by the end of 2010.

"This agreement is a milestone achievement for Asia Silicon and will support our development over the long term. With Suntech's impressive growth as an example, we look forward to rapidly developing and expanding our production capacity of high quality polysilicon," said Tihu Wang, CEO of Asia Silicon.

"We believe that we will have among the lowest production costs in the industry with our 20 year low cost electricity agreement as well as a capex plan that is half the cost of some other polysilicon producers," said Wang.

Up to 80 percent of the electricity used in Asia Silicon's plant is expected to be supplied from hydropower sources.




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