Suntech halts capacity expansion: slashes capital spending for 2009

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Suntech Power Holdings has reacted to the seasonal slowdown and tight credit conditions for customers by halting planned capacity expansions and cutting capital spending from US$300 million in 2008 to only US$80 million in 2009. Suntech reiterated that it would reach a nominal capacity of 1GW by the end of 2008. However, the company said that further planned increases would be halted for 2009. Previously, Suntech had planned to reach a nominal capacity of 1.4GW in 2009 and 2GW in 2010. Nominal capacity reached in 3Q08 was 750MW.

“In response to these near term challenges, we have implemented a range of measures to improve our cost structures as quickly as possible and preserve our profitability,” commented Dr. Zhengrong Shi, Suntech’s Chairman and CEO in a conference call with financial analysts. “Specifically, we have proactively renegotiated the higher price, spot silicon contracts for 2008 delivery.”

Suntech is also accelerating its shift to higher efficiency cell/module production, which the company calls its ‘Pluto’ technology. The company said it was on track to increase Pluto production line capacity from 10MW, currently to 30MW by year-end. However, Suntech expects Pluto manufacturing capacity to reach 100 megawatts during the first quarter of 2009. By the end of 2009, Suntech expects approximately a third of capacity would have been converted to Pluto. The majority of the CapEx budget for 2009 will be used for line conversions to the Pluto technology.

“The conversion efficiency achieved in large scale production is even higher than we achieved in pilot production, noted Dr. Stuart Wenham, Suntech’s Chief Technology Officer. “We are consistently producing Pluto monocrystalline cells with the conversion efficiency of 18.5% to 19% and multicrystalline cells with the conversion efficiency of close to 17%. These are significant developments for Suntech primarily because the greater conversion efficiency is achieved without increasing the average cost of production per wafer.”

Suntech expects certification of its Pluto modules in 1Q09 with sales starting in 2Q09. Suntech also noted that it had already secured sales equivalent to 600MW for 2009 from Europe alone and expects sales in North America to be in the range of 120MW.