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The Sun Is Shining For Chinese Solar

As oil begins its creep back up toward the \$90 a barrel mark, alternative and renewable energy technologies are once again gaining traction. The proxy for green energy, **PowerShares WilderHill Clean Energy** (NYSE:[PBW](#)), is up over 10% in the last month. While there are still worries about what effects European austerity plans will have on the renewable sector, rising traditional [energy costs](#) do make alternatives sources more cost effective. Solar is seeing its sun shine again, especially in China.

Chinese Solar Expansion Europe was traditionally the place for solar installation growth. Favorable [subsidies](#) and limited natural resources helped spur innovations within the solar market. With the cuts to the German feed-in tariff in February and ends of Spanish subsidies, many investors worried that solar's days were numbered. However, growth is still on the horizon. The same week Germany announced its tariff cuts, Chinese Environment Minister Pan Yue announced that Beijing was looking at ways to tax carbon. Similarly, China's National Energy Administration reported a 10-year plan calling for 15% of generation capacity to come from renewable energy by 2020.

While the U.S. still has no formal climate or energy bill, China has made its intentions for clean energy clear. Famed clean tech venture capitalist John Doerr was quoted after China's announcements "My conclusion is China is winning. My conclusion is that we are barely in the race today. China's growth in renewables is astounding."

China's advantage in the solar industry is its low cost of production. For example, **Suntech Power** (NYSE:[STP](#)) employs around 2,500 workers to assemble solar cells into panels, a task normally handled by machines. It pays its workers around \$200 bucks a month. These low costs and the Beijing government's pro-export driven policies should help cement China as a premiere solar destination.

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The Bottom Line With the cost of oil rising once again, renewable energy is gaining traction. The solar sector, despite hindrances from Europe, seems to be moving in a positive direction with China leading the way. Investors wanting to play the sector should stick to Chinese firms. Their low costs of production and export-supporting government will help them thrive.