

SunEdison divests from polysilicon and wafer assets

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The world's largest renewable energy developer is shutting legacy polysilicon production and selling off a wafer facility. SunEdison says this is part of its move to an "asset-light" strategy, but it may also reflect polysilicon market conditions and a need to preserve cash.



SuEdison's difficult financial position may play a role in these decisions.

This morning SunEdison announced that it will shut its Fluidized Bed Reactor (FBR) polysilicon facility in Pasadena, Texas, as well as selling its wafer plant in Kuching, Malaysia to Chinese wafer maker LONGi. These two actions speak to SunEdison's difficult financial position and depressed market conditions for polysilicon.

The sale is not going to immediately improve SunEdison's finances, as the combination of restructuring and liabilities for the termination of supply contracts will be greater than any revenue gained from the sale of the wafer facility.

Additionally, SunEdison plans to refocus activities at its R&D center in the U.S. state of Oregon to "proprietary technology" R&D for "potential joint venture opportunities" as opposed to its previous focus on Continuous Czochralski process crystal operations. At this point the only polysilicon project that SunEdison retains is its SMP joint venture in Korea, which will also produce FBR polysilicon, but using different technology than the Pasadena plant.

SunEdison signed the definitive agreement to sell the Kuching wafer facility to LONGi yesterday, and put the value of the facility at \$80 million as of December 31, 2015. [In a form filed with financial regulators](#) the company made it clear that it is selling the facility at a loss, and expects to report a \$26 million impairment charge in its Q4 financial results, as well as \$9 million in restructuring costs.

SunEdison has also signed a "multi-year" deal to procure up to 3 GW of monocrystalline PV modules from LONGi, which it will use in its global solar project development and construction business. The company further states that it will supply LONGi with polysilicon from its SMP joint venture.

The impacts from the closure of the Pasadena facility are greater, and SunEdison expects to report \$202 million in non-cash impairment charges in its Q4 2015 results, as well as \$139 million in restructuring charges, due to liabilities from the termination of supply contracts.

The Pasadena facility was put online in the 1980s as the world's first large FBR polysilicon plant, and SunEdison's plans to close the plant follow on [REC Silicon's announcement less than two weeks prior that it would close down remaining FBR production in the state of Washington](#). In both cases, the companies blamed heavy import duties levied by China on Western polysilicon.

However, polysilicon prices have also collapsed to record lows, which has been exacerbated by additional production put online by Chinese companies following the imposition of tariffs.

And while REC Silicon was clearly a victim of these punitive duties, polysilicon expert Johannes Bernreuter, head of Bernreuter Research, says that older, more expensive processes were the problem in SunEdison's Pasadena plant. "(SunEdison) has an expensive production process regarding silane," Bernreuter told pv magazine. "This is what shut them out of the market - it was not the FBR."

SunEdison CEO Ahmad Chatila had given a veiled warning that the company might close the Pasadena plant in SunEdison's Q3 call. "I do not want to be in certain factories that burn cash," stated Chatila. "I had to be in them because of history, the contracts that I have that I have to honor and support the semi business as they exit SunEdison and I have to give them polysilicon that is semi-grade."

"But in terms of the factories that lose money, I only kept them because I have no choice. But soon I will have a choice, and that's why I thought I've shown you the losses around six months ago, giving you a signal that I'm going to do something about it."

Bernreuter says SunEdison's financial condition may also play a role here. "This could also stand behind the closure of Pasadena - that they are in dire straights," says Bernreuter. "I think this was a result of the uncompetitive costs of Pasadena and the cash constraints situation at SunEdison in general."

And while the closure of REC Silicon's solar polysilicon production may bring some relief to the global market, Bernreuter says that the closure of the Pasadena plant will only have an indirect effect, as its production was dedicated largely to SunEdison Semiconductor operations, which the company has spun off.

SunEdison framed the closure of the Pasadena plant as part of its move to an "asset-light" polysilicon production strategy through its SMP. However, Bernreuter has expressed skepticism about the technology used in the SMP joint venture. "I have clear indications that the high-pressure approach does not work, and I don't think that has changed in the last four or five months," he stated.

Bernreuter also noted that the first announcement that the plant was ramping up was in October 2014. "They don't give any date for when they will be fully ramped up," he explains. "It is only a vague statement."

Overall, the turn away from polysilicon and wafer operations is part of a transformation at SunEdison, which was acquired by MEMC in 2009. "Essentially SunEdison has stripped off its MEMC heritage," mused Bernreuter. "Their share in SunEdison Semiconductor is their only link to the past."

"SunEdison is now what SunEdison was before it was bought by MEMC."