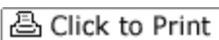


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Prices for rooftop solar systems fall as supply grows

By Paul Davidson, USA TODAY

Here's a bright spot in an overcast economy: Solar panel prices are tumbling.

Prices for rooftop solar systems, including installation, already have fallen 8% to 10% since October and are expected to drop another 15% to 20% this year.

Fueling the trend are an oversupply of worldwide manufacturing capacity and lower demand, especially in Spain and Germany, which have been growth engines for the industry.

For U.S. homeowners, effective prices are likely to plunge by more than 50% after figuring in a bigger federal tax credit that took effect Jan. 1.

"The era of extremely expensive (solar) modules is over," says analyst Nathaniel Bullard of research firm New Energy Finance.

Since 2004, solar prices have been propped up by a shortage of capacity to make both silicon — the raw material for solar-power systems — and finished panels. Meantime, the Spanish and German governments have paid system owners hefty subsidies to generate solar power, turbocharging sales in those countries.

Manufacturers responded by building a wave of factories. Then Spain and Germany slashed this year's incentives. In the U.S., the biggest solar investors were banks such as Morgan Stanley that can no longer benefit from tax credits because of insufficient profits.

New Energy projects an oversupply of nearly 4 gigawatts of solar modules in 2009, or enough electricity to supply 2.6 million homes.

The glut is already dragging down prices. Barry Cinammon, CEO of Akeena Solar, one of the nation's largest installers, says wholesale prices have fallen about 15% since October. Since installation accounts for about half the cost of a system, total costs are down about 8%. SunPower, one of the largest manufacturers, expects retail prices for its solar modules to dip as much as 20% this year.

"Now, all of a sudden, we have module manufacturers calling us," says Peter Rive, chief operating officer of Solar City, the No. 1 installer.

Consumers can reap even bigger gains if they can buy in a recession.

Until this year, homeowners who bought solar systems were eligible for a tax credit that shaved system prices 30%, but the credit was capped at \$2,000. Last fall, Congress renewed the 30% credit and removed the cap, lopping thousands more dollars off solar price tags.

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In California, which accounts for nearly 70% of the U.S. solar market, a typical 4-kilowatt, \$32,000 solar energy system cost a homeowner about \$23,000 last year after state and federal incentives. This year, if prices sink as expected, that system is likely to cost \$10,000 to \$12,000.

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