September 2025

Policy Pivot and Supply Cuts Signal Higher Solar and Storage Prices in Q4 2025

For much of 2024 and the first half of 2025, solar modules and energy storage systems have been sold at unsustainably low prices. Oversupply, aggressive capacity expansions in China, and competition for the market share drove modules to historic lows of $0.07–0.09/W. Developers benefitted from bargain procurement, but manufacturers posted heavy losses and were forced to cut back on reinvestment.

Now, the landscape is shifting. By Q4 2025, solar and storage markets will move into a price rebound, driven by three reinforcing factors: polysilicon consolidation, supply-side cuts in wafers, cells and modules, and China's cancellation of the VAT rebate on exports.

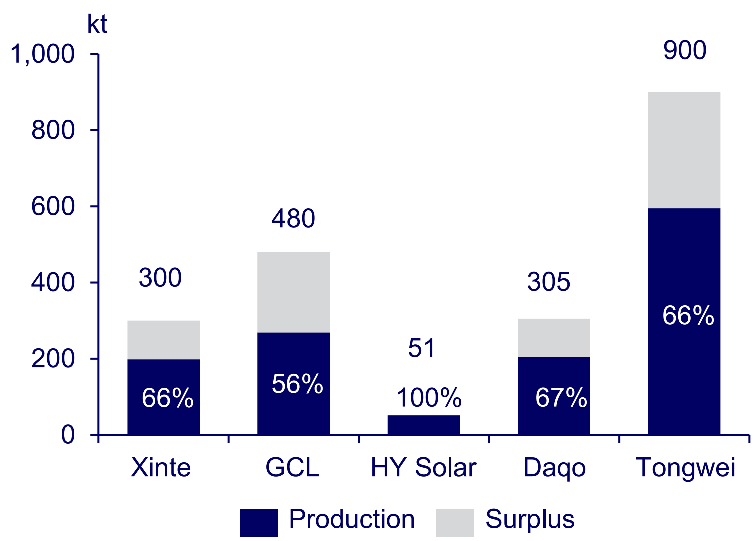
Polysilicon consolidation tightens upstream supply

Chinese polysilicon capacity expanded fourfold between 2022 and 2024, creating a surplus that drove prices down to unsustainable levels. But government intervention has changed the trajectory:

- The Ministry of Industry and Information Technology (MIIT) introduced "voluntary–compulsory" guidelines restricting expansions and forcing utilization cuts.
- By mid-2025, leading producers such as Tongwei, GCL, Xinte, and Daqo had cut utilization rates to 55–70%, with inventories nearly depleted.
- As a result, polysilicon FOB prices in China rose 48% in September 2025 compared to previous months, providing breathing room for producers but raising costs downstream.

Chinese government is also pushing for consolidation. A US$7 billion fund is being mobilized to acquire weaker players, while VAT rebate reductions free up capital to finance acquisitions. The likely outcome is fewer but stronger polysilicon suppliers with greater pricing power. This is a structural change that locks in higher input costs for wafers, cells, and modules.

Utilization of leading polysilicon manufacturers in 2025



Source: Wood Mackenzie

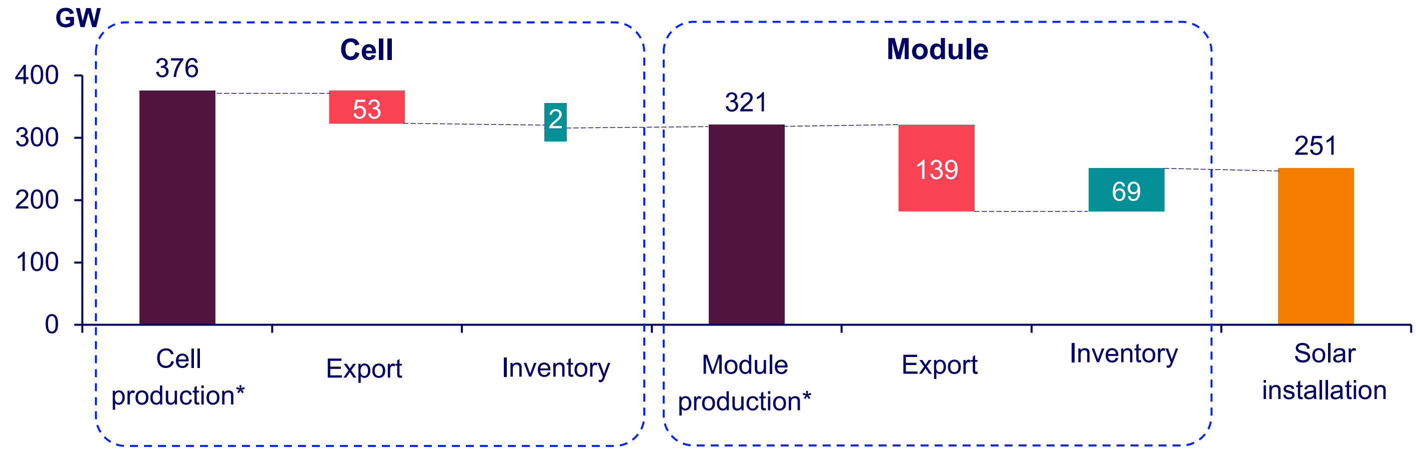
Production cuts ripple through the value chain

Polysilicon restrictions have cascaded downstream.

- Module operating rates dropped to 55–60% among leading manufacturers by mid-2025.
- Module and cell capacity shrank as obsolete PERC lines were phased out.

- Domestic demand in China absorbed 69 GW of module inventory in H1 2025, leaving little surplus for exports by year-end.

Module and cell production and destinations, Jan to Jun 2025



Source: Wood Mackenzie

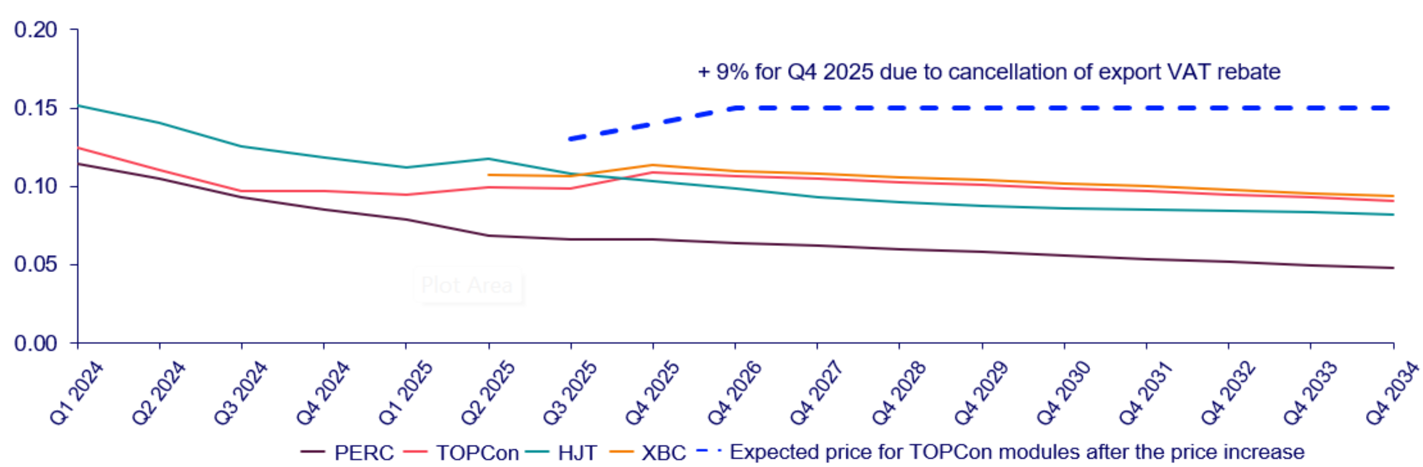
These production cuts, combined with seasonal installation peaks in Q4, are tightening the market balance. Even without policy changes, supply-side discipline alone points to upward price pressure.

VAT rebate cancellation resets export prices

The decisive factor comes from fiscal policy. Beginning Q4 2025, China will cancel the **13% VAT rebate** on exports of solar modules and storage systems.

- This move will add 10–12% to Chinese export floor prices, directly lifting global benchmarks.
- Module manufacturers have already warned international customers to expect a ~9% price increase in Q4 as a result.
- With China supplying >80% of modules and >90% of LFP battery packs, alternative supply cannot compensate in the short term.

Module prices by technology, China FOB, 2024-2034 (US$/W)



Source: Wood Mackenzie

All these are the good news for the solar manufacturing industry in China. Consolidation upstream and higher prices downstream are expected to stabilize the margins for solar module manufacturers. A healthier pricing environment improves manufacturer bankability and reduces counterparty risk, even if short-term project economics soften.

However, for the other party the procurement costs will rise into Q4. Even for those who secured supply earlier in 2025 the supply agreements for production after November 2025 will be renegotiated.

China’s VAT decision illustrates how dependent global solar deployment remains on Beijing’s levers. Diversification strategies and non-pricing procurement criteria will become more urgent.

The Q4 2025 rebound will not be a temporary blip. It represents a structural correction away from destructive price wars and toward sustainable margins. For developers, this means adjusting procurement expectations. For manufacturers, it is a chance to reinvest and innovate. For policymakers, it is a reminder of the risks inherent in concentrated supply chains.

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