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US solar tariffs could drive Asia transition boom

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MASSIVE planned US duties on solar panels made in Southeast Asia could be a chance for the region to ramp up its own long-stalled energy transition, experts said.

Earlier this month, Washington announced plans for hefty duties on solar panels made in Cambodia, Vietnam, Thailand and Malaysia.

The levies follow an investigation, launched before US President Donald Trump took office, into "unfair practices" in the countries, particularly by Chinese-headquartered firms.

If approved next month, they will pile upon tariffs already imposed by the Trump administration, including blanket 10% levies for most countries.

For the US market, the consequences are likely to be severe. China makes eight out of every 10 solar panels globally and controls 80% of every stage of the manufacturing process.

The new tariffs "will practically make solar exports to US impossible commercially", said think tank Energy Shift Institute managing director Putra Adhiguna.

Southeast Asia accounted for nearly 80% of US solar panel imports in 2024. And while investment in solar production has ramped up in the US in recent years, the market still relies heavily on imported components.

For Chinese manufacturers, already dealing with a saturated domestic market, the raft of tariffs is potentially bad news. Many shifted operations to Southeast Asia hoping to avoid punitive measures imposed by Washington and the European Union as they try to protect and nurture domestic solar industries.

The proposed new duties range from around 40% for some Malaysian exports to an eye-watering 3,521% for some Cambodia-based manufacturers.

Tariffs 'accelerate' transition

But there may be a silver lining for the region, explained Asia Research & Engagement managing director Ben McCarron.

"The tariffs and trade war are likely to accelerate the energy transition in Southeast Asia," he said.

China will "supercharge efforts" in regional markets and push for policy and implementation plans to "enable fast adoption of green energy across the region", driven by its exporters.

Analysts have long warned that countries in the region are moving too slowly to transition from fossil fuels such as coal.

"At the current pace, it (Southeast Asia) risks missing out on the opportunities provided by the declining costs of wind and solar, now cheaper than fossil fuels," said energy think tank Ember in a report last year.

Southeast Asia accounts for nearly 80% of US solar panel imports last year. – *AFPPIC*

For example, Malaysia relied on fossil fuels for over 80% of its electricity generation last year.

It aims to generate 24% from renewables by 2030, a target that has been criticised as out of step with global climate goals.

The tariff regime represents a double opportunity for the region, explained Ember senior energy analyst Muyi Yang.

So far, the local solar industry has been "largely opportunistic, focused on leveraging domestic resources or labour advantages for export gains", he said.

Cut off from the US market, it could instead focus on local energy transitions, speeding green energy uptake locally and driving a new market that "could serve as a natural hedge against external volatility".

Still, replacing the US market will not be easy, given its size and the relatively nascent state of renewables in the region.

"Success hinges on turning this export-led momentum into a homegrown cleantech revolution," said Yang.

"Clearance prices" may be attractive to some, but countries in the region and beyond may also be cautious about a flood of solar, said Adhiguna.

Major markets such as Indonesia and India already have measures in place intended to favour domestic solar production.

"Many will hesitate to import massively, prioritising trade balance and aims to create local green jobs," he said. – AFP

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