

Opinion **Lex**

China renewables: the stretched ethics of solar panels from Xinjiang

Dual drumbeat of disapproval towards coal and products from Xinjiang means decision time for investors



China is the world's largest producer of solar panels and also its key material polysilicon © AFP via Getty Images

8 HOURS AGO

Betting on clean energy has been lucrative. Funds have flocked to environmental, social and governance investments in Asia. Of them, Chinese solar power has been a favourite thanks to fat returns. But it may also be the most risky bet.

Beijing's push for carbon neutrality has sparked an unprecedented rally in local solar stocks. Shares of JA Solar Technology have doubled in the past year, trading at over 45 times forward earnings, nine times more than global peers. Local rival GCL-Poly is up over 80 per cent.

China is the world's largest producer of solar panels and also its key material polysilicon. Nearly half the world's supply of polysilicon, which requires an energy intensive manufacturing process, is made in China's north-western region of Xinjiang.

Xinjiang is known for two things: alleged human rights abuses and cheap power. The latter is due to an abundant supply of coal. More than 40 per cent of China's total reserves are in the arid region. That is an important factor in producing solar panels. Manufacturers make polysilicon through chemical evaporation at high temperatures of around 900 Celsius. Local solar companies have repeatedly sought to assure investors that they do not use forced labour from Xinjiang.

Geopolitical risks remain high. US lawmakers have been discussing a ban on all

China spends more than \$120bn annually on renewable energy. It has beaten world records on the amount of solar power installed each year for the past six years. China's renewable energy sector has delivered correspondingly attractive returns. For example, shares in Germany's Wacker Chemie and South Korea's OCI, two of the few non-Chinese producers of solar panel materials, have risen by just half the level of Chinese rivals.

However, the dual drumbeat of disapproval towards coal and products from Xinjiang mean it is time for investors to take profits.

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