

Opinion **Solar power**

Wasting China's solar panel surplus is madness

Clean power is within our reach — yet factories sit idle

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Since when were solar panels just another commodity? They are a technological miracle that make us into farmers of the sun © CN-STR /AFP/Getty Images

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The closure of the Strait of Hormuz has roiled energy markets. Consumers are calling out for alternatives to unreliable fossil fuels. And yet we are in a world of surplus solar panels. Let that sink in.

After a huge surge in investment since 2020, Chinese companies have the capacity to produce a vast 1,000 gigawatts of panels per annum. The world cannot absorb the supply. More than 40 Chinese solar manufacturers have gone bust, been bought out or delisted. A third of the workforce at the top five survivors has been made redundant.

Clean power, on a scale that would have seemed utopian at the time of the Paris climate treaty in 2015, is now within reach. The price of solar panels has fallen to rock bottom. And yet factories are idling.

We have a variety of well-rehearsed arguments for discounting this dizzying state of affairs.

It's an engineering problem. Solar creates too much intermittency. Battery storage is still catching up.

It's a political economy problem. Incumbent baseload generators demand their pound of flesh. China's own huge fleet of coal-fired power stations squeezes out demand for more solar and wind.

"It's capitalism, innit." All the way back in the 1850s, Karl Marx was telling us to expect giant productivity gains to go hand in hand with senseless waste. The "relations of production" — geopolitics, national security concerns, protectionism — obstruct the forward march of the green forces of production. *Quelle surprise.*

It's China's own fault. New research from the OECD shows that the solar industry is the most subsidised sector in the world. Once President Xi Jinping announced his commitment to decarbonisation in September 2020, overbuilding and involution were inevitable. In commodity sectors, the rush to seize market share through capacity expansion and price wars is both ruinous and par for the course. And once Beijing started cutting back on subsidies — first the feed-in tariffs and now the tax break for exports — there was bound to be fallout. If China does not absorb its own surplus production, don't be surprised if the rest of the world cannot.

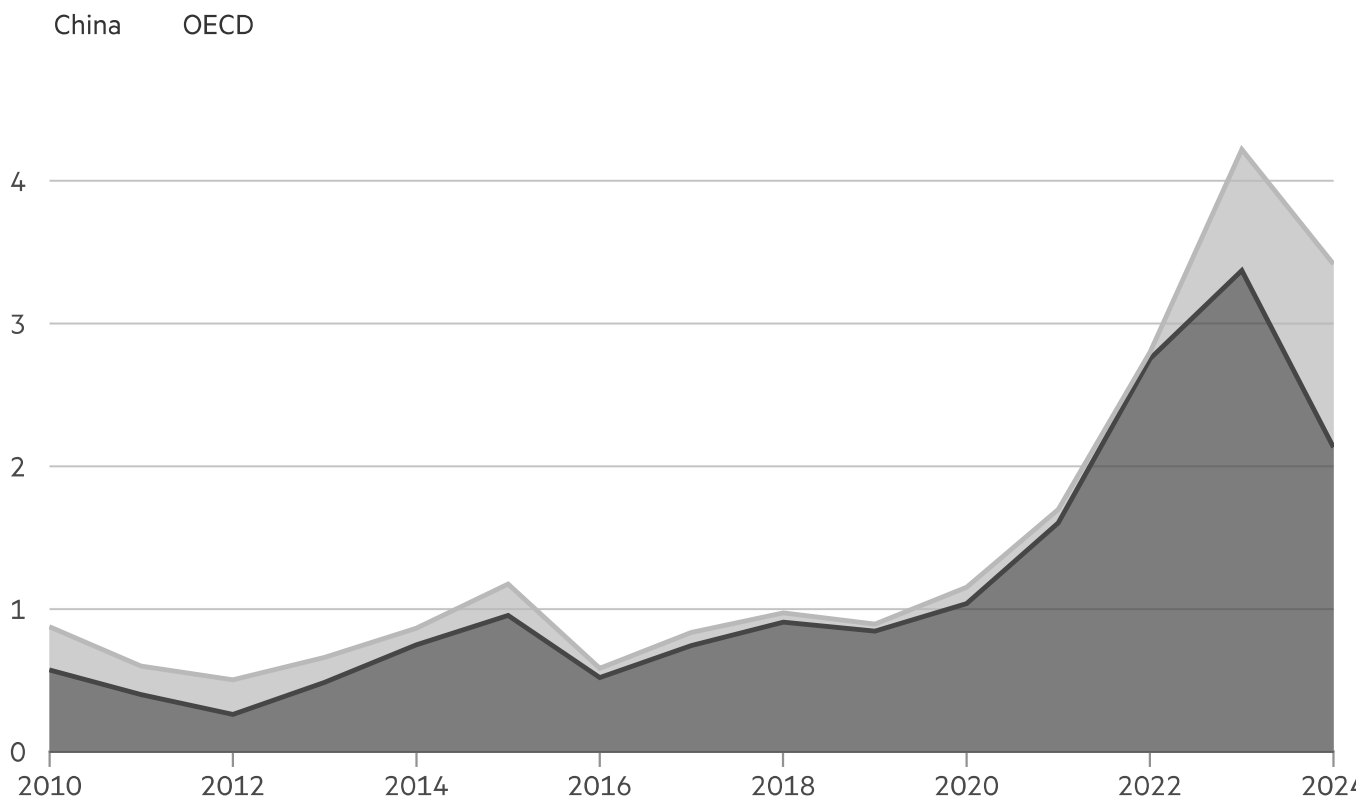
At this point, team "global imbalances" will probably chime in. If China had not been investing so much in new capacity and was instead consuming and importing more from other economies, sectors like solar would not be suffering from such overcapacity. China's investment-driven, mercantilist model is its own worst enemy.

In general, these are fair arguments. If we were talking about steel or cement, one would nod and agree. But solar panels? Since when were solar panels just another commodity? They are a technological miracle. They make us into farmers of the sun. For the past half century, research labs around the world, starting in the 1970s with Nasa spin-offs and the big US energy research push under Jimmy Carter, have been straining to reach this point. Together with batteries, which are also rapidly approaching the point of excess supply, they are the key to a sustainable future.

The real surprise from the OECD's subsidy numbers is that it cost China less than \$18bn in sectoral support over 15 years to build an industry that can now provide more clean power than the world can readily absorb.

China's solar support surge helped create a world of surplus panels

Solar photovoltaic cells and modules* (\$bn)



Source: OECD Magic database • *Sum of subsidies by firms' headquarters location | Subsidies comprise government grants, income-tax concessions, and below-market borrowings | FT graphics: Ray Douglas

If industrial policy in the west had delivered this kind of bang for its buck, we would be patting ourselves on the back.

From the point of view of climate policy, what we are facing is a horrifying co-ordination failure — what John Maynard Keynes would have called a “muddle”. How can we be allowing a recession in the solar industry just as the renewable sector is reaching escape velocity?

But there is no need to panic. The solar industry is not an infant industry. China’s solar players, unlike their European counterparts in the early 2010s, are not in danger of withering away.

China’s demand for renewable capacity will revive. Exports of Chinese solar tech to pretty much everywhere other than the US are booming. Chinese companies are constantly improving. Solar panel manufacturers are now integrating batteries to offer more stability to the grid.

Given the historic bargain of cheap clean power, at least some visionary policies are afoot. Most notable is the Mission 300 programme through which the World Bank and the African Development Bank hope to provide clean and reliable power to 300mn people in Africa. Meanwhile, in Shanghai, a consortium of leading solar players has launched a quest to put hundreds of GW of solar in space to support orbital data centres. Their ultimate dream is a lunar AI base rated at 10,000GW.

The clean electro-tech revolution will triumph. Dirt-cheap solar panels and batteries are its shock troops. But mark 2026 as the moment when the world found itself with “more than enough” solar panels and we shrugged.

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