Following up on a campaign promise to crack down on free trade policies, the Trump Administration today announced that they will be imposing tariffs on foreign solar photovoltaic (PV) panels. The tariffs will start at 30 percent in the first year and then decline to 25 percent in year 2, 20 percent in year 3, and 15 percent in year 4.

The move was largely expected. The case originated in May 2017 when two now-bankrupt U.S. solar companies filed for temporary relief from competition from cheaper foreign solar panels, under Section 201 of the 1974 U.S. Trade Act. The law gives the executive branch wide authority as a "global safeguard" to provide temporary relief when foreign imports are causing "serious injury" to a U.S. industry.

In this case, Suniva and SolarWorld, the two failed companies (ironically mostly owned by foreign entities) petitioned the U.S. International Trade Commission (ITC) to investigate whether foreign imports were causing them serious injury and recommend remedies. The ITC last October found for the companies and recommended tariffs as high as 35%.

Under the law, the president then has wide authority to implement tariffs once the ITC has made a finding of injury. In this case, the administration actually did not impose as high a tariff as they could have, given the ITC recommendation up to 35%. But nonetheless, the solar industry was predictably opposed to such tariffs and claim that 23,000 job losses will result in the solar industry, along with a big slowdown in domestic solar PV deployment.

There's no question the tariffs are a big blow to U.S. solar installers, utilities, clean energy advocates, and consumers, who rely on inexpensive panels as a driver of the ongoing renewables revolution. A slowdown in purchasing seems likely and has probably already occurred as companies were gearing up for this decision. According to some analysts, the tariffs could increase solar panel costs by 10 to 12 cents per watt (for reference, U.S. import prices are currently at 35 to 40 cents per watt), which could slow the market by an estimated 8.3 percent.

But the extent of the damage may not be as severe as industry predicts, for three main reasons:

1. U.S. solar manufacturers will greatly benefit from this decision and potentially expand their market share to make up for the lost imports and bring down costs through scale.
2. Solar industry predictions may have been overstated to scare the administration from imposing high tariffs. We've certainly seen industries issue dire warnings about the effects of various environmental policies on consumer prices, for example, only to have those predictions not come true — indicating that industry is prone to hyperbole to

achieve policy aims.

3. Foreign manufacturers may respond by locating some of their (mostly automated) solar panel factories here in the U.S. to avoid the tariffs. Due to automation, such moves likely wouldn't produce a lot of new jobs here, but it would enable the panels to remain inexpensive.

In the long term, this decision is another indication of how the U.S. is ceding ground to other countries on clean technology. Just as the efforts to roll back federal fuel economy standards will push the electric vehicle market to countries like China, this decision on solar panels means the rest of the world will continue to take advantage of the solar PV revolution, leaving the United States as bystanders in this growing industry. Despite the decision though, many U.S. states will continue to invest heavily in solar PV, due to mandates for procurement. But individual home and business owners may have a tougher time getting good deals on rooftop solar.

It's a cliche, but elections have consequences, and this is a big one from the 2016 presidential election. But it also means that a future election can undo some of the damage to the solar industry from these tariffs. And an affected foreign country can also appeal the tariffs to the World Trade Organization. In the meantime, we'll have to wait and see how the industry — and consumers — respond to this decision.