

Statement for the Record of Michael R. Splinter
Chairman of the Board of Directors, President and CEO, Applied Materials, Inc.
House Committee on Ways and Means
Hearing on Energy Tax Incentives Driving the Green Job Economy
April 14, 2010

Chairman Levin, Ranking Member Camp and Members of the Committee, I am Mike Splinter, Chairman of the Board of Directors, President and Chief Executive Officer of Applied Materials. I want to thank you both for all the work you have done on this incredibly important topic and further thank you for the opportunity to share my perspective on the need for action.

I have spent the past 30 years working within the semiconductor industry, and since joining Applied Materials in 2003, our company has achieved record growth. We are currently the world's leading supplier of solar photovoltaic (PV) manufacturing equipment, offering systems for both thin film and crystalline silicon solar products. Our primary goal is to help solar manufacturers drive down cost per watt to rapidly grow the solar industry and make solar electric power increasingly affordable for everyone, everywhere. Applied employs more than 12,000 people worldwide, with more than 2,200 people dedicated to solar alone.

The simple reason why we have devoted tremendous resources to our solar product line is that renewable energy is going to be the biggest creator of jobs and economic development for this century. Solar energy creates more jobs per megawatt of energy produced than any other form of energy. The monumental question is which countries will invest the resources to benefit from this massive potential? In twenty years, who will be the Saudi Arabia of solar?

The answer to that question lies with two words: scale and demand. Which countries can get significant scale in their manufacturing of this technology and, in turn, drive down cost and open new market opportunities? And, which countries will generate the demand that will allow that scale to happen? Those countries that lead will create thousands of clean-energy producing jobs for generations to come. With our demand for electricity, highly skilled workforce and culture of innovation, there is no reason that the United States can't achieve both.

Global Landscape

It is clear that the United States' global competitors have fully grasped the potential that renewable energy holds in the forms of job creation, energy security, and global economic leadership. Many countries in Europe and Asia are racing to create domestic demand for solar cells and to attract solar manufacturing jobs through sizeable tax benefit programs and forward thinking policy initiatives.

These innovative policies throughout the globe have created significant market demand for renewable power and the manufacturing base to support the next generation of job growth. More than 90 percent of worldwide PV panel production occurs outside the United States. In 2007, Japan was the world's largest PV solar cell producer, manufacturing nearly 1 GW each

year. China was the second largest PV producer, followed by Germany, Taiwan, and the United States in fifth place producing 266 MW, nearly one-quarter the amount produced by Japan.

About three-fourths of global PV production is being deployed in Europe, where government renewable energy targets and feed-in tariffs (FiTs) have spurred PV system installations and industry growth. For example, Germany's policies have created jobs, technology advancements, and a solar industry unparalleled in the world. Other countries – such as Spain, France, Italy and Greece – have shown that, by stepping up their policy and market development efforts, they too can be successful at securing vast job growth and tapping into the sector's upward trajectory.

Yet while other countries are leveraging renewable energy policies to create growth, the United States is stagnating, and ultimately losing the global race for solar manufacturing jobs. Ten years ago the United States accounted for 40 percent of worldwide solar manufacturing. Today that figure is less than 10 percent. In California, one state with steady growth in the domestic market, the share of Chinese-made panels has grown from 2 percent to 46 percent in the past three years, with their market share doubling in 2009 alone. Over the same three-year period, the market share of U.S.-made panels fell from 43 percent to 16 percent.

U.S. Growth: Where We Need to Go

With the cost-per-watt of solar energy falling, the industry is at an inflection point on where to scale and create both manufacturing volume and corresponding job growth. U.S. leadership in renewable energy will succeed or fail based on our ability to create the demand, drive scale, and unleash American innovation that will strengthen our country's competitive position and put tens of thousands of Americans back to work building the clean energy solutions our society needs.

In order to ensure the United States locks in the benefits from job creation, technological leadership, economic growth, and enhanced energy security through the expansion of solar, Congress must put forward-thinking policies in place that demonstrate that America is ready to lead – and win – in the global race for clean and secure energy.

First, to continue building on the short-term job creation enabled by the American Reinvestment and Recovery Act of 2009 (ARRA), I urge you to increase funding for the Advanced Energy Manufacturing Tax Credit (Section 48C). The ARRA authorized \$2.3 billion in tax credits for qualified investments in advanced energy projects, to support new, expanded, or re-equipped domestic manufacturing facilities. The program provided a 30-percent credit for investments in new, expanded, or re-equipped advanced energy manufacturing projects and combined with nearly \$5.4 billion in private capital, the 48C program will support 183 projects in 43 states. The program is expected to create more than 17,000 jobs through Recovery Act funds and up to 41,000 additional jobs via private investment.

Because the highly competitive 48C program generated far more interest than anticipated, both the Departments of Energy and Treasury have a substantial backlog of technically

acceptable applications and “a deep pipeline of high quality clean energy manufacturing opportunities in the U.S.,” according to senior Administration officials. More than 500 applications were received, with tax credit requests totaling over \$8 billion, representing a greater than 3-to-1 oversubscription.

The deep bench of high quality applications further demonstrates the need – both for U.S. leadership in clean energy verticals and for capital assistance in continually tight credit markets. Because of that, I urge you to support President Obama’s call for an additional \$5 billion to be added to this program for additional solicitation rounds. While the original intent to provide a short-term infusion of capital was extremely helpful to the industry, more needs to be done in order to guarantee that jobs stay in the United States.

Second, to give solar manufacturers the investment certainty needed to keep growing jobs in the United States in the long term, I urge you to make solar manufacturing equipment eligible under the Section 48 Investment Tax Credit (ITC).

As noted above, solar energy creates more jobs per megawatt of energy produced than any other form of energy. However, solar panel manufacturing is far more capital intensive than other renewable energy generating property, and the equipment is by far the largest single expense of locating a solar facility. An improved tax incentive for solar manufacturing will greatly help the United States compete and ensure a strong domestic solar manufacturing base and maximize renewable energy job growth.

I applaud recent efforts in the House and Senate to make solar manufacturing equipment eligible under Section 48 of the ITC. The Solar Manufacturing Jobs Creation Act, H.R. 4085 (Representatives Thompson, Camp, Doggett, Tiberi) and S. 2755 (Senators Menendez, Stabenow) would make equipment used to manufacture solar energy eligible under the ITC and allow a 30-percent credit for investments in equipment placed in service in U.S. manufacturing facilities before January 1, 2017.

Expanding this credit would mean thousands of good paying domestic jobs. The Solar Energy Industry Association (SEIA) estimates expansion of the credit would create 24,000 permanent manufacturing jobs by 2012 and 72,000 permanent jobs by 2016. As new factories come online, thousands more additional jobs could be expected indirectly through equipment purchases, material supplies and services.

The solar manufacturing equipment market has grown from about \$530 million in 2004 to \$4.7 billion in 2008, a compounded annual growth rate of 72.5 percent. This market could easily top \$15 billion by 2013 and has the potential to drive PV solar to grid parity. Congress needs to act this year to ensure solar manufacturing equipment is eligible for the ITC to ensure that the U.S. can benefit from the expanding market. If we don’t act, we risk further losing this critical market.

A Brighter Future, A Solar Future

As the solar industry decides where to scale and in which countries to create massive job growth, the U.S. is faced with a significant opportunity. If our nation hopes to benefit from the global shift toward clean energy, we must ensure that our policies work to support domestic solar manufacturing so that we can lock in hundreds of thousands of jobs and drive future sector growth and maturity. A combination of short-term funding for the Advanced Energy Manufacturing Tax Credit paired with expansion of the ITC to include solar manufacturing equipment, will build out the sector, create market demand and certainty, and signal that the U.S. is serious about leading the next era of manufacturing.

For Applied Materials, enacting innovative tax initiatives outlined above mean more demand, greater scale in manufacturing and therefore more investment by Applied and our customers in U.S. jobs and infrastructure.

Thank you for your consideration. If I can ever be of assistance please do not hesitate to contact me.