

China's solar panel glut and its impact on global portfolios

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Crashing panel prices and oversupply have hit manufacturers hard, driving investors toward renewables with storage.



China's solar industry is limping through its sharpest correction in over a decade, driven by years of aggressive expansion and state support that led to severe overcapacity.

Panel prices collapsed to historic lows as supply far outstripped global demand, triggering steep losses for leading manufacturers including LONGi, Tongwei and Trina Solar.

"Oversupply in the solar panel value chain has been a concern for investors over the last two years," Mubashira Bukhari Khwaja, investment director of global emerging markets equities at Aberdeen Investments, told *AsianInvestor*.

"ASP [average sale price] pressure and low utilisation levels led to an erosion of profit margins for even the industry leaders, which doesn't bode well for innovation and

R&D among the sector."

REALLOCATION STRATEGY



Mubashira Bukhari Khwaja
Aberdeen Investments

The downturn has prompted a significant shift in investor strategy.

Institutional capital is moving away from pure solar manufacturing and toward integrated renewables platforms that combine solar, wind and energy storage, according to industry experts.

"Asian investors are de-risking upstream by trimming allocations to pure manufacturing equities and bonds, where margins have collapsed," said Steve Alain Lawrence, CIO of

Balfour Capital.

He added, "The winners in this cycle are those with strong balance sheets, grid access and policy alignment."

Manufacturers like Tongwei, Trina, LONGi, JA Solar and JinkoSolar remain in survival mode, as capital increasingly flows toward downstream operators and energy storage leaders, he said.

Portfolio managers are reallocating into solar farm operators and yieldcos, which offer more stable cash flows under long-term power purchase agreements.

Lawrence pointed to China Datang Corp. Renewable Power and CGN New Energy as examples of companies benefiting from this trend, alongside global players like NextEra Energy and Brookfield Renewable, which are attracting inflows from Asian pensions and sovereign funds seeking defensive yield.

Energy storage has emerged as the standout beneficiary of the solar sector's turmoil.

Chinese giants CATL and BYD dominate the domestic market for large-scale batteries, while Fluence Energy and Tesla are capturing global mandates for grid-scale storage paired with renewables, Lawrence said.

Offshore wind is also drawing investor interest, he said, while geothermal, though still niche, is gaining traction in markets such as Indonesia and the Philippines.

While recent speculation has centered on China's anti-involution policies and their potential impact on the solar manufacturing value chain, Aberdeen's Khwaja cautioned that investors will need clearer earnings visibility before reallocating capital.

"Chinese ESS businesses are still profitable and among global leaders," she said, highlighting energy storage as the most attractive segment for now.



Steve Alain Lawrence
Balfour Capital Group

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POLICY UPDATES

Policy remains a decisive force in shaping the sector's trajectory.



In China, subsidies are being redirected away from raw panel output and toward grid integration, storage and transmission—an effort to address rising solar curtailment, which reached 6.6% in the first half of 2025.

“Investors are now prioritising projects with built-in storage or guaranteed offtake,” Lawrence said.

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Cheng Wang, equity analyst at Morningstar, emphasised the role of policy in driving sentiment: “On the demand side, supportive policies like subsidies, tax credits and generous on-grid tariffs boost downstream project returns and attract investments.”

Conversely, Cheng said that subsidy reductions or market-based trading policies can erode profitability.

On the supply side, manufacturing policies such as energy intensity, emission and product quality standards have a direct impact on downstream solar manufacturers.

“Due to the oversupply issue within the solar industry, the focus is on how government policy can help the sector and improve fundamentals,” Khwaja said.

“For a sustainable recovery in earnings potential that may spur longer-term positive sentiment toward the sector, we’ll need to see details of any government policies clearly announced and understood by the market.”

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