

Solar Silicon Might Benefit From Timminco Factory Closure

Timminco rounds out a news-heavy week by closing a factory that makes cast-magnesium billet. Insiders are mixed on how this will affect the technology.

by: [Jennifer Kho](#)
June 09, 2008

Timminco (Toronto: TIM) is closing a magnesium factory in Ontario, Canada, a move that some industry insiders see as a sign the company is intensifying its focus on upgrading metallurgical silicon for solar power.

“It means the company really has confidence in its customers because it is pulling a whole [magnesium] line off to concentrate on metallurgical silicon,” said Craig Cornelius, a principal at Hudson Clean Energy Partners, adding that Timminco has been tight-lipped about who its customers are.

“They have confidence they are going to be able to sell all the output for that.”

Timminco, which makes silicon metals and magnesium extrusions, along with upgraded metallurgical silicon, said last week that it expects the closure to result in an annual cost savings of approximately \$5 million.

“Our magnesium business has significant long-term potential, but current economic conditions require that we further reduce our operating costs significantly,” said John Fenger, president of light metals at Timminco, in a written statement. “The closure, although difficult, provides us with a plan to profitability and potential divestiture or other strategic alternative for the rest of our magnesium business.”

Shares fell 1.6 percent to C\$33.95 on the news Friday, but the price was up 11.3 percent from the previous Friday’s close.

Timminco has drawn both enthusiastic support and skepticism from industry insiders for claims that it has developed a process to make solar-grade silicon out of dirtier metallurgical-grade silicon at lower costs than its competitors.

Earlier last week, the company announced a deal to sell 5,000 metric tons of silicon to Canadian Solar through 2011 (see [Timminco Shares Down Despite Deal With Canadian Solar](#)).

Also last week, the company filed a lawsuit against a fund manager, Ravi Sood, and his firm, Lawrence Asset Management, for libel after Sood allegedly called the company “virtually worthless” (see [Timminco Sues for Libel](#)). And the [Financial Post](#) reported that two enforcement agencies, the Ontario Securities Commission and the Integrated Market Enforcement Team, are investigating trading in Timminco shares

It's hard to know whether the slight dip in share prices Friday came from the closure announcement or other factors.

Aside from the aforementioned news, a research note from Wedge Partners – which called Timminco “probably the market’s leading proponent of [upgraded metallurgical silicon] today” – released Thursday claimed that the metallurgical silicon is not a viable alternative to solar-grade silicon.

“We think that production efficiency in solar-grade polysilicon is likely to be improved faster than the cost efficiency of UMG, making UMG obsolete before it is really commercialized in solar modules,” states the note, written by analyst Kirk Adams and others.

With solar-grade silicon in a shortage for the last few years, silicon has become costly, and a number of researchers have been working on ways to upgrade metallurgical silicon to bolster the supply. But so far, companies haven't been able to deliver upgraded metallurgical silicon at a lower cost per watt.

Some claim that the technology could potentially cut prices for silicon dramatically, while others say it will cost too much to be worthwhile as more production of solar-grade silicon starts up (see [Oversupply of Silicon Worse Than Expected](#)).

Earlier this month, Timminco said that an independent review by Photon Consulting had verified its claims, and Raymond James analyst Andy Nasr upgraded his rating of the company to “Market Perform.”