



Tesla solar roof armenia

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Tesla acquired Solarcity for \$2.6bn in 2016. Marking the deal, a blog post on the Tesla website talked up the prospect of a rooftop solar panel "that looks better and is more durable than a normal roof, that can be easily customized to fit the unique needs of each house, and that will lower costs to the consumer."

Seven years later, having won its lawsuit over the purchase of Solarcity, what was once a pillar of the Tesla strategy has been pushed further and further into the background. Not much is said any more about the status of the Solar Roof, nor Tesla's solar efforts more generally. Neither "Solar" nor "Energy Generation" garnered a mention in the company's Q3 2023 earnings call.

To be fair, there are a few reasons why Tesla might want to offer a nuanced view of its once-vaunted solar business. Across the solar industry, the bloom is well and truly off the rose.

Sunrun, once an industry leader with a market cap of \$20bn in 2021, now has a market cap of \$2bn and recently said it was "rapidly transitioning to a storage-first company." Perhaps Sunrun is particularly keen to focus investor attention away from solar, given that it recently announced a \$1.2bn goodwill writedown relating to its 2020 purchase of solar company Vivint for \$3.2bn.

Many of the largest names in the US solar industry have shared Sunrun's pain as higher interest rates, cost inflation, California regulatory changes and supply chain issues have checked much of the momentum created by the IRA. It's been a rough four months:

Produced primarily in its star-crossed Buffalo Gigafactory 2, the Solar Roof is an actual product a person can buy, which isn't always the case with Tesla launches. But deployments, once targeted by the company to run at 1,000 per week, last year were estimated to average 21 per week.

Prices were hiked in 2021, with at least one customer charged more than double the contract cost, which resulted in a wave of cancellations and a class-action lawsuit that Tesla paid \$6mn to settle. Between Tesla's 10ks of 2021 and 2022, Solar Roof deployments nearly halved.

[w]e have been installing this product [Solar Roof] at a slow pace to gather learnings about our design and installation processes, and plan to ramp the production of Solar Roof with significantly improved manufacturing capabilities during 2019.

Gross margin for energy generation and storage decreased from 0.9% in the year ended December 31, 2020 to -4.6% in the year ended December 31, 2021, primarily due to a higher proportion of Solar Roof in our overall energy business which operated at a lower gross margin as a result of temporary manufacturing underutilization during product ramp despite an improvement in gross margin compared to the prior year.

For more colour on how things have gone, we can turn to Musk's June 2019 deposition as part of a lawsuit filed by Tesla shareholders alleging that by buying SolarCity the members of Tesla's board of directors had acted in their own best interests. Musk explained that to meet quarterly numbers, he had redeployed every solar worker he could into the company's car production lines:

But Musk said he remained optimistic about the division's prospects. The strength of his optimism was such that when asked about staffing levels, Musk instead set off on a long meander around the difficulties of engineering solar roofs, and how Tesla's retrofit solution "is going to be super easy", and how he wasn't answering the question because "at the end of this meeting, you're like, oh, man, I want to get this thing, it's going to be great":

Yet as of the end of September, Tesla had \$5.3bn of "Solar energy systems, net" on its balance sheet at cost. These assets are mostly long-term leases and other agreements to sell power to building owners per Tesla's accounting methodology, and (from the 2022 10k, with our emphasis) have not yet been impaired:

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