

January 2017

Environmental Insights

Manufacturers expected to "green" product lifecycles	1
Government to boost oversight of polluted soil lots	1
NEV subsidies adjusted to promote competitiveness	2
New material industry plan to support EP	2
State Council releases energy use and emissions reduction plan	2
MEP head says more staggered production to fight smog	2
Policy tracker	3

This month:

- The State Council has released a **plan to hold manufacturers responsible for the environmental impact of their products across the product lifecycle.**
- **New soil pollution management guidelines have created a framework for local governments to assess and treat polluted plots,** strengthening the government's ability to hold polluters responsible.
- New stringent subsidy standards aim to promote the development of more competitive NEVs and wean the industry off government support
- A new policy will support EP by **promoting development of new materials in EP-critical industries**

ENVIRONMENTAL INSIGHTS

Manufacturers expected to "green" product lifecycles

As consumption levels rise in China, as in more developed markets, the government will increasingly expect manufacturers to take responsibility for the environmental impact of their goods across the entire product lifecycle. This is reflected in the State Council's *Promotion Plan for the Producer Extended Responsibility System* [《生产者责任延伸制度推行方案》](#) released on December 25.

Under the proposed system, producers should take steps to reduce the environmental impact of their products at every stage from material selection to final disposal, including aspects such as product lifespan, green packaging, ease of recycling, recycled material content, and use of green supply chains.

By 2020, the government will create an initial regulatory system with a recycling rate of 40% among products in target categories such as electronics, beverage packaging, lead batteries, and automobile components. By 2025, it will aim for ecofriendly product design to become widespread, for target products' reused material content to reach 20%, and for recycling and reuse of disposed target products to reach 50%.

For industries and products with high levels of paper-based composite beverage packaging, the government will roll out industry recycling and reuse alliance pilots. Through these pilots, paper-based composite beverage packaging companies will use sales and other business channels to expand recycling. Other steps the government

will take to promote these systems include financial support, creation of industry recycling targets and inspection systems.



China to boost oversight of polluted soil lots

On January 1, the *Administrative Measures for Polluted Lot Soil Environments* [《污染地块土壤环境管理办法》](#) took effect. Through the *Administrative Measures*, the Ministry of Environmental Protection (MEP) has created China's first specialized rules for polluted lot management and restoration. *Administrative Measures* will guide soil evaluation and remediation processes in areas where capacity reduction or facility relocation have opened up land which was previously occupied by polluting industries such as ferrous metal refining, petroleum refining, chemical production, and leather production.

The government will focus especially on land that is to be converted to use for schools, business, housing, healthcare facilities, or elderly care facilities. Local

environmental protection bureaus will employ information disclosure, surveying, and risk appraisal systems to identify the pollution levels of high-risk plots and assign responsibility to units or individuals for restoration.

Companies should expect the government to proactively create systems to identify firms and individuals who will be held responsible for soil pollution at production sites. Increasing attention on soil pollution will also expand the market for soil remediation. The cost of thoroughly remediating the country's contaminated land is estimated to be as high as RMB 5 trillion.



NEV subsidies adjusted to promote competitiveness

China is adopting more stringent new energy vehicle (NEV) subsidy policies to gradually push out low-value, low-tech NEV producers that had proliferated due to generous government support for the industry.

On January 1, the *Notice on Adjusting Policies and Subsidies for Promoting NEV Use* [《关于调整新能源汽车推广应用财政补贴政策的通知》](#) from the Ministry of Industry and Information Technology (MIIT), Ministry of Science and Technology (MOST), Ministry of Finance (MOF), and National Development and Reform Commission (NDRC), came into effect. *Notice* seeks to improve NEV quality by specifying requirements that must be met to qualify for NEV subsidies. These requirements cover factors such as energy consumption, range, battery capacity, safety, and lifespan, and charging rate.

Companies will also need to contend with dwindling subsidies both for individual vehicles and for the industry as a whole. In *Notice*, the maximum subsidy for NEV buses has been reduced by half, and the maximum subsidy for NEV passenger vehicles by 20%. To wean the industry off of subsidies and promote growing competitiveness, MIIT has also indicated that 2017-2018 NEV subsidy levels will be cut by 20% from 2016 levels.

New material industry plan to support EP

On January 23, multiple ministries released the *Notice on Development Guidelines for the New Materials Industry* [《新材料产业发展指南的通知》](#). This policy will support China's efforts to protect the environment by pushing for

technological breakthroughs in critical EP industries including NEVs, energy efficiency technology, and energy.

In *Notice*, MIIT, the NDRC, MOST, and the MOF identify over 70 key materials for government support including composite materials, semiconductors, carbon fiber, specialty steel, and light alloys. Some key EP-related goals include developing:

- NEVs: Materials for new energy and energy-efficient vehicles, such as for lithium nickel cobalt aluminum oxide batteries, hydrogen storage materials, and vehicle lightweighting.
- Energy efficiency: High-efficiency rare earth lighting, materials for thermal energy production, denitration catalysts, and industrial air filtration.
- Energy: Hydrogen storage materials using rare earths; turbine blades for 5MW wind turbines; anti-degradation and protective coatings for gas turbines; and high-voltage electric grids.

State Council releases energy use and emissions reduction plan

On January 5, the State Council released the *Integrated Energy Conservation and Emissions Reduction 13th Five-Year Plan* [《“十三五”节能减排综合工作方案》](#). The extensive plan touches on a variety of industries and administrative measures, specifying agencies to take the lead in each respective field and breaking down targets for each administrative region's growth in energy consumption and emissions of major pollutants over the 13FYP. Other specific targets for 2020 include:

- NEVs and other low-carbon industries to reach an industry size of RMB 10 trillion from an estimated 2015 value of RMB 4.5 trillion
- New passenger vehicles to fall from an average fuel efficiency of 6.9L per 100km to 5L per 100km
- Reducing disposable consumer products and packaging and using water-based, low-VOC paint where possible

MEP head says more staggered production to fight smog

On January 6, media reported that during an interview, Minister of Environmental Protection Chen Jining discussed the smog problems facing northern China during the winter season and outlined steps that the MEP would take to reduce smog, especially in the Jing-Jin-Ji region.

Chen stated that the government would make greater use of staggered production, pushing companies to reduce their production and resultant emissions during the winter heating season. Chen also emphasized the pollution emission permit system as a key tool for reducing industry-specific emissions.

POLICY TRACKER

Environmental protection

Air: On January 2, the MEP announced that it had issued punishments after 10 inspection teams discovered that more than 500 construction sites and more than 10,000 vehicles had failed to cease operations in accordance with smog response plans. [Link](#)

EP: On February 1, the *Green Terminal Standards*, designed by the Beijing New Airport Construction Headquarters under authorization of the CAAC Airport Department, took effect. The new standards will be referenced in construction and expansion of airport terminals and consider factors such as integrated heating and cooling systems; design of terminals in areas with severe winters; and use of renewable materials in airport construction. [Link](#)

EP: On December 22, the NDRC, MOST, MIIT, and MEP released the *Energy-Saving and Environmental Protection Industry 13th Five-Year Plan*. By 2020, the government aims for these industries to account for roughly 3% of national GDP and for the industry to have developed over 100 "backbone" companies and 20 industry clusters. [Link](#)

Soil: On January 12, Guizhou released its *Soil Pollution Prevention and Treatment Work Plan*, outlining steps such as completing a survey of the province's agricultural land by the end of 2018 and implementing a land use market entry management system for construction by 2020. [Link](#)

Water: On January 9, the Ministry of Water Resources and 8 other departments had released the *Implementing Plan for Carrying out Inspection Work for the Most Stringent Water Resources Management System*, aiming to guide work in a number of water protection areas such as measuring water usage per unit of domestic GDP and identifying "river chief" systems and water withdrawal permits as key areas for deepened reforms. [Link](#)

Energy

Energy: According to media reports from January 23, government insiders have stated that new energy and graphene, a material used to make electric circuits, solar batteries and display screens, are likely to be targeted for capacity reduction by the government in 2017. [Link](#)

Energy: On January 5, the National Energy Administration released the *Energy 13FYP*, laying out government priorities as China prepares to invest RMB 2.5 trillion into renewable energy generation and push total employment in the sector to over 13 million by 2020. The plan echoes targets outlined in China's general 13FYP, such as raising non-fossil fuels and natural gas to 15% and 10% of China's primary energy consumption respectively. Concrete targets include setting a minimum efficiency of 310g or less of coal per kilowatt-hour and setting maximum pollutant concentrations for sulfur dioxide, oxynitrides,

and dust. It also outlines priority projects, areas, and technology for improvement, such as nuclear spent fuel processing equipment and pumps. [Link](#)

Power: On January 20, media reported that the NDRC is drafting *Notice on the Plan for Orderly Liberalization of Power Generation and Usage*. The *Notice*, once released, will improve market entry and exit systems for the power market and will reduce restrictions on regional electricity sales, creating a larger role for market forces in determining China's power future. [Link](#)

Solar: On January 25, Song Feng, Deputy Director General of the Fund for Development Cooperation between China and Portuguese-Speaking Countries, announced that the organization will invest USD 20 million into a solar project in Brazil which will ultimately produce 200 MW of power.

Solar: On January 11, Bulgaria announced that Chinese solar panel manufacturer GS-Solar plans to invest in a new manufacturing plant in Bulgaria. [Link](#)

NEVs

NEVs: On January 23, MIIT released a *Recommended Models Directory of New Energy Vehicles*, listing the first batch of recommended NEVs for 2017, including 185 vehicles from BAIC Motor Corp, Geely Automobile, BYD, Chongqing Changan Automobile, and Chery Automobile. [Link](#)

NEVs: On January 18, Jiangsu released its *Implementing Plan for NEV Popularization and Application during the 13FYP*, calling for all new residential parking spots to include charging piles and for at least one larger charging station per 2000 private NEVs. [Link](#)

NEVs: On January 16, MIIT released the *Market Entry Administrative Rules for NEV Vehicle Producers and Products*, mandating that producers create records of all vehicles sold in order to track the vehicle's maintenance, usage, and recycling information. [Link](#)

NEVs: On January 10, the Asian Development Bank (ADB) signed a USD 75 million deal with China's Everbright Financial Leasing. By 2018, the cooperation will help finance some 5,000 leased buses that run on cleaner fuel, including compressed natural gas and liquefied natural gas, as well as electric and hybrid buses. [Link](#)

NEVs: On January 9, Tianjin released the *Tianjin NEV Charging Infrastructure Development Plan (2016-2020)*, a plan to expand NEV charging facilities in the coming years, aiming to build over 92,000 charging piles of various types to power the estimated 160,000 NEVs that will be in use in the city. [Link](#)

About us

North Head is a strategic communications and public affairs consultancy that tracks developments related to environmental protection in China. To receive future issues of *China Reflections* or obtain more information and analysis of changes China's environmental policy and regulatory landscape, please send an email to info@northheadcomms.com



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