

February-March 2017

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## This month:

- At the Two Sessions, **China's leaders outlined key environmental protection (EP) measures for 2017** including fighting air pollution, establishing "ecological red lines," and tackling soil and water pollution.
- **Hotels, retail, and shopping malls will be priority industries in the rollout of mandatory source-separated recycling pilots.**
- Two new documents will **push for the automobile propulsion battery industry to consolidate and improve the quality of batteries** in China's domestic industry.
- **A State Council decision has mandated the creation of ecological red lines in priority regions by the end of 2017** and in all regions by 2020, demarcating areas which are restricted for development.

## ENVIRONMENTAL INSIGHTS

### Major EP measures for 2017 outlined at Two Sessions

During the annual Two Sessions, which took place in Beijing from March 3-15, China's leaders signaled a continued focus on air pollution and listed key regulatory initiatives and pollutant reduction targets for 2017.

During the meetings, Premier Li Keqiang acknowledged that the people are "desperately hoping for" improved air quality and promised to "make our skies blue again."

**2017 pollutant reduction targets**

Item	2017 Target	2016 Actual	2016 Target
Ammonia nitrogen emissions	2.0%	2.9%	2.0%
Chemical oxygen demand	2.0%	2.6%	2.0%
Nitrogen oxide emissions	3.0%	4.0%	3.0%
Sulfur dioxide emissions	3.0%	5.6%	3.0%
Decrease in energy consumption per unit of GDP	3.4%	5.0%	>3.4%

Li called for reducing coal usage, strengthening oversight of vehicle and enterprise emissions, and improving monitoring infrastructure. For coal-related air pollution, Li aimed to install low-emission technology in coal plants in

eastern, central, and western China by 2017, 2018, and 2020 respectively. He called for prioritizing the integration of renewable energy sources into the electric grid and the reduction of wasted hydro, wind, and solar power. Premier Li also called for PM2.5 concentrations in key areas to "fall markedly," but did not give a concrete target figure.

Leaders at the Two Sessions also gave renewed attention to plans to demarcate "ecological red lines," with Ministry of Environmental Protection (MEP) chief Chen Jining naming areas such as the Yangtze River Economic Belt as the priority for doing so. These red lines, along with policies and pilots to limit use and reduce waste of raw resources such as water, will protect environmentally sensitive areas.

Other major environmental protection thrusts outlined at the Two Sessions include:

- Tackling soil pollution through surveying and categorization systems for differentiated treatment and prevention schemes. These schemes will standardize methods used to assess pollution risk, pollution levels, responsible individuals and enterprises, and compensation and remediation standards. It was also announced that China's legislature will create a soil pollution prevention law this year.
- Strengthening water pollution control through the "river chief system." Under this system, one official is accountable for the quality of a river in a jurisdiction and has authority to overrule departments of the same administrative level in matters concerning protecting the river's water quality. River chief systems allow better protection of water quality and will potentially ease relocation of facilities away from

water sources by resolving conflicts between departments with varying goals.

*These developments will increase oversight of air and soil pollution, and will potentially increase pressure for facility relocation. "River chief" reforms will also change the stakeholder environment by modifying relationships among government agencies.*



## Pilots for mandatory source-separated recycling to be rolled out for retail, hotels

On March 18, government ministries released a plan to guide the creation of a mandatory household waste separation system and supporting legal and regulatory system by the end of 2020. Under the system, enterprises in select industries, including retail and shopping malls, will be required to separate their recycling for easier processing.

According to the *Waste Separation System Implementing Plan* [《生活垃圾分类制度实施方案》](#) released by the Ministry of Housing and Urban-Rural Development (MOHURD) and the NDRC, Beijing, Shanghai, Tianjin, and Chongqing will join provincial capitals and other designated cities in leading the way with the scheme. These areas should craft rules for source-separated recycling by the end of 2017, and these rules must include the following categories:

- **Harmful waste:** Including items such as fluorescent lighting, thermometers, blood pressure meters, pharmaceuticals, paint, and pesticides.
- **Perishable waste:** Including items such as food, kitchen waste, and agricultural market waste.
- **Recyclable waste:** Including items such as electronics and composite and non-composite packaging.

Waste not included in the above categories will be processed according to current recycling rules. Priority industries for implementation of the scheme include hotels, shopping malls, supermarkets, retail stores, and office buildings. By 2020, pilot cities should reuse 35% of collected materials.

This plan will join others such as the coming NDRC *Internet Plus Resource Recycling Action Plan* [《"互联网+"资源循环行动方案》](#) to push businesses to implement more thorough recycling to reduce the environmental impact of China's growing domestic consumption and increasingly affluent middle class.

## Two documents support China's battery quality and production capacity

On March 1, four ministries released an action plan to improve the quality and scale of China's automobile propulsion battery industry.

In the *Action Plan for Promoting the Development of the Automobile Propulsion Battery Industry* [《促进汽车动力电池产业发展行动方案》](#), the government sets five goals for industry development. These include increasing battery-specific energy to 300 watt-hours per kilogram by 2020, and to 500 by 2025, as well as expanding the industry's production capacity to 100 GW·h. In March, media sources also reported that the revised *Standardization Requirements for the Automobile Propulsion Battery Industry* [《汽车动力电池行业规范条件》](#) will be released soon and will encourage consolidation in the industry by setting a minimum annual production capacity requirement of 3 to 5 GW·h for producers who wish to receive preferential treatment under new energy vehicle (NEV) subsidies.

Together, these two policies will nurture China's automobile propulsion battery and NEV sectors. Greater capacity requirements for battery enterprises will also reduce pollution created by the industry.

## China to create ecological "red lines"

On February 7, the State Council released a plan outlining steps by provinces to establish protected areas where development is forbidden.

According to *Some Opinions on Demarcating and Strictly Abiding by Ecological Protection Red Lines* [《关于划定并严守生态保护红线的若干意见》](#), all provinces and regions must conclude this work on demarcating protected areas by 2020. In areas of high ecological risks, such as the heavily industrialized Jing-Jin-Ji and Yangtze River Delta regions, such work should conclude by the end of 2017. Plans for "ecological red lines" were first announced in 2011 to combat the environmental degradation brought on by rapid development. This could impact the placement of future facilities and could create additional pressure to use water-conserving technology.

The creation of ecological "red lines" will clarify which areas are subject to the strictest environmental supervision. Enterprises or development which could potentially pollute these areas will be subject to greater scrutiny.

## POLICY TRACKER

### Environmental protection

**EP:** On March 29, the State Council announced the ninth batch of national parks, covering 19 areas in 12 regions. [Link](#)

**EP:** On March 20, the State Council released the *Notice on the State Council 2017 Legislative Work Plan*, outlining laws and regulations which will be drafted, revised, or reviewed by the NPC during 2017, as well as the ministries responsible for doing so. Laws relevant to environmental protection include the *Atomic Energy Law*, *Administrative Regulations for Environmental Protection for Construction Projects*, *Regulations on Work Safety and Emergency Accident Response*, *Administrative Regulations on Environmental Protection in Offshore Petroleum Exploration and Utilization*, *Nuclear Safety Law*, *Administrative Measures for Scrap Cars*, *Soil Pollution Prevention and Treatment Law*, and revisions of the *Water Pollution Prevention and Treatment Law*. [Link](#)

**EP:** During the Two Sessions, the National Development and Reform Commission (NDRC)'s annual work report stated that the 2017 goals for reduction in steel and coal capacity would be 50 and 150 million tons per year, respectively. While the target for steel has risen from last year's target of 45 million tons, the target for coal represents a drop of roughly 40% from the 2016 target of 250 million tons.

Statements by leaders indicate that the reduced coal target reflects the difficulty of continued capacity cuts, given that much of the capacity closed in 2016 had been idle. These continued capacity cuts will lead to higher prices for steel and coal, especially if the government continues to restrict the maximum number of operating days for coal production facilities.

**EP:** On February 28, the MEP released an opinion-seeking draft of the *Effluent Standards of Pollutants for Pesticides Industry*. This replaces the earlier *Effluent Integrated Emissions Standards* and *Heterocyclical Pesticide Industrial Water Pollutant Emission Standards*. [Link](#)

**EP:** On February 28, the Civil Aviation Administration of China (CAAC) released the *Civil Aviation Energy Conservation and Emissions Reduction 13th Five-Year Plan*, outlining steps to reduce the industry's environmental impact. Key steps include improving airport water and waste processing efficiency to 90% and reducing passenger airport energy consumption per unit of throughput by 15%. [Link](#)

**EP:** On February 4, the State Council released the *National Territorial Plan (2016-30)*. The policy balances growth with environmental protection for all of China's land and water territory, for example by outlining steps to coordinate resource utilization and development, limit total water consumption and farmland use, and protect arable land from urbanization. [Link](#)

**Soil:** According to MEP reports from February 15, the ministry has already begun work on the national soil pollution survey

called for in the *Soil Pollution Prevention and Treatment Action Plan*. *Action Plan* calls for surveying of agricultural land pollution to be completed by the end of 2018.

### Energy

**Energy:** In the *Guiding Opinions on 2017 Energy Work* released on February 10, the NEA lays out steps to support solar and wind expansion, such as continuing "solar frontrunner" policies to support high-efficiency solar power companies and aiming to install 20 GW of new wind capacity, with another 25 GW under construction, by the end of the year. However, in provinces where failure to connect existing renewable power generation capacity to the grid causes waste of over 5% of the solar power or 20% of the wind power that is produced, planning for new capacity of that type will cease.

Other government goals for 2017 included in *Guiding Opinions* are for non-fossil fuel sources to account for 14.3% of China's energy consumption, for natural gas to reach 6.8% of total energy consumption, and for the government to formulate and implement the *Opinions on Accelerating and Promoting Natural Gas Utilization* 《关于加快推进天然气利用的意见》. [Link](#)

**Nuclear:** On April 6, media reported that China General Nuclear Power Corporation (CGN) signed a nuclear power training cooperation framework agreement with the Kenya Nuclear Electricity Board. The agreement will promote use of China's Hualong One reactor technology in Africa. Hualong One is also expected to be used at the Bradwell nuclear power site in the UK if it passes UK safety inspections. [Link](#)

**Nuclear:** On March 10, the State Power Investment Corporation (SPIC) and Mingyang Electric Group reached an agreement to promote the development of offshore wind power in Guangdong by cooperating in fields such as construction, technology, and international expansion. [Link](#)

**Solar:** On February 16, MIIT released the *China Photovoltaic Industry Development Roadmap 2016*, detailing the development of the industry by tracking 62 indicators. According to MIIT, in 2016, China's installed solar photovoltaic capacity nearly doubled to 7.74 GW. Shandong, Xinjiang, and Henan saw the greatest capacity increase, while Xinjiang, Gansu, Qinghai and Inner Mongolia ended the year with the greatest overall capacity. [Link](#)

**Wind:** In the 2017 *Wind Power Investment Monitoring and Warning Results* report released on February 17 by the National Energy Administration, six major wind-producing provinces were red-listed, including Xinjiang, Gansu, Ningxia, Inner Mongolia, Jilin, and Heilongjiang. This red-listing indicates that new project approvals will halt in these areas until curtailment rates drop, and power grids are forbidden from accepting new grid connection applications from wind projects. [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 this newsletter or obtain more information and analysis of changes to China's environmental policy and regulatory landscape, please send an email to [info@northheadcomms.com](mailto:info@northheadcomms.com).



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