

June-July 2017

Environmental Insights

Revised water pollution law improves administration, raises fines 1

Nuclear energy specialist new head of MEP 1

Implementing draft released for EP tax law 2

Draft would create first mandatory pollution liability insurance system 2

Construction EIA reform brings higher fines, "dual penalty" system 2

Policy tracker 3

Special insert: Kalikasan Expo Conference 2017 3

This month:

- **Revisions to the *Water Pollution Prevention and Treatment Law* will increase monitoring of pollutant emissions** and increase public awareness of and governance of water quality at the local level.
- **Li Ganjie, a nuclear energy specialist, has become Minister of Environmental Protection.** His appointment may see greater resources funneled to nuclear issues.
- Drafts of the ***Implementing Rules for the Environmental Protection Tax Law*** and ***Administrative Rules for Construction Project Environmental Protection*** have provided details on the future of China's efforts to fight pollution.
- **A draft policy would create the first mandatory environmental protection insurance system**, raising costs and administrative complexity for enterprises.

ENVIRONMENTAL INSIGHTS

Revised water pollution law improves administration, raises fines

On June 27, 2017 the National People's Congress Standing Committee (NPCSC) passed a revised *Water Pollution Prevention and Treatment Law* [《水污染防治法》](#) which will tighten control of water pollution through a more thorough river chief system and stronger punishments.

River chief system expanded

The revisions are the first time the requirement for all levels of local government from provincial to county to establish "river chief" systems has been codified into law. Under river chief systems, a single official is given ultimate responsibility for water quality in his or her administrative area. Performance of river chiefs in fulfilling their EP duties will factor into government and cadre evaluations.

The government will create a system for capping emission of key water pollutants on a national level. In rural areas, quality and usage standards for agrochemicals should conform to local water quality needs, and extra steps must be taken to protect drinking water.

Higher punishments, more public disclosure

Officials must regularly disclose water quality, creating potential triggers for public environmental concern. Officials in regions where key water pollutant emissions exceed targets will also temporarily halt environmental impact assessments for new projects which would emit key pollutants.



The law includes drastically increased fines, for example a fine of up to RMB 100,000 per day for emitting pollutants without a permit. Enterprises with inadequate monitoring equipment can face fines of up to RMB 200,000. The revisions take effect on January 1, 2018.

The revised law will push local governments to fully implement the river chief system by the start of 2018, as called for by earlier policies. Fines will push companies to enrol in the pollutant emissions control permit system and to install pollution monitoring equipment, making it easier for authorities to monitor pollutant emissions.

Nuclear energy specialist new head of MEP

On June 27, Li Ganjie was appointed Minister of the Ministry of Environmental Protection (MEP) less than a month after being named Party Secretary of the Ministry.

He replaces his fellow Tsinghua graduate Chen Jining, now Acting Mayor of Beijing.

Li served as director of the National Nuclear Safety Administration from 2007 to 2016. In October 2016, he was appointed Deputy Secretary of the CPC Hebei Provincial Committee. In May 2017, he was appointed Party Secretary of the MEP.



Li's appointment to Minister of Environmental Protection holds the potential to impact the ministry in several ways:

- *Li has stressed use of technology to monitor for pollutant emissions and allow for more data-based environmental protection decisions.*
- *As Li is an expert in nuclear energy and safety, it is possible that he will increase the MEP's focus on nuclear-related issues.*

Implementing draft released for EP tax law

On June 27, three ministries released *Implementing Rules for the Environmental Protection Tax Law (Opinion-Seeking Draft)* [《环境保护税法实施条例（征求意见稿）》](#).

Rules covers the taxation process outlined in the original EPTL. It states that local environmental protection authorities calculate tax amounts while local taxation authorities collect taxes. It also identifies categories of taxable items and methods for measuring pollutant emissions.

Draft would create first mandatory pollution liability insurance system

Environmental and insurance regulatory authorities have rolled out a new policy to better ensure that businesses have liability insurance for environmental pollution. This insurance is part of the government's efforts to build a system which ensures that there are adequate funds to clean-up of environmental pollution incidents.

On June 9, the Ministry of Environmental Protection (MEP) and China Insurance Regulatory Commission (CIRC) jointly issued a comment-seeking draft of the *Administrative Measures for the Compulsory Liability Insurance for Environmental Pollution (Administrative Measures)* [《环境污染强制责任保险管理办法（征求意见稿）》](#). *Administrative Measures* is the first policy document released by a central government authority that makes environmental liability insurance compulsory for certain businesses.

The draft requires some businesses in industries such as petroleum and natural gas exploration, basic chemical material production, and synthetic material production to purchase liability insurance or face fines of up to RMB 30,000 (USD 4,400). The draft also defines the scope of insurance liability as including environmental clean-up.

Administrative Measures requires insurance companies to issue an environmental risk assessment before signing insurance contracts. The draft specifies conditions under which insurance companies can reject compensation, such as in environmental crimes, illegal discharge of pollutants, or unforeseen environmental safety hazards.

Administrative Measures is currently not legally binding, and related fines may not be high enough to motivate companies to comply with environmental protection insurance. However, the system will likely continue to be expanded in the future in line with the *Guiding Opinions on Establishing A Green Financial System* [《关于构建绿色金融体系的指导意见》](#) released in August 2016.

The requirement for businesses to purchase environmental pollution liability insurance aims to ensure that companies pay for environmental damage. The system will increase operational costs for businesses in affected industries. Failure to enrol in the insurance can also impact other administrative processes such as environmental impact assessments (EIAs). On the other hand, it will also reduce their chances of suffering financial losses due to being found responsible for pollution incidents.

Construction EIA reform brings higher fines, "dual penalty" system

On August 1, the State Council released a revised *Administrative Rules for Construction Project Environmental Protection* [《建设项目环境保护管理条例》](#), to take effect on October 1, 2017. The revisions have reformed administrative processes such as environmental impact assessment institution accreditation and made assessment criteria more transparent. They also create fines of up to RMB 1 million for enterprises which begin construction without first conducting an impact assessment. This fine can later be doubled and a "dual penalty" system implemented—fines for both the company and the responsible individual within that company.

POLICY TRACKER

Environmental protection

EP: On July 28, five ministries jointly released the *Guiding Opinions on Strengthening Development of Green Industry in the Yangtze River Economic Belt*. The policy calls to geographically restrict polluting enterprises to protect waterways, including restrictions on ten industries near key bodies of water and greater efforts to implement water treatment in industrial parks in the regions. By 2020, green manufacturing in the region should reach a value of RMB 5 trillion. [Link](#)

EP: On June 22, the NPCSC held its first reading of the *Soil Pollution Prevention and Treatment Law*. The law contains provisions for soil monitoring and assigning responsibility to individuals within corporations for soil pollution remediation. The law represents another step in completing the soil protection framework after the passage of the *2016 Soil Pollution Prevention and Treatment Action Plan*. To ensure funding for site remediation, the law calls for establishment of Soil Pollution Prevention Funds at central and provincial levels. Although it offers no mechanisms for gathering funding, designs for similar funds for remediation of mining sites have set aside a certain percentage of the mines' profits for funding. [Link](#)

EP: At the EU-China Summit on June 2 in Brussels, both sides highlighted their commitment to tackling climate change under the Paris Climate Agreement. However, the EU and China could not agree on a final text for a joint statement. Under the December 2015 Paris Agreement, countries pledge to take part in a global action plan to limit the global average temperature increase to well below 2°C compared to pre-industrial levels.

NEVs: On July 25, MIIT official Zheng Lixin confirmed that an administrative measure for the "two point system" would be released soon. The system assigns automobile companies points in two separate schemes: one tracking their corporate average fuel consumption, and one tracking their production of new energy vehicles (NEVs). [Link](#)

Energy

Renewables: On July 21, the National Energy Administration (NEA) published the *Guiding Opinions on Implementation of the 13th Five-Year Plan (13FYP) for Renewable Energy Development* as well as plans for development of wind, solar, and biomass energy. Governments will expand support for renewable energy and to control the scale of solar and wind development to limit curtailed capacity, except for distributed wind. [Link](#)

Energy: On July 24, the National Development and Reform Commission and NEA published a plan to promote the development of microgrids, identifying use of local renewables and use of cleaner energy such as natural gas and fuel cells as goals for microgrids. [Link](#)

KALIKASAN GP3 EXPOCONFERENCE 2017

KALIKASAN EXPO CONFERENCE 2017

On September 19-23, join the largest, most comprehensive convergence of sustainability initiatives and advocates at the Kalikasan GP3 Expo Conference 2017 in the Philippines! At the event, over 30,000 visitors will come to see over 250 international and local exhibits by over 80 business and sustainability leaders.

Theme: "Advancing sustainable consumption and production in addressing climate challenges"

The warming earth as a result of climate change has created adverse impacts not only in our forests and environment but it has also cross-cutting effects on the economy and society. Addressing climate change has now become a central, overriding concern in reducing not only global poverty but many conservation efforts.

Conference tracks

- Sept 19 – Green consumerism and green business towards climate resiliency
- Sept 20 – Sustainable construction and green building
- Sept 21 – Advancing sustainable tourism for inclusive socio-economic growth
- Sept 22 – Sustainable Forestry and Bamboo Summit for Socio-Economic Growth

Now in its fifth staging, the Kalikasan GP3 Expo Conference promotes green productivity, green consumerism, resource use efficiency, and low-carbon emissions and their role in fighting climate change.

For full details on how to register, send an email to Robert Magyar at: info@northheadcomms.com.

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.



Strategic counselor



Shenzhen
Strategic counselor



Scan the QR code to
download our iOS app,
"Portal to China."

1105 Full Tower, No. 9 Dong
San Huan Middle Road,
Chaoyang District, Beijing
100020
+86 10 8591 0056

info@northheadcomms.com
www.northhead.com