China Regulatory Update

ITI’s Environmental Leadership Council Spring 2017 Meeting

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Sonia X. Jin
Sonia.Jin@hklaw.com
202-469-5179
Overview

I. 2017 China Regulatory Trend

II. Key Issues to Watch in 2017

III. Suggestions for ITI Member Companies
I. 2017 China Regulatory Trend

A. Effect of the Trump Administration
I. 2017 China Regulatory Trend

A. Effect of the Trump Administration

Figure 5.1: Exports, imports, and trade balance by sector, US, 2015

Source: Deutsche Bank, BEA
I. 2017 China Regulatory Trend

A. Effect of the Trump Administration

- China may enforce its laws and regulations more strictly or unfairly against the U.S. companies.

- Chinese government may be less friendly in communications with U.S. companies.

- Chinese government may modify certain Chinese laws such as the “Catalogue of Industries for Guiding Foreign Investment”, which would potentially affect the U.S. companies.
I. 2017 China Regulatory Trend

B. The Big Picture

» China’s economy is slowing down.
  - People’s attention to GDP will be less; attention to environmental legislation and enforcement actions will be more.
  - Companies probably will decrease the investment in environmental protection in order to survive.
I. 2017 China Regulatory Trend

B. The Big Picture

» The regulatory environment is changing.

- 2017 is the second year to implement the 13th Five-Year Plan. Even though 2016 was the first year, normally the actual implementation starts in the second year—2017.

- In the “two meetings” in 2017, environmental protection is one of the hottest topics.

- The 19th National Congress of the Communist Party of China will be held in late 2017. Certain changes in leadership will be seen.
I. 2017 China Regulatory Trend

C. More Regulations (examples)

- Plans to Build a Recycling System of Renewable Resources (2015-2020)
  - Extended Producer Responsibility (“EPR”)
  - Waste Electrical and Electronic Equipment ("WEEE")

- Green China
  - Green Products
  - Green Power
  - Restrictions on Hazardous Substances (“RoHS”)

- Upcoming
  - Emission Standard of Pollutants for Electrical Industry
  - New Chemical Substance
I. 2017 China Regulatory Trend

D. Serious government enforcement actions
   - Central Supervision Group
     • Established in July, 2015
     • First action
       ▪ July – August, 2016
       ▪ 8 provinces
     • Second action
       ▪ November – December, 2016
       ▪ 7 provinces
     • Result
       ▪ 33,000 matters
       ▪ Filed 8,500 cases
       ▪ 440 million RMB fines
     • 2017
       ▪ 15 more provinces
       ▪ Revisit some provinces
II. Key Issues to Watch in 2017

A. Recycling System of Renewable Resources
II. Key Issues to Watch in 2017

Plans to Build a Recycling System of Renewable Resources (2015-2020)

1. Enforce the extended producer responsibility
2. Enforce the China WEEE Disposal Regulation
II. Key Issues to Watch in 2017

1. Extended Producer Responsibility ("EPR")
II. Key Issues to Watch in 2017

Plans to Enforce EPR  
(the State Council, 01/03/2017)

Who—Producers
- Electrical and Electronic Products
- Automobiles
- Batteries
- Packaging Materials

What—Producers
- Design
- Materials
- Recycling
- Publish Information

How—Government
1) Credit Evaluation System
2) Make regulations and standards
3) Make Supportive Policies
4) Strict Enforcement & Green Government Procurement
II. Key Issues to Watch in 2017

1) EPR Credit Evaluation System
   - Connected to the National Enterprise Credit Information Publicity System
   - Reporting and Publicity Rules
     • Pilot Program
   - Third-party evaluation system
II. Key Issues to Watch in 2017

2) Regulations and Standards

<table>
<thead>
<tr>
<th>Revise</th>
<th>Enact</th>
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<tbody>
<tr>
<td>The Law on Promoting Circular Economy</td>
<td>The Administrative Measures for the Recycling of Lead Acid Batteries</td>
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<tr>
<td>Regulation on the Administration of the Recovery and Disposal of WEEE</td>
<td>The List of and Administrative Measures for Mandatory Recycling of Products and Packaging</td>
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<tr>
<td>Standards Relating to Eco-Friendly Designs, Recycling, and Information Publicity</td>
<td>The Measures for the Evaluation and Administration of Extended Producer Responsibility</td>
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II. Key Issues to Watch in 2017

3) Supportive Policies
   - Private capitals to be invested in recycling WEEE
   - Green financing system
   - Government funds to support R&D of green technologies

4) Strict Enforcement & Green Government Procurement
   - Inspection of recyclers
   - Green government procurement
   - Set business models
   - Increase awareness of environmental protection
II. Key Issues to Watch in 2017

2. China WEEE Disposal Regulation

- China WEEE Catalog (2014 Version) became effective on March 1, 2016.
  - 5 → 14 types of products

- Explanations to China WEEE Catalog was issued on April 25, 2016.
  - Exclusions involving:
    - Refrigerators
    - Electric water heaters
    - Printers
    - Mobile phones

- Silence on the levy
  - Whether manufacturers should approach the gov
II. Key Issues to Watch in 2017

B. To Make China Green Again
II. Key Issues to Watch in 2017

1. Green Products
   ➢ Opinions on Establishing an Unified System on Green Products’ Standards, Certification and Labelling (the State Council; December 07, 2016)

   1) Green
      ▪ environmentally-friendly, energy saving, water saving, recyclable, low carbon, renewable, organic, etc.
II. Key Issues to Watch in 2017

2) Unified
   - Regulations and implementing measures
   - Standards, certification and labelling system
   - Assessment methods and indicators
   - List of labels, assessment standards, certifying requirements

3) Other government measures
   - Supervision methods: credit evaluation, producer’s responsibility, information publicity
   - A website/platform
   - International cooperation and recognition
   - Other support, such as tax benefits, financing advantages, green government procurement.
II. Key Issues to Watch in 2017

2. Green Power

- Rules on Issuing and Voluntarily Purchasing Green Power Certificates (for Trial) (NDRC, MOF, NEA; released on February 3, 2017; effective on July 1, 2017)
  - More implementing measures and relevant rules
  - Could be mandatory in 2018
II. Key Issues to Watch in 2017

- Green Power Certificates
  - Issued by National Renewable Energy Information Management Center
  - Photovoltaic and wind power
  - 1 certificate = 1 MWh

- Voluntarily Purchasing Platform
  - Seller’s Posting
    - Type of green power
    - Place of production
    - Name of the green power project
    - Introduction to the company
    - Sales amount
    - Sales price
    - Others
II. Key Issues to Watch in 2017

- Transaction
  - Enough certificates and money
  - Price: no more than government subsidy
  - One sale
  - Part of one certificate or multiple certificates

- Problems
  - Price
II. Key Issues to Watch in 2017

3. China RoHS
II. Key Issues to Watch in 2017

**China RoHS-2** (Measures for the Administration of the Restricted Use of the Hazardous Substances Contained in Electrical and Electronic Products)

- Released on January 21, 2016
- Effective on July 1, 2016

1) Requirements on designing, producing, importing EEPs & packaging materials
2) Labelling requirements
   - 6 hazardous chemicals
   - Environmentally friendly use period
   - Recyclable
3) *Compliance Management Catalog*
   - Conformity assessment system
   - Probably broader than China WEEE Catalog
   - Probably will remove certain “Exceptions/Exemptions” under EU law
II. Key Issues to Watch in 2017

The FAQs were released on May 16, 2016.

- “Electrical and Electronic Products” include, but are not limited to, the 10 categories:
  - Telecommunication equipment
  - Broadcasting and television equipment
  - Computers and other office equipment
  - Home electrical and electronic devices
  - Electrical measuring instruments
  - Industrial electrical and electronic devices
  - Electrical tools
  - Medical electrical equipment and devices
  - Lighting products
  - Electronic educational, art, sports and entertainment products
II. Key Issues to Watch in 2017

• Mandatory Standards
  
  ▪ SJ/T 11364-2014 “Marking for the Restriction of the Use of Hazardous Substances in Electrical and Electronic Product"
  
  ▪ GB/T 26572-2011 “Requirements of Concentration Limits for Certain Restricted Substances in Electrical and Electronic Products”
  
  ▪ GB/T 26125-2011 “Electrical and Electronic Products—Determination of Six Regulated Substances (Lead, Mercury, Cadmium, Hexavalent Chromium, Polybrominated Biphenyls, Polybrominated Diphenyl Etheres)"
  
  ▪ GB/T 29783-2013 “Determination of Chromium(Ⅵ) in Electrical and Electronic Products—Atomic Fluorescence Spectrometry”

• Other Standards
  
  ▪ SJ/Z 11388-2009 “General Guidelines of Environment-Friendly Use Period of Electronic Information Products”
II. Key Issues to Watch in 2017

C. Upcoming

1. Emission Standard of Pollutants for Electrical Industry
   
   will replace
   
   ▪ GB 8978-1996 Integrated Waste Water Discharge Standard
   ▪ GB 16297-1996 Comprehensive Emission Standard of Air Pollutants

   • Emission limits on water & air pollutants
   • Fence line monitoring
   • Continuous emissions monitoring for “key pollution emitters”
II. Key Issues to Watch in 2017

2. New Chemical Substance


➢ Guidance for New Chemical Substance Declaration and Registration (2010)
III. Suggestions for ITI Member Companies

» It is critical to continue engaging with the leading agencies on the important issues.

» The influence of industry group is more powerful than individual companies.

» Understanding that the regulators are more reluctant to engage with companies and industry representatives – with their concern of the possible blame of corruption, it is important to be patient in engaging with the Chinese agencies and regulators.
Thank You!

Sonia X. Jin
Sonia.Jin@hklaw.com
202-469-5179