

CHINA ENHANCES ITS POLLUTION CONTROL EFFORTS

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Executive Summary

1. Environmental protection and green development remain salient in China's 13th Five-Year Plan (FYP) announced in December 2015. All environmental targets are binding unlike non-binding targets in other areas. In the 32 highlights of proposals for China's 13th FYP, six called for environment improvement.
2. The Ministry of Environmental Protection released the new 13th FYP for emission reduction allocation on 15 December 2017. The green plan sets the new target of 15% reduction in energy intensity (based on 2015), 10% reduction in chemical oxygen demand (COD) and 15% reduction in sulphur dioxide (SO₂).
3. The 12th FYP pollutant allocations across provinces followed the equity principle: provinces with larger past emissions or stronger ability to pay have been allocated higher emission abatement.
4. The efficiency factor however is less considered. Provinces that have higher abatement cost have been assigned higher pollutant reduction targets due possibly to the underdevelopment of the pollution permit trading system.
5. Political factors such as national security outweigh the environment; minority areas are allocated less pollution rebates and areas with more cases of environmental penalty enjoy more rebates.
6. Local governments have implemented the pollution reduction allocation scheme well. The Ministry of Environmental Protection announced in December 2017 that China had surpassed the goal set for main pollutants in the 12th FYP. The actual reduction in energy intensity was 18.4% (vs the target 16%) and 12.45% for COD/SO₂ (vs target 8%).
7. The achievement reflects the characteristics of the central government's allocation targets. Provinces with more ability to pay, more minority and more cases of

environmental penalty achieved greater reduction. However, the rebatement process is not indicative of efficiency.

8. Future allocation that does not consider efficiency is unlikely to keep the maintenance of green environment abreast with economic growth. China is planning to further develop the pilot on emission permit trading system.