



Authors



Karl S. Bourdeau
Principal
(202) 789-6019
kbourdeau@bdlaw.com



C. Scott Fulton
Principal
(202) 789-6030
sfulton@bdlaw.com



Russell N. Fraker
Associate
(202) 789-6048
rfraker@bdlaw.com

China Announces New Comprehensive Water Pollution Control Plan

The State Council of China has published an ambitious plan to reverse the deterioration of water quality and improve management of water resources throughout China. The Action Plan for Water Pollution Prevention (the “Plan”) sets progressive goals over the next five, fifteen, and thirty-five years, and provides a wide-ranging policy agenda that includes stricter regulation of industry effluent discharges, combined with, among other things, market-based incentives, investment in new water treatment facilities, and promotion of more efficient and cleaner technologies. While it remains to be seen how much of this aggressive agenda will be realized within the timeframes envisioned by the Chinese government, the Plan promises a radical transformation of water quality regulation in the country with potentially significant consequences for various segments of the industrial sector.

The Plan establishes specific water quality targets for 2020 and 2030, with an ultimate goal of achieving comprehensive improvement by 2050. The Plan states that by 2020, 70% of the water in China’s seven major watersheds and 93% of the drinking water sources in prefecture-level cities are to meet an acceptable standard. By 2030, the Plan raises these targets to 75% and 95%, respectively. The Plan also calls for the reduction of the prevalence of “black and odorous water bodies” in prefecture-level cities to less than 10% by 2020, and the elimination of this problem by 2030.

The bulk of the Plan consists of 35 policy statements grouped into the following ten programmatic areas: pollutant discharge control; economic restructuring; conservation and protection of water resources; scientific and technological support; market mechanisms; environmental regulation and enforcement; environmental management; protection of the aquatic ecological environment; differentiated responsibilities; and public participation and social supervision.

The “Pollutant Discharge Control” program area has four major components:

- *Industrial Production.* The Plan anticipates the imposition of cleaner production standards for ten major industries: papermaking, nitrogen-based fertilizers, steel, nonferrous metals, textiles, agricultural products, pharmaceuticals, leather tanning, pesticides, and electroplating. In some cases, the Plan identifies specific changes in production technologies that certain industries are already adopting or are expected to adopt in the near future. The Plan also promises inspection and closure of facilities in these and other industries (e.g., sulfur and arsenic smelting and petroleum refining) if they continue to use highly polluting production methods.

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- *Wastewater Treatment.* The planned Pollutant Discharge Control program includes a nationwide infrastructural expansion of both industrial and municipal wastewater treatment facilities. The Plan states that all clusters of concentrated industrial development must have centralized wastewater treatment facilities with water quality monitoring equipment installed by the end of 2017.
- *Agriculture.* The Plan envisions large-scale changes to China's agricultural footprint. Livestock farms will be restricted from certain areas, forcing the relocation of some farms, and treatment of sewage from all livestock operations will be mandatory. In regions where water is becoming scarce, the Plan requires a transition from water-intensive to drought-tolerant crops. The Plan also promises future regulations and standards to reduce non-point-source pollution from agriculture by reducing the use of fertilizers and promoting or requiring less toxic and persistent pesticides.
- *Shipping.* The Plan includes measures to reduce pollution from the shipping industry, with stricter standards to go into effect for new coastal vessels after 2018 and for new inland river vessels after 2021. Ships that sail international routes in Chinese waters will be required to exchange or treat their ballast water. Ports will be subject to pollution control plans and waste management and water treatment standards that are expected to go into effect for coastal facilities by the end of 2017 and for inland riverside facilities by the end of 2020.

Naturally, the Plan also calls for improvements to China's environmental regulations, including new or amended water quality standards for groundwater, surface water, and ocean water, as well as discharge standards for major industries and urban water treatment plants. More rigorous and consistent enforcement of environmental regulations is also a priority of the Plan, which anticipates expanded inspection programs and "social supervision," or direct citizen participation in compliance monitoring through whistleblower hotlines and facilitation of environmental lawsuits. To support compliance, the Plan provides for both a research and development program and an outreach program to promote adoption of cleaner technologies.

In addition, the Plan outlines general reforms of the water consumption and discharge permitting process through clarification of the conditions under which permits can be issued. To enable the reform of water consumption permitting, the Plan anticipates completion of a water resource capacity assessment by 2020. The Plan also proposes to link discharge permits to water quality, first with the development of nationwide water quality standards and monitoring, and later through an effluent discharge permit trading system.

Under the Plan, water resource capacity will become an integral factor in land-use planning and zoning, with major new projects to be located in preferred development areas and the decommissioning of certain types of polluting facilities (e.g., metals, paper, and chemical production) that are presently located in settled areas.

Along with its regulatory policies, the Plan describes economic incentives to reduce water use. These consist of acceleration of an ongoing water price reform, imposition of new taxes, and establishment of positive financial incentives for facilities that adopt technologies and practices that conserve water or reduce their pollutant discharges.

The Plan reportedly went into effect upon its publication on April 2, 2015. Most of its policy pronouncements, however, will require elaboration through new regulations, many of which should be expected in the next year or two in light of the Plan's aggressive timetables and projected results.

Beveridge & Diamond advises Chinese companies on the environmental considerations of doing business in the U.S. and, through relationships with a network of Chinese national law firms, on environmental issues faced by multinational companies doing business in China. Firm Principals [Karl Bourdeau](#) and [Scott Fulton](#) regularly travel to China and foster dialogue among various stakeholders regarding China's evolving environmental regulatory regime. For more information, please contact the authors or any member of our [China Practice](#).