

# CHINA MARKET INTELLIGENCE

## Ministry of Environmental Protection to Release \$277 Billion Plan to Tackle Air Pollution

2013-08-07

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The Ministry of Environmental Protection (MEP) will soon release the country's "strictest ever" action plan to combat air pollution, according to Chinese [media sources](#). The plan, the Airborne Pollution Prevention and Control Action Plan (2013-17), could increase environmental compliance costs for domestic and foreign companies operating in China. The plan was approved by the PRC State Council in June, and will be the second plan that outlines measures to tackle pollution in the past two years. The full text of the plan is expected to be [released in mid-August](#).

[Policies to reduce pollution](#) in the past included raising gasoline standards, removing caps on penalties for polluters, and implementing pollution insurance for relevant companies. The latest action plan will take pollution-control further by focusing on limiting levels of PM2.5-particulate matter less than 2.5 micrometers in diameter. These fine particles are a health concern because they can be inhaled into and accumulate in a person's respiratory system. The new plan targets northern China where air quality is low, particularly Beijing, Tianjin, and Hebei province, [according to China Daily](#). The plan's goal by 2017 is to reduce northern China's PM2.5 levels by 25 percent of 2012 levels.

The government will take multiple types of action to reduce PM2.5. As indicated in a separate [CMI](#), the government will prioritize controlling overcapacity in high-emission industries such as steel, cement, and plate glass industries. In addition, the government will aim to restructure the country's energy use to be less reliant on coal, increase the use of clean resources such as wind and water power, improve vehicle emission and fuel standards, and further restrict sources of pollution. This suggests that companies that own or operate factories, refineries, and power plants will most likely be affected. Auto companies may also be impacted by tightened vehicle standards.

The plan will be backed by RMB 1.7 trillion (\$277 billion) in total investments from the central government. In comparison, the 1990 US Clean Air Act Amendments cost \$65 billion (in 2006 dollars) to implement, according to the [US Environmental Protection Agency](#). It remains unclear how all of the investment will be carried out, and whether foreign companies will be able to take advantage of these investments. According to [news reports](#), some projects have already been earmarked for investment (see Table).

### **Pollution-reduction projects earmarked for investment**

<b>Project</b>	<b>Investment amount, in RMB</b>
Implementing PM2.5-monitoring equipment in 388 cities	2 billion (\$327 million)
Nitrogen oxide emission control retrofits	50 billion (\$8.2 billion)
Desulfurization facilities	50 to 60 billion (\$8.2 to 9.8 billion)
Carbon sequestration projects	2 billion (\$327 million)
Building new dust filters	20 billion (\$3.3 billion)
Retrofitting existing dust filters	30 billion (\$4.9 billion)

While tightened standards introduced by the plan will likely apply financial pressure on companies that are large emitters of PM2.5, companies that specialize in clean technologies stand to gain from this development. However, [experts say](#) it remains to be seen if China's large market potential can be fully mobilized for clean technology, or if the policy will just cause industries to relocate to pollution havens - jurisdictions with looser environmental standards. How the scenario will unfold will depend on how air pollution regulation is implemented in other regions such as central and western China.