

**China Council for International Cooperation on Environment and Development
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Recommendations to the Government of China

CCICED has submitted its recommendations on environment and development to the State Council of China each year over the past two and a half decades. For recent years, there have been very significant changes in the range and complexity of topics discussed, and we continue to see remarkable efforts and achievement on the part of China to address the challenges and opportunities. Through this prolonged time of learning and hard effort, China now has established a productive strategy and top-level design for Ecological Civilization construction and green development.

Yet China still faces monumental challenges—serious environment and ecological issues and urgency of Ecological Civilization institutional reform, and from threats now inadequately addressed at the global level, including environmental protection, climate change, biodiversity decline, and sustainable use of the oceans. We believe these issues and threats currently constrain the full achievement of *Xiaokang* objectives, and may hold back economic and social progress in the decade ahead. Addressing these concerns requires further institutional and legal reform, technological and management innovation far beyond what has so far been accomplished. People's full participation is needed, especially in development decisions and for new patterns of sustainable consumption to emerge. Fortunately China also has advantages gained through its existing efforts.

CCICED believes that China is well positioned to become a global green leader in future efforts: (1) by example through its own present and future improvements; (2) by its role in expanded international cooperation and governance; and (3) by expanded support to other developing nations. These three leadership roles are the focus of CCICED's 2016 Recommendations to the State Council.

This year's policy recommendations focus on the theme of *Ecological Civilization: China and the World*. We have come to a general conclusion and propose three major actions. Regarding the general conclusion: First, if it is to achieve the environmental elements for a moderately well off society by 2020, China requires a stronger effort domestically to promote the Ecological Civilization construction, and achieve overall environmental quality improvement. Second, the coming several years are the time to demonstrate just how much can be achieved by accelerating the pace of China's efforts to address international goals particularly for the Paris Agreement on Climate Change and the Chinese Implementation Plan for the UN 2030 Sustainable Development Goals (SDG2030). Third, the great potential value to green sustainable development of China's already announced international development initiatives. These initiatives include the *Belt and Road Initiative* (BRI), AIIB and the New Development Bank (NDB), and South-South Cooperation funds, plus China's enhanced ODA and FDI.

The three major actions that we believe should advance strategy of Ecological Civilization construction, and therefore green transitions, are the following. First, it is timely to introduce Ecological Civilization as a mainstay of Chinese policy not only for

domestic innovation and transformative change, but also in Chinese international relations. Second, China should use the SDG2030 opportunity to advance global sustainable development via South-South Cooperation; promote substantive progress in addressing climate change at the global and regional levels; enhance environmental safeguards in bilateral and multilateral agreements; and foster green action by businesses both domestically and internationally. Third, continue to promote green innovation within strategic international platforms such as the G20, following the successful example of the green financing initiative in this year's G20 Hangzhou meeting. These three actions will work to China's economic, social, and political advantages.

Our major recommendations are based on the findings and recommendations of 2016 task forces and special policy studies¹.

Policy Recommendation 1: Accelerate the progress of Ecological Civilization and Green Transformation

The guidance of the 5-in-1 principles of “Innovation, Coordination, Green, Opening and Sharing” is comprehensive. However, China's development is at a critical turning point, and must foster a more rapid green transformation of the economy towards an Ecological Civilization. Needed are several green transitions that can be undertaken during the 13th FYP. It is recommended that the future five year plans be titled as the “National Economic, Social and Environmental Development Plan”.

1.1. Accelerate institutional reform on Ecological Civilization.

(1) *Establish a national green development governance system.* Incorporate the concept, principles and norms of Ecological Civilization into the Constitution during the 13th FYP, and ensure the establishment of a legal system and administrative system under the umbrella of Ecological Civilization. It is necessary to further strengthen the performance evaluation systems for government officials at both the local and national level. Greater use of green competition mechanisms is needed among the provinces and cities. Conflicts of overlapping administrative systems for resource and environmental management should be rationalized, and the Ecological Civilization concept should be embedded in urbanization, rural land management and water resource utilization. The recently announced green financial system guidelines need to be followed up with various mechanisms to restrict financing channels for high-pollution and high-energy consumption enterprises, and to assure strict compliance to green standards.

(2) *Encourage green economy growth by leveling the playing field for clean technology and other green innovations.* The slow pace of green taxation reform should be addressed along with subsidy reform that is consistent with needs for green development. Remove inappropriate subsidies for fossil energy sources. Use measures such as green credit, differentiated water/electricity prices, mandatory environmental liability insurance and special award funds to support enterprises with sound environmental performance. Consider how enterprises can play a greater role in China's Implementation Plan for SDG2030.

¹ Task Forces: *China Green Transition Outlook 2020-2050 (interim Report)*; *Rule of Law and Ecological Civilization*; *Ecological Civilization and South-South Cooperation*. Special Policy Study: *China's Role in Global Green Value Chains*.

(3) *Establish green economy accounting system.* Reform current national economy accounting system by introducing ecological environment valuation and environmental cost accounting that embraces the “green is gold” approach; and completely change the situation of excessive pursuit of GDP growth. Green accounting is needed for eco-compensation arrangements, assessment of government officials, and various other tasks covered in the 13th FYP.

1.2. Continue to accelerate green transformation in major social and economic sectors such as agriculture, industry and service sectors.

(1) *Foster green transformation of agriculture.* Modern agriculture is characterized by large-scale monoculture and high input farming, with reliance on high water use, and very high use of chemicals such as fertilizers and pesticides. Ecological agriculture should be vigorously developed through integrated crop production and livestock breeding for improved product quality and environment outcomes. Innovations for green aquaculture and mariculture are essential for sustainable development in these sectors. Green agricultural processing approaches should be adopted for agriculture and livestock products to reduce impacts on climate change. Promote innovative development of agriculture and agroforestry in the context of the SDG2030.

(2) *Promote green transformation within key industrial sectors.* It is necessary to use innovative technology and management measures to improve the efficiency of traditional industrial sectors; and to improve the efficiency of current industries in China and the efficiency of resource allocation among the whole society through policies of regulation, taxation, tariff and export restrictions. It is necessary to promote ‘greenization’ of traditional manufacturing sectors, and to cultivate corporate social responsibility practices, with emphasis on monitoring and transparent information disclosure. Integrated planning will also be a means for synergic control of climate change and air pollution. Examples include measures for SLCP (Short Lived Climate Pollutant) control, and environmental health initiatives such as those to control indoor air pollution.

(3) *Support green development in service industries.* Newly emerging service industries and new business models such as sharing economy need to be addressed in the context of their contribution to sustainable development and green transitions, and policy support is needed. Tourism deserves much greater attention to its impacts on the environment, on nature reserves and the national park system, and on socio-economy so this sector should be considered as a key area of Ecological Civilization in China.

(4) *Broaden efforts for cross-jurisdiction integrated planning and management and for regional green development.* Recent initiatives such as Jing-Jin-Ji coordinated development and the Yangtze Economic Belt development plans provide considerable attention to pollution control and other environmental matters. These integrated development approaches reflect the future of green urbanization and coordinated regional planning and management in China, and more such initiatives should be established. The initiatives should take into account siting of rural and suburban low carbon and green industries, green development cities, and other activities supportive of quality of life and environmental improvements.

Policy Recommendation 2: Strengthen Rule of Law for Ecological Civilization

In recent years, China has achieved significant progress in applying Rule of Law for environment and development. However, there are still needs to intensify efforts in

legislation, justice, law compliance, plus enabling mechanisms that can support sustainable development, Ecological Civilization and implementation of China's SDG2030 Implementation Plan.

2.1. Speed up the introduction of relevant environmental laws and regulations to produce a full Environmental Code for China.

(1) *Develop a national Environmental Code and promote greening of the total law system.* It is recommended that development of the Environmental Code should be initiated by focusing on ecological environmental protection, with feasibility study by phases to be carried out, and the formulation of an *Environmental Code* included as part of legislation planning. Clearly define in the Constitution and relevant laws the legal connotation and denotation of "environment", and list environmental rights as an important element of the right of citizenship.

(2) *Fill important legal gaps in environmental law.* In order to give full play to the role of Rule of Law in advancing sustainable development, it is recommended that a *Legal Guarantee Plan for China's Sustainable Development* be developed. Regularly review legal needs for effective implementation of the Paris Climate Change Agreement and other laws. Initiate the development of a *Special Law on Atmospheric Environmental Protection in the Beijing-Tianjin-Hebei Region (Jing-Jin-Ji)*, *Hazardous Chemicals Safety and Environmental Management Law*, and revise the existing *Environmental Impact Assessment Law* to further clarify the binding authority of EIA on government policies and plans. Strengthen the pollution permit system, enforce the implementation of more strict mandatory emission standards, and promote technical innovation.

(3) *Include the concept, principle and norm of Ecological Civilization within specific elements for the Rule of Law.* These elements include the Constitution, civil and commercial laws, administrative laws, economic laws, social laws, criminal laws, litigation and non-litigation procedural laws.

2.2. Strengthen judicial safeguards system.

(1) *Guarantee the access to justice in environmental matters for citizens, enterprises, communities and social organizations.* Support citizens, enterprises, communities and social organizations to participate in environmental legal matters including prevention of environmental harm cases, as well as ensuring their legal rights and justice on environmental damage. Ensure public confidence that judge's decisions will be made on the legal and factual merits of the case.

(2) *Reform cross-jurisdiction environmental judicial system.* Due to the mobility of environmental elements, environmental cases often occur across jurisdictions. Current jurisdictional authority based on administrative regions is not conducive to case investigation, trial and dispute resolution. It is suggested that circuit courts be established on a watershed basis to handle important cross-administrative region environmental cases. Also, encourage the relevant courts to draw upon environmental expertise to handle specialized needs of ecological environmental damage cases.

(3) *Promote public interest litigation for environmental damage.* While the capacity for citizen and social groups to access the courts on environmental matters has improved in recent years, there are still needs for improvement on information access, intervenor status and funding, and on the ability to initiate cases. It is recommended to improve the public interest litigation system for environmental matters and to reduce the restrictions on plaintiffs. Encourage NGOs to actively engage in environmental public interest litigation, and strengthen the public participation and transparency of environmental and resource trials. Promote the establishment of funding system for

environmental public interest litigations. Facilitate the connection of environmental litigation and non-litigation procedures, and support the People's Procuratorate to file environmental public interest litigations.

(4) *Improve environmental crime provisions in criminal laws.* It is recommended to add new crimes of water environment pollution and ocean pollution, and add provisions for potential damage offenses to give full play to the deterring role of the criminal law.

2.3. Strengthen compliance and law enforcement.

(1) *Broaden environmental information access channels.* Establish inventories of corporate environmental information disclosure. Improve penalty and incentive mechanisms for parties involved in the disclosure of corporate environmental information, and promote self-compliance on the part of enterprises.

(2) *Enhance law enforcement.* Educate, guide and support enterprises on law obedience, supported by monitoring systems to timely detect violation activities. Improve law enforcement capacity. Strengthen monitoring equipment standardization and the use of technologies such as automated monitoring, satellite remote sensing, and drones for monitoring of violations. Improve funding mechanisms for environmental supervision and law enforcement by fully integrating funds within the various line items of budgets, all at the same level of government.

Policy Recommendation 3: Proactively promote South-South Cooperation for Ecological Civilization

Achieving global sustainable development goals requires both developed and developing countries to make joint efforts with due considerations of common but differentiated responsibilities, and actively promote South-South cooperation while continuing South-North cooperation. China should continue to adhere to the principles of "Balance, Equality, Protection, Inclusiveness, Transparency, and Compliance", implement major initiatives in the context of green development such as "The Belt and Road" initiative, proactively promote South-South Cooperation for Ecological Civilization with Asia, Africa and small island countries, respond to green developing demand from other developing countries, jointly promote and assist the implementation of the SDG2030, and enhance China's contribution to global environmental governance.

3.1 Establish criteria to guide China's selection of priorities in South-South Cooperation for Ecological Civilization.

The following five criteria are proposed: (1) be consistent with the 2030 Sustainable Development Goals; (2) be adaptable to countries at different stages of development and with varying needs; (3) provide systematic solutions that balance livelihood and ecology; (4) operate with innovative technology and development models; and (5) promote environmentally friendly and low-carbon infrastructure. Use of these criteria consistently will send strong signals to partner countries about Ecological Civilization.

3.2. Establish a coordination mechanism for South-South Cooperation for Ecological Civilization.

(1) *Establish a ministerial level China International Development Cooperation Agency to integrate international development aid and South-South Cooperation.* This agency would be responsible for mainstreaming the Ecological Civilization

concept into all decisions and plans, including objective identification and policy making at the macro-level and institutional arrangements, process management, monitoring and evaluation at the micro-level.

(2) *Develop a comprehensive "Green Action Guide for China's Foreign Aid".* This Guide should provide information on types of projects that are particularly supportive of green development, assess the potential environmental impacts of China's foreign aid projects and provide support and guidance to mitigate environmental impacts. In addition, the Guide should recognize the positive effects of foreign aid on meeting SDG2030 goals and addressing climate change.

3.3. Create the enabling conditions for South-South Cooperation for Ecological Civilization.

(1) *Develop medium-term and longer-term strategies for Ecological Civilization components of South-South Cooperation.* These strategies should give due consideration of demands of global environment and development, as well as demands from developing countries, including priority fields and programs that can take full advantage of Chinese technical, scientific and managerial expertise. Attention should be given to climate change, biodiversity, desertification, landscape restoration and afforestation and various ocean fields, and especially to topics of interest to developing countries adjacent to China.

(2) *Develop a broad multi-stakeholder participation system for South-South Cooperation.* Motivate local governments, NGOs and enterprises, and explore multilateral cooperation with other donor countries, development banks, international NGOs, and multinational companies.

(3) *Strengthen institutional and human capacity building.* Improve environmental awareness of people working for South-South Cooperation. Enhance fundamental research efforts to provide a better theoretical and data basis for policy development and decision making. Select and train personnel in international perspectives, environmental awareness, and the expertise to take on South-South cooperation work.

(4) *Enhance outreach.* Systematically elaborate the relationship between Ecological Civilization and sustainable development goals to promote internationalization of the Ecological Civilization concept. Strengthen information and data collection, pre- and post-project analysis and disclosure for South-South Cooperation, and establish an official information release system and a "Government – Civil Society" dialogue platform.

3.4 Increase Financial Support.

Combine various financial sources to achieve an integrated funding efforts, including government aid, development agencies, commercial banks and private sector. Fully use the leverage of government funds to encourage more input from commercial banks. Fully utilize the financing capacity of multilateral financial platforms such as AIIB, NDB, GEF and the Green Climate Fund.

3.5 Improve Process Management

(1) *Understand demands of partner countries and stakeholders to improve project implementation in South-South Cooperation.* Proactively understand needs and demands of partner countries, and expand project partner relationships to include more environmental protection projects in the project pool of South-South Cooperation.

(2) *Consolidate existing foreign aid approaches and further strengthen technical*

assistance and knowledge sharing. Broadly extend China's successful experience in green agriculture, industry and other sectors, and promote application of new technologies in South-South Cooperation for Ecological Civilization.

(3) Pay close attention to the whole process assessment for large projects in infrastructure, energy, mining and agricultural sectors. In assessments, consider ecological environment to be of the same level of importance as economic and social impacts, and establish an interactive mechanism for projects at all stages: proposal, assessments and monitoring, and evaluation.

Policy Recommendation 4: Proactively Lead and Integrate China into Global Green Value Chains

Global value chains add value to raw material, commodities and services by linking production, logistics, consumption and circular economy processes through international trade cooperation. Global green value chains means mainstreaming sustainable development concepts into the rules and practices of global value chains. China should strengthen its role in greening global value chains—with green BRI and Ecological Civilization South-South Cooperation serving as major agents of change. This is crucial to safeguard China's economic security, enhance international production capacity cooperation and strengthen international competitiveness, and promote global sustainable development.

4.1. Seek policy synergies and actively participate in global green value chains.

China should promote an integrated policy package that addresses investment, trade, standards, certification, and capacity building. Consider creating “ECO-20” in cooperation with Germany and other countries to promote global green value chains in the upcoming 2017 G20 Summit; and promote the greening of global value chain through multilateral forums, for example WTO negotiations on environmental goods and services. Furthermore, China should align its green standards with international standards.

4.2. Provide clear policy guidance to encourage Chinese companies to participate in global green value chains.

While a large and growing number of multinational companies have begun to act on the sustainability of global value chains, Chinese companies have generally held back, awaiting guidance and support from the government. The government should use fiscal and financial incentive measures to encourage enterprise to procure and produce green products and join voluntary international efforts, such as the growing effort to reduce deforestation and to reduce pressure on ocean fisheries, and establish green value chain standards and systems for traceability.

4.3. Advocate a global green chain initiative, and consider it as a priority for the Belt and Road Initiative.

Establish green partnerships throughout the BRI region to share best practices. Advocate the establishment of global green value chains, and help BRI countries to improve their participation capacity. Establish partnership with full participation from government, enterprise and NGOs.

4.4. Provide greater investment and financing assistance towards global green value chains.

Use bilateral aid and the newly-created multilateral banks to assist trade and investment partner countries to better manage their water, forest and fishery resources, improve resource management capacity, and agricultural productivity.

4.5. Promote the establishment of green value chains in 13th FYP implementation.

Specific measures include: (1) Establish traceability systems for main international trade commodities and raw materials to ensure the green and sustainability nature of China's import/export commodities, and further promote the establishment of an international trade system that can ensure legality and sustainability. (2) Launch a pilot program to establish best practices for greening the global value chains for soy, palm oil, forest products and fisheries. (3) Establish a "Green Global Value Chain South-South Cooperation Platform" under the "South-South Cooperation Fund on Climate Change" to promote trade of green commodities and materials and to improve green value chain management capacity of participating countries.