

Monthly Report

Topics from China; July-2023

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China Macroeconomy

China to Promote Automobile Consumption Further

On July 21, the National Development and Reform Commission (NDRC), together with the Ministry of Industry and Information Technology (MIIT), the Ministry of Public Security (MPS) and other 10 ministries unveiled a slew of measures to invigorate automobile circulation and stabilize and expand the consumption of automobiles in China.

The Measures also mapped out to optimize the purchase, use and management of automobiles, as well as the automobile market, and to promote the sustainable development of the new energy vehicle (NEV) industry, including:

- Cities with automobile purchase restrictions are encouraged to increase their annual quotas.
- Scrapping of vehicles not up to emissions standards will be accelerated.
- Encourage trade-ins and the exit of obsolete cars and facilitate the trading and registration of used vehicles.
- Speed up the construction of new energy vehicle (NEV) charging facilities and promote NEV sales in rural areas.
- Increase the investment in rural power grid upgrading to ensure steady improvement of power supply reliability.
- More efforts will be invested in lowering the costs of the purchase and use of NEVs, such as adjustments to NEV-related electricity prices.
- Increase NEV purchasing in public sectors.
- Financial institutions are encouraged to strengthen the auto financial services, e.g., from reasonably determining the down payment ratio, loan interest rate and repayment period on the premise of compliance with the law and risk control.
- Encourage automobile enterprises to develop more economical and practical models to provide consumers with diversified choices, especially for the rural market.
- Parking issues will be resolved through the expansion of parking lots and the regulation of fees, per the measures.

The move to unleash the automotive industry's potential is part of China's policies aimed at maintaining economic stability, noting that auto sales play a vital role in boosting consumption and stabilizing economic growth.

In the first half of 2023, China's NEV output expanded 42.4 percent year on year to nearly 3.79 million units, and NEV sales surged 44.1 percent year on year to almost 3.75 million units, data from the China Association of Automobile Manufacturers shows.

Policy and Regulation

MOFCOM & GAC: Announcement on the Export Controls of Gallium and Germanium Related Items

On July 3, China's Ministry of Commerce (MOFCOM) and General Administration of Customs (GAC) announced to implement export controls on gallium and germanium related items from 1 August 2023, aiming to safeguard national security and interest. Gallium and germanium, as well as the related items, are generally considered critical raw materials in the semiconductor industry.

The Announcement provides a list of 14 controlled items (i.e., 8 gallium-related items and 6 germanium-related items) whose exports would be subject to a license requirement. The list contains the names of the controlled items and the corresponding China HS codes for reference. The controlled items can be in various forms such as polycrystalline, single crystal, wafer, epitaxial wafer, powder, shredded materials, etc.

To apply for the license, the exporter must fill in and submit an application form to the provincial commercial departments along with the following documents, then pass to the MOFCOM for further review and determination about whether to issue or deny the export license:

- the original document of export contract/agreement or its (scan) copy;
- the technical specification or test report of the items to be exported;
- the end-user and end-use certificate;
- the information of the importer (i.e., the buyer) and the end-user; and
- identity documents of the exporter's legal representative, chief manager and staff handling the export affairs.

Responses from the spokesperson of the MOFCOM clarify that the Announcement is not a ban on relevant exports, and permits will be granted if exports comply with the relevant regulations, to make sure these items are used for legal purposes, to further safeguard national security and better fulfill international obligations.

China is regarded a leading producer and exporter of both gallium and germanium worldwide, accounting for a significant share of the global market. The demand mainly comes from sectors such as semiconductors, optics, and infrared technologies, as gallium and germanium are widely used in the production of semiconductors, LEDs, photovoltaic cells, etc.

The automotive fields have been to varying degrees suffering from semiconductor shortage since the pandemic, which is also in a way redefining the new sourcing model and the new strategic cooperation of OEMs and suppliers, so the VDA will keep close attention to the following brewing of this policy and the influences on the industry.

MIIT: Revisions to Parallel Management of Passenger Car Corporate Average Fuel Consumption and New Energy Vehicle Credit

On July 6, China's Ministry of Industry and Information Technology (MIIT), jointly with the Ministry of Finance (MOF), the Ministry of Commerce (MOFCOM), General Administration of Customs (GAC) and State Administration for Market Regulation (SAMR), officially released a list of revisions to "Parallel Management of Passenger Car Corporate Average Fuel Consumption (CAFC) and New Energy Vehicle (NEV) Credit" (hereafter "Dual-credit Regulation"), effective from August 1, 2023.

The Dual-credit Regulation, first issued in September of 2017, has played a crucial role in controlling fuel consumption and promoting the development of NEV market. Against the new industrial environment and further development demands, the key updates of the new Regulation and their explanatory document are focused on:

- **Updating the assessment ratio and calculation method of NEV credit**
The credits for NEV passenger cars during 2024-2025 would be lowered by about 40% and the NEV quota will be set as 28% and 38%. The calculation method and the upper limit of the credits are adjusted accordingly.
- **Adding the market adjustment mechanism of credit transaction**
Via establishing a “credit pool” system, it’s to increase the flexibility of the credit market, i.e., when the supply of credits in the market exceeds the demand (2 times), enterprises will voluntarily apply for NEV credits storage; when the supply is less than the demand (1.5 times), the stored positive credits will be released to regulate the supply and demand balance of the market.
- **Stressing the verification and penalty requirements**
It’s further stressed to strengthen the credit verification. For the enterprises whose negative credits are not offset as required, the qualification certificate for locally produced vehicles or importing approval of imported vehicles will be suspended.

The new revisions also introduced other adjustments in line with the industrial development situation and the pre-research of the Dual-credit Regulation of the next stage:

- Add the disclosure requirement of enterprises’ average carbon emission level, to lay a foundation for the needs of carbon management in the future, and to finally establish the convergence mechanism with other carbon management systems in a timely manner.
- Extend the window time for reporting and offsetting negative points, in order to facilitate enterprises to cope with the newly introduced and updated mechanisms.
- Enable the offset and carry-forward of the positive NEV credits enterprises purchased.
- Adjust the definition of accounting year and scope of accounting vehicles, in order to ensure more accurate data statistics.

Automotive Industry Topics

World New Energy Vehicle Congress (WNEVC) will first time take place at IAA MOBILITY 2023 in Munich on Sep. 6th

In less than a month, the second edition of IAA MOBILITY will commence in Munich. It is the world’s leading platform for mobility, sustainability, and technology. The interest and RSVPs from the biggest and most important companies in the automotive, technology, cycling, and micro mobility sectors illustrate the international relevance of this unique mobility platform.

The number of Chinese companies coming to IAA MOBILITY 2023 has more than doubled. Furthermore, this year’s World New Energy Vehicle Congress (WNEVC) will be held at IAA MOBILITY on September 6th, thus leaving China for the very first time. As part of the IAA conference program, WNEVC will gather the govt. officials, company CEOs, industry experts from Germany and China to discuss the goals and strategies of the automobile industry driven by the vision of carbon neutrality, as well as how to accelerate the comprehensive marketization of new energy vehicles; how to improve the carbon neutrality and stability of the industrial chain; how can the governments of various countries, the automobile industry, energy industry, transportation and information industry deepen cooperation and give full play to the synergistic effect, etc.

The pre-registration is required to participate in the IAA MOBILITY Conference and WNEVC. The program is available online: For more information, please [visit the website](#).

Standardization

Standard Projects for Approval

In June & July, MIIT released a list of following standard projects for approval publicity:

NO.	Name	Publicity date	Deadline for comments	Project Pre-No.
1	Revision of GB 38031-2020 Electric vehicles traction battery safety requirements	2023-06-16	2023-07-16	GQCCPXQ0240-2023

2	Revision of GB 11555-2009 Motor vehicles - Windshield demisting and de-frosting systems - Performance requirements and test methods	2023-06-16	2023-07-16	GQCCPXQ0241-2023
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Standard Drafts for Public Comments

In July, CATARC released following drafts of standard for comments:

NO.	Name	Publicity date	Deadline for comments	Note
1	QC/T 757-xxxx Passenger car-Trailer combination	2023-07-05	2023-08-14	To replace QC/T 757-2006
2	GB/T XXXXX.3-xxxx Road vehicles-Liquefied natural gas (LNG) fuel system components-Part 3: Check valve	2023-07-17	2023-09-15	ISO 12614-3:2021, MOD
3	GB/T XXXXX-xxxx Leisure accommodation vehicle-Liquefied petroleum gas system requirements	2023-07-18	2023-09-16	
4	GB/T XXXXX-xxxx Technical requirements and test methods of vehicular communication system based on LTE-V2X direct communication	2023-07-24	2023-09-22	
5	GB/T XXXXX-xxxx Intelligent and connected vehicles-Operational design condition for automated driving system	2023-07-24	2023-09-22	
6	GB 20997-xxxx Limits of fuel consumption for light-duty commercial vehicle	2023-07-28	2023-09-28	To replace GB 20997-2015
7	GB 21668-xxxx Safety technical specifications of vehicles for dangerous goods transport	2023-07-29	2023-09-28	To replace GB 20300-2018, GB 21668-2008, GB 36220-2018

Standard Drafts for Approval

In June & July, MIIT released a list of following standards for approval publicity:

NO.	Name	Publicity date	Deadline for comments	Note
1	GB 24550-xxxx The protection of motor vehicle for pedestrians in the event of a collision	2023-06-16	2023-07-16	20201961-Q-339 To replace GB/T 24550-2009
2	GB 30510-xxxx Fuel consumption limits for heavy-duty commercial vehicles	2023-06-16	2023-07-16	20205232-Q-339 To replace GB 30510-2018
3	GB 24406-xxxx The strength of student seat and their anchorages of special school bus	2023-06-16	2023-07-16	20205235-Q-339 To replace GB 24406-2012
4	GB/T XXXXX-xxxx Intelligent and connected vehicle-Methods and requirements of road test for automated driving functions	2023-07-26	2023-08-26	20213609-T-339
5	GB/T XXXXX-xxxx Specifications of emergency response management for vehicle cybersecurity	2023-07-26	2023-08-26	20213611-T-339

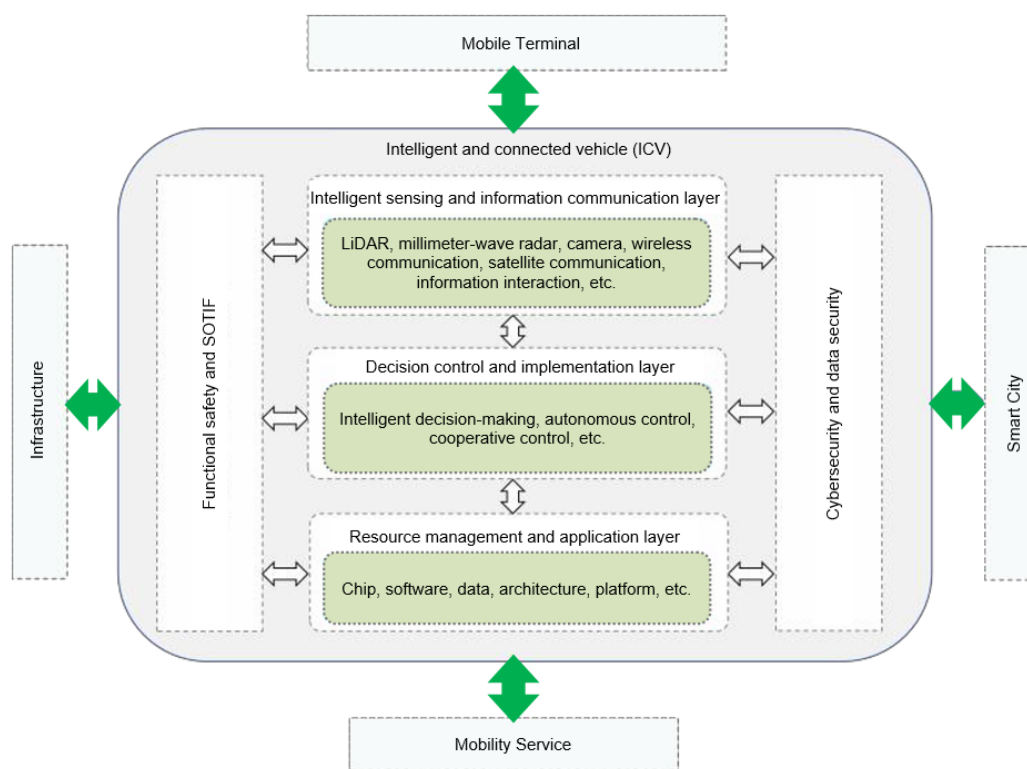
6	GB/T XXXXX-xxxx Intelligent and connected vehicle-Symbols for controls, indicators, and tell-tales	2023-07-26	2023-08-26	20203960-T-339
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MIIT & SAMR: Guide on the Construction of the National Standard System for Internet of Vehicles (Intelligent and Connected Vehicles) _Version 2023

On July 26, the Ministry of Industry and Information Technology (MIIT) and State Administration for Market Regulation (SAMR) jointly announced the “Guide on the Construction of the National Standard System for Internet of Vehicles (Intelligent and Connected Vehicles) _Version 2023” (hereafter “ICV Guide 2023”), which, as an overarching document, is to promote the standard system for Internet of Vehicles (IoV) and lay a solid foundation for national digitalization and high-quality development strategy.

The IoV, as widely known, is an emerging and crossing field with deep integration of automobile, electronics, information and communication, road transportation and other industries, so the “Guide on the Construction of the National Standard System for IoV” is a whole package of multiple documents on the related industries, where this newly revised ICV Guide 2023 serves as the guidance of automotive pillar.

The technical logical framework of the planned ICV standard system and its docking with a few other sectors are shown from the figure below:



Regarding the phased developmental targets, the ICV Guide 2023, compared to the first edition of 2017, updates the general milestones:

- By 2025, a standard system to support the application of combined driver assistance systems and general autonomous driving functions will have been initially established. More than 100 standards will have been drafted or revised on ADAS, AD, basic functions of V2X, automotive OS, high-performance computing chips and data management, as well as horizontally considering functional safety, SOTIF, cybersecurity and data security.
- By 2030, a more sophisticated standard system with optimized structure will have been finished by finishing more 140 standards in total, which will fully support the synergetic development of single-vehicle intelligence and networking empowerment, ultimately to drive "vehicle-road-cloud" coordination, cross-field collaboration, innovative integration, and international alignment.

To zoom in all the standard projects listed in the Annex 1, the ICV Guide 2023 categories them into the following 3 levels:

- Standards of basic definitions, including terminology, categorization & classification, marking & coding, etc.
- Standards of universal specifications, including functional safety & SOTIF, cybersecurity & data security, human-machine interaction (HMI), map & positioning, EMC, etc.
- Standards of products and technical applications, including sensing and fusing systems, advanced driving assistant systems, autonomous driving functions, V2X functions, etc.

China has set its sights on becoming the world leader in driving automation and connection. Autonomous driving and smart city were named as key areas for development in the 14th Five-Year Plan (FYP), China's highest-level plan for social and economic development. The package of guide documents acts in a way as a roadmap for IoV related industries, since standardization sets the foundation for technology application, market access and product commercialization.

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