

# Monthly Report

## Topics from China; Feb. 2024

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### Policy and Regulation

#### State Council: Interim Regulations on the Management of Carbon Emission Rights Trading

On February 4<sup>th</sup>, Chinese Premier Li Qiang signed a Decree of the State Council of the People's Republic of China (No. 775), introducing the new Interim Regulations on Administration of Carbon Emissions Rights Trading (hereafter "Regulations"). Effective on May 1<sup>st</sup>, 2024, these are the first dedicated Regulations to provide a legal framework for the operation of China's carbon emissions trading market and ensure the effectiveness of related policies.

The national carbon emissions trading market commenced operations in July 2021, marking a significant milestone in achieving the country's emission reduction targets. According to the Ministry of Ecology and Environment (MEE), the national carbon market had seen its total trading volume reach 440 million tons as of the end of 2023. Therefore, the necessity and urgency has become evident to establish dedicated regulations to provide a clear legal basis for the operation and management of the national carbon emissions trading market, ensuring and promoting its healthy development.

Firstly, the Regulations focus on the allocation of responsibilities to oversee and manage carbon emissions trading:

- The MEE takes the leading responsibility for the supervision and management of carbon emissions trading and related activities nationwide.
- The local government's ecological and environmental department is responsible for the supervision and management of related activities within its administrative area.
- To enhance regulatory efficiency, the MEE will establish a national carbon emissions trading market management platform to strengthen comprehensive supervision and achieve information sharing with other relevant departments.

The Regulations also construct the basic institutional framework for the management of carbon emissions trading via defining the following six aspects:

- the legal status and responsibilities of registration and trading institutions
- the scope of carbon emissions trading as well as trading products, trading entities, and trading methods
- the identification of key emission units

- the allocation of carbon emission quotas
- the compilation and verification of emission reports
- the clearance of carbon emission quotas and market trading

Besides, the Regulation also emphasizes the measures on ensuring data quality, and penalizing illegal behaviors, offering a strong legal support for the healthy development of China's carbon market, e.g., those who falsify or fabricate data and information will face fines ranging from more than five times to less than 10 times their illegal gains, or face up to a 1-million-yuan fine if they obtain no illegal gains or obtain illegal gains less than 200,000 yuan.

The rollout of the Regulations is of great significance for achieving China's "dual carbon" goals – to peak carbon emissions by 2030 and achieve carbon neutrality by 2060 – and promoting the overall green and low-carbon transition in society.

## MOFCOM: Opinions on Supporting the Healthy Development of New Energy Vehicle Trade Cooperation

On February 7<sup>th</sup>, the Ministry of Commerce (MOFCOM), jointly with the National Development and Reform Commission (NDRC), the Ministry of Industry and Information Technology (MIIT), and other six ministries and departments, released their Opinions on Supporting the Healthy Development of New Energy Vehicle (NEV) Trade Cooperation (hereafter "Opinions") to actively help enterprises in NEV sector respond to foreign trade restrictions, while guiding industry associations and companies to collaborate with international counterparts.

The Opinions roll out measures to give full play to the free trade agreements, optimize import and export management policies, strengthen risk prevention as well as cope with overseas trade restrictions. Specifically, the 18 guidelines cover six aspects:

- **Elevating international operational capabilities**, by encouraging overseas R&D promotion and cooperation with overseas institutions and companies, enhancing overseas compliance and overseas after-sales service, and actively cultivating international talent.
- **Optimizing global logistics systems**, mainly on improving efficiency and strengthening security.
- **Stepping up financial support**, via optimizing credit support measures, fully utilizing export credit insurance, enhancing enterprises' awareness of and ability for exchange rate hedging and facilitating RMB cross-border settlements.
- **Optimizing trade promotion activities**, including strengthening support for commercial activities and from public platforms.
- **Creating a favorable trade environment**, by promoting international standardization and mutual recognition on conformity assessment, fully utilizing the free trade agreements and improving import and export management policies.
- **Enhancing risk prevention**, via leverage of multilateral and bilateral mechanisms and proper response to foreign trade restriction measures.

The Opinions also address all the measures to the specific ministries and departments, for them to take a different role, to create a fair, transparent and predictable international trade environment for domestic NEVs, power batteries and other products, aiming to maintain the stable and smooth operation of the global supply chain of related industries, while calling on governments to increase communication.

From an international perspective, the Opinions release has an inseparable connection with geopolitical circumstances. In October 2023, the European Commission launched an anti-subsidy probe into China's NEV sector. The Biden administration is also reportedly discussing raising tariffs on some Chinese goods, including NEVs. Therefore, it's notably regarded that the Opinions demonstrate China's strengthened efforts in promoting high-quality opening-up and contributing to global green development, which contrasts with the practices targeting Chinese NEVs launched by some Western countries.

The German Automotive Industry is globally oriented. The VDA is committed to free, fair and rules-based trade, both for exports to and imports from third countries, and its position has been clearly expressed-"relying solely on anti-subsidy investigations would not help address the challenges to competitiveness currently faced in the European region." Furthermore, VDA believes that the EU should focus on creating conditions for the success of European participants, including measures such as reducing electricity costs and reducing bureaucratic barriers.

## MIIT: Implementation Plan for Enhancing Data Security Capabilities in Industrial Sector (2024-2026)

On February 26<sup>th</sup>, the Ministry of Industry and Information Technology (MIIT) officially published the Implementation Plan for Enhancing Data Security Capabilities in Industrial Sector (2024-2026) (hereafter “Plan”), aiming to bolster the data security infrastructure across various industrial domains from 2024 to 2026, and seek to address evolving cyber threats, enhance resilience, and promote responsible data management practices within the industrial landscape.

Firstly, the Plan sets the generic targets by 2026 as:

- Achieve full coverage of data security requirements promotion for all large-scale enterprises in various industrial sectors.
- Implement data classification and hierarchical protection in over 45,000 enterprises, covering at least the top 10% based on annual revenue ranking in each province (region, city) within the industrial sector.
- Initiate the development of no fewer than 100 national, industrial, and group standards and specifications for data security.
- Select no fewer than 200 typical cases of data security, spanning areas across no less than 10 industries.
- Provide data security training for at least 30,000 individuals and cultivate over 5000 industrial data security professionals.

The Plan also, in specific, defines the three prioritized pillars to enhance:

- **Data protection capabilities of industrial enterprises**, including improving awareness of data security protection, the protection of important data, in key enterprises and in critical scenarios.
- **Data security supervision capabilities**, including optimizing data security policies and standards, strengthening data security risk prevention and control, constructing technological means for data protection and enhancing the enforcement for data security supervision.
- **Data security industry support capabilities**, including advancing the supply of technological products and services, promoting application and supply-demand alignment and establishing a robust talent cultivation system.

Overall, the Plan outlines a strategic roadmap to elevate data security measures within the industrial landscape. By adopting a proactive and comprehensive approach, the plan aims to mitigate risks, fortify infrastructure, and cultivate a culture of responsible data management, ultimately fostering a more secure industrial data environment.

## MIIT: Guiding Opinions on Accelerating the Promotion of Green Development in the Manufacturing Industry

On February 29<sup>th</sup>, the Ministry of Industry and Information Technology (MIIT), jointly with the National Development and Reform Commission (NDRC) and other five ministries and departments, released their Guiding Opinions on Accelerating the Promotion of Green Development in the Manufacturing Industry (hereafter “Opinions”), which primarily focuses on enhancing the sustainable development of the manufacturing industry in accordance with green initiatives.

The Opinions set the long-term goals for the green transformation for manufacturing industry:

- By 2030, to achieve significant achievements in the transformation of green and low-carbon manufacturing industries, e.g., an overall elevation of traditional industry's green development, large reductions in pollutant and carbon emissions intensity, then leading to an overall peak in carbon emissions.
- By 2035, to further strengthen the endogenous drive for green development in the manufacturing industry. Following the peak in carbon emissions, there has been a stable or decreasing trend, with a steady increase in carbon neutrality capabilities, which has highlighted a competitive advantage in the global industrial chain's supply chain for green and low-carbon initiatives.

The Opinions call for efforts from manufacturing industry and the related departments onto the primary aspects as follows:

- **Transition towards Green Practices:** Encouraging manufacturing enterprises to adopt eco-friendly production processes and reduce environmental impact.

- **Resource Efficiency:** Promoting efficient use of resources and energy to minimize waste and enhance productivity.
- **Emission Reduction:** Implementing measures to reduce emissions and pollution, aligning with environmental protection standards.
- **Technology Innovation:** Encouraging the development and adoption of green technologies to facilitate sustainable industrial practices.
- **Policy Support:** Providing policy incentives and support mechanisms to facilitate the transition to green manufacturing practices.
- **Regulatory Compliance:** Emphasizing the adherence to environmental regulations and standards to ensure responsible industrial practices.

## Standardization

### Standard Projects for Approval

In February, SAC released the following standard projects for approval publicity:

NO.	Title	Publicity date	Deadline for comments	Note
1	GB XXXX-xxxx Safety requirements for electric vehicle conductive charging system	2024-02-07	2024-02-18	
2	GB XXXX-xxxx Safety requirements and test specifications of electric vehicle conductive supply equipment	2024-02-07	2024-02-18	

### Standard Drafts for Public Comments

In February, CATARC released the following drafts of standard for public comments:

NO.	Title	Publicity date	Deadline for comments	Note
1	QC/T XXX-202X Requirements and evaluation methods for odor, volatile organic compounds, aldehydes and ketones in passenger vehicles of motor caravan	2024-02-05	2024-03-16	
2	GB/T 4095-202X Disc wheels for trucks-Dimensional characteristics of attachment on hub	2024-02-05	2024-04-05	To replace GB/T 4095-2005
3	GB/T 2933-202X Wheels and rims for pneumatic tyres-vocabulary, designation and marking	2024-02-05	2024-04-05	To replace GB/T 2933-2009
4	GB/T 19596-2017 Terminology of electric vehicles			No.1 Amendment sheet

## MIIT: Guidelines for the Establishment of a Standard System for Carbon Peak and Carbon Neutrality in the Industrial Sector

On February 21<sup>st</sup>, the Ministry of Industry and Information Technology (MIIT) issued the “Guidelines on Construction of National Standard System for Automotive Chip” (hereafter “Guidelines”), which aims to accelerate the construction of a carbon peaking and carbon neutrality standard system in the industrial sector with reasonable structure and clear hierarchy.

The Guidelines define a phased development target:

- By 2025, preliminarily establishing the standard system, complete over 200 urgently needed standards for achieving carbon peak, with a focus on developing basic general, greenhouse gas

accounting, low-carbon technology and equipment standards, to provide technical support for conducting carbon assessments and reducing carbon emissions in the industrial sector.

- By 2030, achieving a relatively comprehensive standard, accelerating the development of collaborative carbon reduction, carbon emission management, and low-carbon assessment standards, achieving full coverage of key industry and key area standards, supporting comprehensive peaking of carbon emissions in the industrial sector, shifting the focus of standardization work towards the goal of carbon neutrality.

The Guidelines also provide a framework instruction for the industry by dividing the data security standard system into 5 sub-systems:

**Standards on basic general requirements** refer to fundamental and common standards including terminology definitions, data quality, labelling, reporting and information disclosure.

**Standards on accounting and verification**, which include organizational greenhouse gas emissions accounting, project-based greenhouse gas emission reduction accounting, product carbon footprint accounting, as well as related standards for the qualification and capability requirements for executive bodies/personnel.

**Standards on technology and equipment** refer to the relevant technical and equipment standards that can effectively reduce greenhouse gas emissions in the industrial sector, including standards for greenhouse gas source control, production process control, end-of-pipe treatment, and collaborative carbon reduction.

**Standards on monitoring** refer to the relevant detection and monitoring standards that quantify greenhouse gas emission concentration, intensity, and their environmental impact. This includes monitoring techniques, monitoring and analysis methods, monitoring equipment, and systems.

**Standards on management and assessment** refer to a series of management activities and assessments aimed at achieving carbon reduction goals. Management and assessment standards include low-carbon assessment, carbon emission management, and carbon asset management.

Achieving carbon neutrality is one of the important approaches to support sustainable environmental development. VDA China will closely monitor the development and revision of standards in carbon-related fields, conduct regular information exchange with member companies, and periodically communicate with relevant organizations and Chinese counterparts such as CATARC, CAAM, etc.

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