

Monthly Report

Topics from China; March & April -2023

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China Macroeconomy

2023 Government Work Report from “Two Sessions”

Between March 4 and 13, the key annual events on China's political calendar, the Chinese People's Political Consultative Conference (CPPCC), the top political advisory body, and the National People's Congress (NPC), the national legislature, known as the "Two Sessions", took place in Beijing. The gathering of thousands of delegates made discussions on a wide range of topics, from institutional reorganization and economic stability to national security challenges and foreign relations.

This year's meetings held particular significance as the country continues to navigate its way through the post-COVID era. Being also as the first meetings since the 20th National Congress of the Communist Party of China (CPC), this Two Sessions solidify the Party's quinquennial power transition.

Premier Li Keqiang delivered the Annual Government Work Report (hereafter “Report”) to policymakers, setting the tone for the Chinese economy in the coming year. The Report touched on every important aspect of economy and trade, e.g., foreign investment, funding boost and tech innovation, including the top socio-economic targets and priorities of 2023:

- Target GDP growth around 5%, inflation rate, or increase in consumer price index (CPI) around 3%, and deficit-to-GDP ratio around 3%.
- Stimulate employment and domestic consumption, e.g., create around 12 million urban jobs and target a surveyed urban unemployment rate of around 5.5%.
- Emphasize the importance and self-reliance in technology and ESG as necessities for long-term growth.
- Strengthen policies to attract foreign investment.
- Reinforce supportive policies for the Greater Bay Area.
- Keep its grain output over 650 million tonnes.

The widely anticipated State Council Institutional Reform Plan (hereafter “Reform Plan”) was also approved by the NPC during the 2023 Two Sessions to better achieve its tasks and goals set under other policy agendas, making several major changes to various government bodies:

- Reorganization of the Ministry of Science and Technology – since “scientific and technological innovation occupies a core position in the overall situation of China’s modernization drive.”
- Overhaul of the financial regulatory system – the National Financial Regulatory Administration (NFRA) was established to “strengthen the protection of the legitimate rights and interests of financial consumers, and uniformly standardize financial products and service behavior”.
- **Establishment of a national data bureau** – under the administration of the NDRC, responsible for managing data resources, coordinating the development of digital infrastructure, and promoting digital society and economy plans.

In the perspective of automotive industry, the following key words are perceived from suggestions and proposals from auto entrepreneurs:

- **Speed up technology breakthroughs**

Yin Tongyue, chairman of Chery Automobile, suggested the country adhere to intelligent and technological innovation and actively explore the innovation mode of "going global" for Chinese automakers, and take practical action to help the industry grow bigger and stronger. He also said the globalization of China's automobiles is not only the globalization of the market, but also the integration of talent, technology, supply chains and culture.

- **Update regulations for intelligent vehicles**

Feng Xingya, president of GAC Group, suggested formulating specific laws and regulations on the commercial application of intelligent vehicles and affirming autonomous driving at a legal level. He also suggested opening up test areas for highways and expressways and improving the construction of supporting infrastructure in the process of road tests.

He Xiaopeng, CEO of Xpeng, also suggested speeding up legislation related to autonomous vehicles, clarifying legal requirements, product access requirements, accident recognition boundaries and product liability for autonomous driving systems. He also stressed formulating plans for autonomous vehicle insurance, e.g., by encouraging some regions to take the lead in carrying out innovations in the insurance system.

- **Expand carbon credit management**

Li Shufu, founder, and chairman of Geely, proposed improving the management and operation mechanism of the carbon market and expanding the coverage of enterprises participating in the national carbon market, especially on introducing commercial vehicles’ carbon credit management into the whole life cycle assessment to accelerate the upgrading of commercial vehicles.

- **Improve data security administration**

Lei Jun, founder, chairman and CEO of Xiaomi, said the country has issued a number of recommended national standards for auto-related data security, while they cannot cover the whole business fields of R&D, production, supply and marketing. He suggested the authorities take the lead in defining the classification rules of automobile data and speed up the development of data security standard system focusing on data life cycles.

Policy and Regulation

MNR: Guidelines for Construction of a Standard System for Basic Maps of Intelligent Vehicles (Edition 2023)

On March 6, the Ministry of Natural Resources (MNR) released guidelines and an implementation plan to promote the standard system for the mapping system serving the application of intelligent vehicles.

The Guidelines set the general milestones of 2025 and 2030:

- By 2025, a basic mapping standard system will have been initially established, which can support the application of driving automation. More than 10 core standards will have been drafted, variously on basic application, data collection, update, and distribution, among others, in order to address some urgent issues in the early stage of applying mapping as part of auto-pilot operation.
- By 2030, a sophisticated standard system with optimized structure will have been finished, which will synchronize with industrial development, adding with over 20 standards including data output, application services and quality monitoring, providing comprehensive support for the deployment of intelligent vehicles and related applications.

The Guidelines, mainly puts forward principled guidance on the standardization of basic maps of intelligent vehicles from the aspects of basic generalization, production updates, application services, quality inspection and safety management, promotes the coordinated development of basic maps and geographic information of intelligent vehicles and automobiles, information communication, electronics, transportation, information security, cryptography and other industries, and gradually forms a standard system of basic maps of intelligent vehicles that meets the needs of China's technological and industrial development.

VDA China is actively organizing the regular communication with relevant authorities under MNR to keep the information transparency and address the aligned position to authorities.

CAC: Standard Contract Measures on the Export of Personal Information Standardization Certification

On February 24, the “Standard Contract Measures on the Export of Personal Information” (hereinafter referred to as the “Measures”) was officially released by the Cyberspace Administration of China (CAC), after soliciting public comments in last June and July, which will enter into force on June 1, 2023.

It's all known that companies that carry out cross-border processing of personal information must undergo certain procedures in order to do so legally. There are currently three different procedures that companies must go through at least one of them depending on the circumstances of the personal information processing: undergoing a security assessment by CAC, signing a contract with the overseas recipient, or receiving third-party certification.

On March 16, the National Information Security Standardization Technical Committee released and began soliciting public feedback on the “Certification Requirements for Cross-border Transmission of Personal Information”, an official set of standards for the third-party certification of companies engaged in the cross-border transfer of personal information, for public comment until May 15, 2023.

This document is almost identical to the Cybersecurity Standards Practical Guide – Security Certification Specifications for Cross-Border Processing of Personal Information V2.0 (the “Security Certification Specifications”) released on December 16, 2022, except for additional clarifications of certain definitions.

According to the discussion with Chinese partners, currently, there is no specific definition for cross-border processing of personal information in either the Security Certification Specifications or any other laws or regulations. However, it is generally understood that it refers to the transmission / access of the personal information that has been collected from an individual in China to / from a territory outside of China.

SAC: Guidelines for Construction of a Standard System for Carbon Peak and Carbon Neutrality

On April 23, the Standardization Administration of China (SAC), along with the National Development and Reform Commission (NDRC), the Ministry of Industry and Information Technology (MIIT), and other eight relevant ministries and departments, issued the “Guidelines for Construction of a Standard System for Carbon Peak and Carbon Neutrality” (hereafter the “Guidelines”) to promote the standard system and lay a solid foundation for the implementation of national decarbonization strategy, which is regarded as another improvement of the construction of the “1+N” policy system for Carbon Peak and Carbon Neutrality.

The Guidelines point out that the main goal is to firstly establish a basic standard system to support carbon peak and carbon neutrality, resolving various needs from the related industries. It's quantitatively planned that by 2025:

- No less than 1000 national standards and industrial standards will be formulated or revised to realize full coverage of carbon accounting and verification for major industries.
- No less than 30 relevant international standards shall be substantially involved, to enhance the consistency with international standards.

The Guidelines indicate that standard system construction is critical in a country's basic system, playing a fundamental and leading role in the process of achieving decarbonization goals. Facing the urgent need for standards at present, the Guidelines propose the following key sub-systems:

- Basic universal standards for carbon emissions
- Standards on carbon emission reduction
- Standards on carbon offset
- Standards on carbon marketization mechanism

which can be further divided into 15 secondary sub-systems and 63 tertiary sub-systems. The system covers carbon peaking and carbon neutrality work in key industries and fields such as energy, industry, transportation, urban and rural construction, water conservancy, agriculture and rural areas, forestry and grasslands, finance, public agencies, and residential life.

MIIT: Annual Report on the Implementation of Parallel Management Measures of Passenger Car Corporate Average Fuel Consumption and New Energy Vehicle Credit

On April 25, the MIIT issued “2023 Annual Report on the Implementation of Parallel Management Measures of Passenger Car Corporate Average Fuel Consumption (CAFC) and New Energy Vehicle (NEV) Credit” (hereafter the “Report” and “Dual-credit Regulation”), which summarized and analyzed the year 2022 from the development of energy-saving vehicles and NEVs, the credits trading and deduction situation, and the credits supply and demand.

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. The MIIT together with relevant Chinese authorities, has conducted five transactions, with a total transaction amount of CNY 252 billion.

The Report reveals, from a preliminary calculation, the 2022 average fuel consumption of the passenger vehicle industry was 4.10L/100km, going down by 19.6% year over year and achieved the 2025 goal of 4.60L/100km ahead of schedule; the 2022 production volume of new energy passenger vehicles was 6,037 million units, going up by 95.4% year over year.

CAC&MIIT: Pilot Program based on the CAC Provisions on Management of Automotive Data Security (for Trial Implementation)

On April 26, VDA organized the 3rd workshop with China Association of Automobile Manufacturers (CAAM), who's been leading the pilot program based on the Provisions on Management of Automotive Data Security (hereafter “Provisions”) released by the Cyberspace Administration of China (CAC).

Via this mechanism, VDA China is aiming at establishing the continuous communication mechanism with Chinese counterparts, to better understand the regulatory requirements in the early phase and at the key milestones.

This exchange workshop was organized at very short notice due to the decision made and released from CAC and MIIT at the “Automotive Data Security Compliance Promotion Meeting” on April 21, where it’s addressed the scaled-up implementation of the pilot requirements will be extended to another more than 30 enterprises, including some of the VDA member companies.

As introduced by the experts from CAAM, the program, similar as the 1st stage, is still focused onto 3 technical requirements:

- Desensitization of human face & vehicle license plate data collected externally at vehicle-end before sending out.
- Cabin data authorization, collection, storage, processing only within the vehicle.
- Obvious notification before processing any personal information.

Regarding many further questions and concerns of much detailed scenarios, VDA members and CAAM experts had wide and in-depth exchanges, e.g., on applicable technical standards, on the data items regarding cross borders, on the following execution and compliance inspection.

VDA China will keep the continuous bilateral communication with CAAM and closely monitor the progress of the 2nd stage of the pilot program as well as the further moves of the CAC and MIIT.

Automotive Industry Topics

The 23rd Round Table of Presidents/CEOs of German Suppliers in China

The 23rd VDA Round Table of Presidents/CEOs of German Suppliers in China was successfully held on April 17 in Shanghai. It was a great gathering with fruitful exchange and discussions.

More than 75 guests joining onsite, and 30 participants online witnessed the importance of the Chinese market for the German automotive industry as well as the innovation and development speed of Chinese companies. The messages from distinguished guest speakers: Mr. Pit Heltmann, Consul General of the Federal Republic of Germany in Shanghai, Mr. Maximilian Butek, Chief Representative of AHK Shanghai, Dr. Holger Klein, CEO of ZF Friedrichshafen AG, Dr. Brian Gu, the Vice Chairman & President of Xpeng, and Dr. Kai YU, the Founder & CEO of Horizon Robotics were clear how important the Chinese market is, and decoupling would not be an option. VDA President Ms. Hildegard Müller and Managing Director Mr. Jürgen Mindel also joined onsite and emphasized to advocate open markets, globalization, international trade and investment and – above all – cooperation and continued dialogue.

VDA President visit China & Auto Shanghai 2023

On April 18, the 20th Shanghai International Automobile Industry Exhibition was officially opened at the National Exhibition and Convention Center (Shanghai). The exhibition, also known as Auto Shanghai 2023, is the first A-class international auto show held in China since the COVID-19 outbreak, which attracted over 1,000 enterprises from 20 countries and regions participating, and around 1,500 vehicles were displayed.

VDA President Ms. Hildegard Müller, together with Managing Director Mr. Jürgen Mindel attended the press conferences of the German OEMs and visited the booths of German suppliers, SMEs at German Pavilion, as well as some Chinese start-ups.

During this trip to China, besides of Auto show visit, the bilateral meeting with OEM members, Chinese partners were also on the agenda. Sino-German cooperation to jointly promote transformation and sustainable development of automotive industry was the key topic.

2023 World New Energy Vehicle Congress will be held at IAA Mobility in Munich in September

Guided by the goal of carbon neutrality, the electrification of the automotive industry has become a global consensus. In 2022, the penetration rate of the global NEVs market has increased rapidly.

After having been successfully held for four times in China, the World New Energy Vehicle Congress (WNEVC) ushers in the new stage in 2023 seeing the approach of the post-pandemic era. As the guest of honor of the 2020 WNEVC, the cooperation between China and Germany in the automotive industry is long-standing and in-depth. In 2022, the penetration rate of NEVs market in China and Germany has exceeded 20%, entering a new stage of market-oriented accelerated development. The China Society of Automotive Engineers (CSAE) and the International Organization of the World New Energy Vehicle Congress (preparatory) will collaborate with the German Association of the Automotive Industry (VDA) to hold the 2023 World New Energy Vehicle Congress from September 6th to 7th, with the theme of "Green Mobility, Win-Win Cooperation", during the International Mobility Platform (IAA Mobility) in Munich.

We hope that 2023 WNEVC can promote the development of NEVs all around the world by building a platform for global communication and cooperation and advancing technical progress, policy and law coordination and cross-industry collaboration. We are looking forward to meeting you at the 2023 WNEVC in Munich to discuss the transformation and upgrading of the automotive industry, and jointly plan for safer, greener and more sustainable future!

VDA China Launched Carbon Working Group for Members Based in China

In April, VDA China kicked off the Carbon Working Group (hereafter the "WG") for members based in China, which responded to the needs from the member companies according to the "VDA China Survey on Carbon and Sustainability" (click [here](#) for the full report) conducted in last November.

No matter from the EU or China, the governments all step up their efforts to meet their commitments under the Paris Agreement. Under the related policy and regulation frame, "green transformation" is given strategic significance by the industries and enterprises. The subject of automotive decarbonization is concerned of greater complexity and uncertainty than any other.

The WG will serve as a long-term platform for continuous exchange of carbon related topics for China-based German enterprises who are provided with the similar background, thus similar expectation, to better support them address the struggles are confronted, via both internal alignment and external partnership.

On April 25, the WG organized the first external activity, a workshop with China Automotive Carbon Digital Technology Center, a subsidiary of China Automotive Technology & Research Center (CATARC), considering its key role to support Chinese Government's promotion of carbon management system in the automotive sector. The representatives of both sides exchanged insights on various important sub-topics in the carbon field, including Carbon label, LCA standardization, CPP, CICES, CATENA-X, etc.

From VDA members of OEM and suppliers of different tiers, which right befits the discussion of the supply chain related issues, e.g., carbon, so the WG will be entirely open for all the members in China for some time in the future. Against the backdrop that there's not yet a stable policy frame or standardization system in China, more diversified participation will contribute to a more complete picture.

Standardization

Standard Drafts for Public Comments

In February and April, CATARC released following drafts of standard for comments:

NO.	Name	Release date	Deadline for comments	Note
1	GB/T XXXX-xxxx Recovery of traction battery used in electric vehicle - General requirements	2023-02-08	2023-04-09	
2	GB/T 31486-xxxx Electrical performance requirements and test methods for traction battery of electric vehicle	2023-04-26	2023-06-25	Supersede GB/T 31486-2015

Official Publication of Standards

In March, SAC released following standards:

NO.	Name	Release date	Implementation date
1	GB/T 17346-2023 Test methods of automobile pedal position dimensions	2023-03-17	2023-10-01
2	GB/T 26765-2023 Specifications for motor vehicle safety inspection business information system and networking	2023-03-17	2023-10-01
3	GB/T 42359-2023 Laboratory buffing method for wet & ice and snow testing of passenger car tires	2023-03-17	2023-10-01

MIIT Released the Draft for Comments of "Guidelines for the Construction of the National Automotive Chip Standard System"

In order to deploy and scientifically plan the standardization of automotive chips, lead and standardize the research and development and matching application of automotive chip technology, and promote the sustainable development of the automotive chip industry, the MIIT organized industry institutions in the fields of automobiles and electronics to sort out and analyze the current situation and trend of the development of China's automotive chip industry, and compiled the "National Automotive Chip Standard System Construction Guide (Draft for Comments)".

Based on the technical structure of automotive chips, the "Construction Guide" builds a standard system architecture from the two dimensions of application scenarios and standard content, clarifies the principles, objectives, and methods of automotive chip standard system construction in the coming period, puts forward the system framework, overall content and specific standard items.

VDA China is closely monitoring the progress of chip standardization together with members to keep the information transparency.

SAC/TC114/SC34 CFA (Connectivity Function and Application) and RMIS (Resources Management & Information Service) WG Meetings Held in April

On April 20, the 9th WG meeting of CFA was organized by CATARC. The meeting summarized the recent progress of the Working Group's work and determined a follow-up work plan, e.g., "Technical Specifications for Automotive Digital Key Systems", "LTE-V2X PC5 Onboard Communication System Technical Requirements" etc. The participating experts put forward a number of feasible suggestions on the content of the report, and the meeting received extensive attention and positive response from the participating experts.

On April 21, the 7th WG meeting of RMIS was organized by CATARC. The project teams reported on the progress of the work and the current problems, and the participating experts put forward a number of feasible suggestions on the content of the report, and jointly promoted the research and formulation of standards in the field of resource management and information services.

VDA China is closely monitoring the standards' status under SC34 together with members. Regular meetings will be held to synchronize the progress of standard drafting and evaluate the technical challenges.

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