

Environmental Performance Review of China

SPEECH AT THE SEPA PRESS POINT

By Mr. Kiyo Akasaka- Deputy Secretary-General

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Mr. Minister, Members of the Press, Ladies and Gentlemen,

On behalf of the OECD, it is a great pleasure to present, here in Beijing, the main conclusions and recommendations of the OECD Environmental Performance Review of China.

These conclusions and recommendations were discussed and agreed by all OECD countries and China itself, at a formal examination by the OECD Working Party on Environmental Performance which took place yesterday and today. It was the first meeting of a formal OECD body ever to be held in China – so today marks an important day in the long-standing OECD-China co-operation.

The draft report of the OECD Environmental Performance Review of China is still to be finalized based on the rich exchange we had among the OECD countries and China at this meeting. A full final report will be published in Beijing in Spring 2007.

The conclusions and recommendations that we are releasing today focus on both environmental achievements to date, and challenges ahead.

China is experiencing one of the highest rates of economic growth in the world – on average 10.1% growth rate over almost 15 years - as well as significant structural changes. However, this growth has been accompanied by deteriorating environmental conditions in the air, water, river and soil.

Despite serious government efforts, air quality in some Chinese cities remains among the worst in the world. Acid rain falls on about 30% of Chinese territory and in 215 out of 526 cities in 2004.

Many water courses, lakes and coastal waters are severely polluted as a result of agricultural, industrial and domestic discharges.

The amount of municipal waste, industrial waste and hazardous waste far exceeds what can safely be treated and disposed. For example, close to 50% of municipal waste are stored waiting for treatment.

While recognizing the serious engagements of the Chinese Government in addressing environmental problems, the Working Party found that these efforts have not been sufficient to keep pace with the environmental pressures and challenges generated by the very rapid growth of China's economy. Overall, environmental efforts have lacked effectiveness and efficiency, largely as a result of an implementation gap.

We therefore recognized the urgency of strengthening China's environmental efforts. This is consistent with the Chinese Government's policy and recent initiatives. It is China's own interest to address and prevent negative impacts of environmental degradation and natural resources depletion on the health and well-being of the Chinese people as well as its economic development.

OECD countries and China have agreed that international co-operation needs to be stepped-up and that such strengthened environmental efforts will be of mutual interest to China and the international community. China does not need to repeat the same mistakes and errors of OECD member countries in their handling of environmental problems and disasters, as China can learn from experiences, bad and good, and best practices and lessons learned in OECD countries. OECD countries have shown their willingness to continue to co-operate with China in deepening dialogue on these environmental issues.

RECOMMENDATIONS

I would like to highlight some of the [51] recommendations:

To reduce the gap in implementing environmental policies, it is recommended to:

- Continue efforts to make local leaders, at different territorial governance levels, more accountable for their environmental performance;
- Upgrade SEPA from an Agency to a Ministry;
- Extend the use of market mechanisms for achieving environmental objectives; and
- Increase and diversify sources of environmental finance.

A number of specific recommendations are made on air, water, waste and nature management.

For example, to bolster the adoption of cleaner fuels, it is recommended that more cleaner coal technology, coal washing and flue gas desulphurisation, cleaner fuels for vehicles and cleaner cars should be introduced. Price increases in water charges, including groundwater abstraction charges are recommended. In agriculture, fertilizer subsidies should be phased out to address water pollution.

To better integrate environmental concerns in economic and social decisions, we recommend to:

- Review the price levels for energy, water and other natural resources and consider a green tax reform. However at the same time, measures to mitigate or compensate for impacts of price rises on poorer households should be considered.
- Better integrate environment institutionally into economic policies as well as energy, transport and agriculture policies;
- Strengthen environmental democracy, with respect to environmental information, education and citizen's participation; strengthen co-operation and partnerships with NGOs and enterprises.
- Provide access to sound environmental services to the poorer and rural populations, and
- Focus more on the health impacts of environmental degradation by developing and implementing a national environmental health plan.

Finally, to strengthen environmental international co-operation, it is recommended to:

- Establish a coherent national plan on climate change;
- Continue the phase out of ozone depleting substances;
- Improve governmental oversight of overseas operations of Chinese companies (using OECD guidelines for multinational enterprises);
- Intensify efforts to address regional environmental problems, particularly acid rain;
- And still concerning environmental into international co-operation, increase i) financial efforts from China, as well as ii) technical support and targeted financial assistance from OECD countries and international financial institutions to China.

CONCLUSION

In conclusion, let me stress our three main messages:

- ◇ China has made some significant environmental progress.
- ◇ However, the implementation of environmental policies needs to be strengthened. As China enjoys continued high economic growth, balanced development requires commensurate environmental and social progress. We are convinced that further environmental progress will reward China with major economic and social benefits, including those associated to improved health.
- ◇ China needs to strengthen further its international environmental efforts (particularly concerning climate change, ozone layer protection, regional issues and trade-and-environmental issues) with the co-operation and support of OECD countries.

Mr. Minister, let me thank you, and through you, the many talented and committed officials and experts from your country who have contributed to this review in a spirit of openness and transparency.