

China's Ecological compensation policy

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1. Background of China's eco-compensation system

- Promoting ecological progress

- 2012- (the 18th National Congress of the Communist Party of China)
- China's five pronged strategy for building socialism with Chinese characteristics, that is, to promote coordinated progress in economic, political, cultural, social and ecological areas
- President Xi: Lucid waters and lush mountains are invaluable assets

Opinions of the CPC Central Committee and the State Council on Accelerating the Ecological Civilization Construction: April 25th, 2015

“ 24. Improving the ecological compensation mechanism

The obligations and rights of the protectors and beneficiaries of the ecological services shall be defined in a scientific manner so as to speed up the process of forming a mechanism which charges beneficiaries of ecological services and people who incur environment destructions to get environment-protectors reasonably compensated. Deepening reform of the fiscal and tax system shall be studied, transfer payment mechanism shall be improved, and existing eco-compensation channels shall be combined and regulated in an effort to increase the transfer payments to major ecological function zones as well as improve the basic public service step by step. A trans-regional eco-compensation system shall be established which will lead to the compensation from the regions benefiting from the ecological services to regions providing such services, or from the lower streams to the upper streams through ways like financial subsidy, industrial relocation, talents-training, and cooperation of construction projects. ”

Integrated Reform Plan for Promoting Ecological Progress: Sep.23,2015, State Council

- The fifth of the total eight mechanisms to promote ecological progress in the integrated plan is the eco-compensation mechanism

32. Improving the ecological compensation system

- Explorations will be made into establishing a diversified compensation mechanism, transfer payments to major ecological functional zones will be increased step by step, and the incentive mechanism that links ecological protection performance with fund allocation will be improved. Measures will be drawn up for implementing a mechanism, principally for local compensation, and supported by additional funds from the central budget, by which local governments compensate each other for ecological or environmental damage and ecological conservation efforts. Local governments are encouraged to launch ecological compensation trials. Efforts will continue in carrying out the ecological compensation pilot initiative for the Xin'an River ecosystem. Help will be given to carry out trans-regional ecological compensation pilot initiatives in the Beijing-Tianjin-Hebei water source conservation area, in areas along the Jiuzhou River in Guangxi and Guangdong, and in areas along the Ting and Han rivers in Fujian and Guangdong. Explorations will be made into carrying out pilot ecological compensation initiatives in the Yangtze River basin- an environmentally sensitive region.

Opinions of the General Office of the State Council on Improving the Compensation Mechanism for Ecological Protection: May 13th, 2016

- **3. Target tasks**
- By 2020, a diversified compensation mechanism shall begin to take shape, with full coverage of major ecosystems like the forest, grassland, wetland, desert, oceans, watershed, and farmland, areas where development is prohibited, and major ecological functional zones; the level of compensation shall keep up with the social-economic development; demonstration of trans-regional and trans-basin compensation pilot initiatives shall make significant progress; the establishment of a compensation system for ecological protection in accordance with the national condition shall be completed basically to promote green production manner and green lifestyle.

A combination of classified compensation and integrated compensation

7 Major ecosystems:

- Forest
- Grassland
- Wetland
- Watershed
- Desert
- Ocean
- Farmland

2 Major areas:

- Regions where development is prohibited
- Major ecological functional zones

Provinces Issued Provincial Implementation Opinions:

- Anhui, Henan, Liaoning, Yunnan, Shanxi, Hebei, Guizhou, Jilin, Guangdong, Fujian, Inner Mongolia

Guiding opinions on accelerating the establishment of ecological protection compensation mechanism between upper-stream and lower-stream watershed

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By Ministry of Finance, Ministry of Environmental Protection, National Development and Reform Commission, and Ministry of Water Resources



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关于加快建立流域上下游横向生态保护补偿机制的指导意见

财建[2016]928号

各省、自治区、直辖市、计划单列市人民政府，新疆生产建设兵团：

开展横向生态保护补偿，是调动流域上下游地区积极性，共同推进生态环境保护和治理的重要手段，是健全生态保护补偿机制的重要内容。近年来，一些流域积极开展横向生态保护补偿试点，取得了阶段性进展，但总体上看，这项工作仍处于起步阶段，缺乏有效的合作平台，联防联控的长效机制尚未真正建立，一定程度上影响了流域生态环境治理的成效。为加快建立流域上下游横向生态保护补偿机制，推进生态文明体制建设，经国务院同意，现提出以下意见。

Eco-compensation in laws:

- **Forest Law (1998 Amendment)**
- Article 8 “The State shall establish the forestry ecological efficiency compensation fund, which shall be used for the building, cultivation and management of protection forests with ecological efficiency and the forest resources and trees with special uses.”

Relevant Law

Water Pollution Prevention and Control Law (2008 revision) Effective on June 1st, 2008

Article 7 “The state shall, in the mode of financial transfer payment or other, establish a compensation mechanism for the ecological protection of the water environment in drinking water source reserve areas and upper reaches of rivers, lakes and reservoirs.”

Relevant Law

- **Water and Soil Conservation Law (2010 Revision)** Effective on March 1st, 2011
- Article 31 “The State shall strengthen the prevention and control of the water and soil loss in river source areas, drink water source conservation areas, and water source conservation areas, raise fund via various sources, and include the compensation of the ecological benefits from water and soil conservation in the national eco-compensation mechanism. ”

Relevant Law

- **Environmental Protection Law (2014 Revision)**
Effective on January 1st, 2015
- Article 31 “The State shall establish and improve an ecological compensation mechanism.
- The State shall increase financial transfer payments to ecological protection areas. Relevant local people’s governments shall oversee the use of ecological compensation funds to ensure that such funds are used for ecological compensation purposes.
- The State shall guide the people’s governments of ecologically benefited areas and ecological protection areas in making ecological compensation through consultation or under market rules. ”

Ecological Compensation Legislation

- Regulations on Ecological Compensation has been listed in the legislation plan of the State Council for the year 2010
- The initial framework of the Regulations on Ecological Compensation has been established, including basic principles, coverage and subjects of compensation, methods and financial source for compensation.
- **2016 Opinions of the General Office of the State Council on Improving the Compensation Mechanism for Ecological Protection**
- 17. Accelerating the establishment of relevant laws
- The regulation on compensation for ecological protection shall be researched and established. Local government shall be encouraged to issue relevant laws or regulations and push for the institutionalization and legalization of compensation mechanism for ecological protection.

2. Progress of the eco-compensation system in China

7 Major ecosystems:

- Forest
- Grassland
- Wetland
- Watershed
- Desert
- Ocean
- Farmland

2 Major areas:

- Regions where development is prohibited
- Major ecological functional zones

Eco-compensation for forest

Forest Ecosystem Benefit Compensation Fund

- RMB 15/mu/year (Public benefit forests)
- RMB 5/mu/year (Stated-owned forests)
- Central government has invested RMB 98.6 billion between 2001 and 2015

Conversion of Cropland to Forests Program

- RMB 160/mu/year (5-8 years, Yellow River watershed)
- RMB 230/mu/year (5-8 years, Yangtze River watershed)
- Central government has invested RMB 354.2 billion between 1999 and 2013

Eco-compensation for grassland

- **The Conversion of Rangeland to Grasslands Program** was initiated in 2003
- The central government has invested RMB 21.57 billion between 2003 and 2014
- **The Reward-Compensation Mechanism for ecological conservation in pastoral regions** was initiated in 2011
- First round: 2011-2015 Financial investment from the central government is RMB 77.3 billion
- Second round: 2016-2020 Increasing compensation rate

Second round of the Reward-Compensation Mechanism for ecological conservation in pastoral regions

- The central government will establish a comprehensive reward-compensation for grassland ecosystem protection mechanism in 13 pastoral regions including Inner Mongolia, Xinjiang Autonomous Region, Tibet, Qinghai, Sichuan, Gansu, Ningxia, and Yunnan province (the first round includes the first 8 provinces and the second round adds Heilong Jiang, Jilin, Liaoning, Hebei, and Shanxi province).
- A compensation rate of RMB 7.5 per mu per year is provided for full grassland enclosures (the rate of the first round is RMB 6 per mu per year)
- A subsidy rate of RMB 2.5 per mu per year is provided if the grazing is kept within the carrying capacity of the grassland, rewarding livestock-grassland balance (the rate of the first round is RMB 1.5 per mu per year)

Eco-compensation for wetland

- In 2014, pilot initiatives were carried out in 21 wetland areas of international significance and national wetland conservation zones of 21 provinces and regions;
- Pilot initiatives were carried out in 13 wetland areas of national significance and national wetland conservation zones in Inner Mongolia, Jilin, and Heilong Jiang province;
- Wetland conservation reward pilot programs were carried out in 60 counties;
- The total investment amounts to RMB 1.09 billion.

Eco-compensation for wetland

- Temporary regulation on the subsidy from the central government for wetland conservation
- Opinions on establishing ecological compensation mechanism (for trial implementation)
- A compensation of RMB 500,000 shall be provided to each county which harbors lake Taihu, Yangcheng lake or other major lakes enlisted by city or district governments.

Eco-compensation for major ecological functional zones

- 2012 Measures for Transfer Payments for National Major Ecological Functional Zones from the Central Government to Local Governments
- 2012 Financial transfer reached RMB 37.1 billion, was implemented in 466 counties
- 2014 Financial transfer reached RMB 48 billion, was implemented in 492 counties
- 2015 Financial transfer reached RMB 500 billion, was implemented in 512 counties

Eco-compensation for mineral mining

- Ministry of Finance, Ministry of Land and Resources, and State Environmental Protection Administration jointly issued Guiding Opinions on establishing environmental restoration and ecological recovery responsibilities mechanism of mines
- Ecological restoration deposit for mineral mining

Existing eco-compensation programs

- Annual fund for eco-compensation from the central government: RMB 150 billion
- Seven ecosystems and two regions:
 - Forest (RMB 15 billion/year), 2001-
 - Major ecological functional zones (RMB 70 billion/year), 2008-
 - Grassland (RMB 18 billion/year), 2011-
 - Wetland (RMB 1 billion/year), 2010-
 - Watershed (RMB 8.4 billion/year), 2001-
 - Oceans (RMB 3.8 billion/year), 2010-
 - Desert, restrictive development regions, prohibited development regions and etc.

3. Characteristics of China's ecological compensation system

- Center on governmental financial transfer payments:
- Vertical eco-compensation (central-local)
- Lateral eco-compensation (local-local)
- Eco-compensation based on market mechanisms:
- Water fund
- Trust fund

A combination of compensation and reparation

- The upper-stream regions shall make reparation to the lower-stream regions if creating the pollution
- The upper-stream regions shall get compensated for if no pollution is created

2016 Opinions of the General Office of the State Council on improving the compensation mechanism for ecological conservation

15. Innovative policy collaboration mechanism

A new mechanism shall be established featuring ecological conservation jointly promoted by reparation for ecological destruction, market trading of ecological products, and ecological compensation.

Monitoring of the quantity and quality of the compensation performances and environmental services

- The compensation and ecological services provided is not closely linked for the large scale eco-compensation implemented in China.
- However, the design of watershed eco-compensation programs are paying more attention on the conditionality of the compensation and the link between compensation and water quality. EI and GEP

Thank you !