

Legal news

New standards for wine and food production

The food & beverage industry in China has a huge potential for expansion and could represent an attractive area for investment, both domestic and foreign. Lots of Western companies have already penetrated the Chinese market with their products. Many of them are distributing goods made in their home countries, while others have decided to venture into growing products directly in China, where, with the right technique, the great variety of geographic and ecosystems regions make it suitable to recreate almost any famous strain of grape or corn on the planet.

But investing in the food & beverage sector carries with it its own challenges. It necessitates being aware of the increasingly complicated legal system governing the sector, that is consistently being updated with new regulations, rules and laws.

Recently, the Ministry of Environmental Protection has issued new standards for the wine industry. The Clean Production Standards for the Wine Industry, becoming effective on 1 March 2009, regulates the clean production of the valuable beverage, which is becoming popular with Chinese people influenced by the Western lifestyle. The new law also orders the creation of dedicated systems for environmental impact assessment and emissions control for the wine industry.

Sustainable use of resources, prevention and control of pollutants, efficient use of energy, and recycling of resources are the key points of the new rules, with which firms will have soon to comply.

Other relevant regulation in the year 2009 which firms in the food & beverage industry shall pay attention to is the General Criteria for the Hazard Analysis Critical Control Points (HACCP) System for Food Manufacturers issued by the Certification and Accreditation Administration of China.

The new HACCP standards apply to processing and production activities, packaging material, and food storage conditions. In other words, the standards aim at regulating all the activities relating to food production which may affect food safety.

Hard times for polluters

Examples of successful enforcement of environmental laws during the 2008 will provide incentive for firms to monitor their compliance with existing environmental laws, whether they are domestic or foreign enterprises.

For those who don't comply, severe punishments are reserved. 15,000 infringing enterprises and the 100 individuals have been disciplined in 2008, as revealed by a report from China's environmental regulator, the Environmental Protection Agency.

For firms submitting plans for approval, they can expect their prospective investment to be rejected if not in line with national environmental standards and policies. In 2008, 150 projects at a value of nearly RMB500 million were rejected by the approving authorities because deemed to be too energy intensive or heavily polluting.

It's more and more necessary to carefully study national and local regulations when planning to penetrate the Chinese market, especially since environmental protection has, perhaps surprising to some, become a crucial objective for Chinese government.

Potential investors need not be overly concerned, because there is room for growth even in this changing investment climate. The Government is funding an impressive number of green initiatives.

RMB500 million has been dedicated to sponsor environmental protection programs in more than 700 villages. Another RMB51 billion has been invested in some 900 projects aimed at preventing and controlling pollution in water resources such as the Songhua, Huaie, and Haihe rivers. Also, projects that promote green technology and energy efficiency such as those that qualify as Clean Development Mechanism projects are subject to special tax exemptions. Even in the economic downturn, millions and of Yuan are destined for energy and efficiency improvement projects.



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Dear Readers,

Lehman, Lee & Xu welcomes you all to its China Green Report, a brief insight into the environmental Chinese investment and legal climate.

To know more about China, feel free to contact us.

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Progress

The boundary between tradition and sustainable development

The favorite soundtrack of the Chinese New Year, celebrated from January 26 to February 6, is that of noisy firecrackers and spectacular fireworks. Although both are continuing emblems of an ancient tradition, people are being asked by some to change their celebration style for environmental reasons.

Some consider carbon footprint of the fireworks and the residual waste to be a threat to the environment. The “Green Spring Festival” movement aims at promoting a culture of recycling and reduced consumption. In a huge public awareness campaign, university campuses in twelve cities have been covered by 100,000 postcards, made of recycled paper, with green messages. However, when it comes to changing such traditional festivities, the big question is: “Will people really understand?”

Although such a campaign is in line with the governmental aims of reducing energy consumption per unit of GDP of 20% by 2010 and awareness of how human activities are directly linked to environmental damage is essential to accomplishing this goal, some might question the usefulness of attacking such a traditional holiday.

In a time when 20 million Chinese migrant workers are leaving cities and heading back to the countryside after having lost their jobs due to the global financial downturn, attacking time-honored traditions may not be the best way to foster environmentalism among the populace.

For those concerned with promoting environmental consciousness, the benefits of preventing the opening up yet another coal plant far exceed that of celebrating the New Year without fireworks.

Can a 972 km² freshwater lake become salty?

When 500 million tons of agricultural, industrial and urban runoff is left to flow into it untreated, the answer is yes. This is happening to one of China’s biggest lakes, the Bagrax lake in Xinjiang, which is a key water source for the entire province. Runoff from surrounding developments is adding around 700,000 tons of salt in the lake every year.

In 2006, the Austrian government granted a loan to build a series of waste water processing units. Together with local government funding, the total amount of money raised in 2006 reached €5 million.

Another RMB75 million will be invested by the Chinese government this year to pursue the restoration of the lake. The money will be used to fund desalinization treatment.



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Investment

On the way to natural gas

Partially as a consequence of China’s increasing effort to retreat from its heavy reliance on coal by promoting clean energy and the development of new energy efficient technologies, consumption of natural gas has increased of 21.6% as of 2006. Consumptions statistics for 2008 are currently unavailable.

The infrastructure for delivering natural gas is being developed through the building of new pipelines. One will double the size of the current connection between east and west China; another will connect China to the central Asia pipelines. The new pipeline system is intended to supply the natural gas from central Asia to the most developed and power-consuming areas of China: the Yangtze and Pearl River deltas.

Additionally, China has signed agreements for the purchase of some 8 million tons per year of liquefied natural gas from other major suppliers such as Shell and Qatar Gas.

The investment is a result of the of the new five year plan on energy which aims to raise the proportion of natural gas as part of China’s total energy consumption from 2.8% of 2005 to 5.3% by 2010.

Foreign investment, particularly the sale and licensing of advanced technology, will most likely be necessary to accomplish the energy goals and will accordingly see further growth.

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