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## Air pollution reduction during China's 11th Five-Year Plan period—local implementation and achievements in Shanxi province

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### ARTICLE INFO

#### Article history:

Received 15 May 2012

Accepted 16 September 2012

#### Keywords:

China

Pollution reduction

Environmental five year plan

Targets

### ABSTRACT

Facing the increasing environmental degradation locally and globally, the Chinese government set mandatory goals of 10% reduction of SO<sub>2</sub> emission in its 11th Five-Year Plan period (FYP, 2006–2010). In this paper we use Shanxi province to illustrate how policies and measures are implemented in practice at a provincial level as a response to the National FYP issued by the central government. Local policies are described and their effects are analyzed. We find that the 11th FYP goal for SO<sub>2</sub> pollution reduction in Shanxi has been surpassed. SO<sub>2</sub> reduction from estimated baseline level was calculated for the FYP period in order to identify which sectors have had the largest reductions. Regarding SO<sub>2</sub>, we find that Flue-gas desulfurization (FGD) in power plants has been the most important, while either the FGD operation rate or the efficiency, or both, are much lower in practice than officially required. SO<sub>2</sub> emission reduction from closing down outdated production capacity is small according to

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our estimates. This is due to the comparatively small use of coal in the units being closed down in Shanxi. Necessary steps to achieve the targets in the 12th FYP are briefly discussed.

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## 1. Introduction

China's recent rapid economic growth has been accompanied by a dramatic increase in energy use (Zhang et al., 2011). The energy structure dominated by coal and the rapid growth of polluting industries have resulted in great impacts and pressures on the environment, which have caused considerable international and domestic concerns (Gan, 1998; Economy, 2007; Vennemo et al., 2009). The World Bank (2007) estimated that the economic burden of air and water pollution in China was between 362 and 781 billion RMB Yuan in 2003, or 2.7–5.6% of GDP. According to the 2005 Environmental Sustainability Index published by Yale University and Columbia University (Esty et al., 2005), China's score was 38.6 (the top score is 75.1), or 133rd among all 146 countries. In 2005, the State Environmental Protection Administration of China (SEPA) reported that severe pollution prompted 51,000 public disputes,<sup>1</sup> while the Central Committee of the Communist Party of China has identified pollution as one of four social problems linked to social disharmony (Nankivell, 2005). Regarding its impact on global climate change, China's CO<sub>2</sub> emissions have increased dramatically from about 1.4 billion tonnes in 1978 to 8.3 billion tonnes in 2010 (25% of global emissions), and overtook USA (which emitted 6.1 billion tonnes in 2010) as the world's largest emitter of energy-related CO<sub>2</sub> in 2006 (BP, 2011).

Facing the mounting pressure, the Chinese government has initiated many efforts to control the environmental problems. Since the early 1980s, a series of national plans, policies and laws have been enacted. In 1994, a broad strategy was laid out to achieve sustainable development in China. Two years later, the first Five-Year Plan on environmental protection (EFYP) (1996–2000) was developed. More recently, a new “scientific development” concept was proposed to achieve a harmonious society and a balanced relationship between humans and nature (Fu et al., 2007). The State Environmental Protection Administration (SEPA) was promoted to Ministry of Environment Protection (MEP) in 2008, implying that higher priority should be given to environmental protection. This is also reflected in China's development goals. In the 11th FYP for Economic and Social Development (NDRC, 2006), mandatory goals for pollution reduction for the 2006–2010 period were stated. While the national economy was planned to maintain a relatively stable and fast growth, the environmental quality of key regions and cities should be improved, and the ecological deterioration be brought under control.<sup>2</sup> By 2010, the total amount of major air and water pollutants (SO<sub>2</sub> and COD)<sup>3</sup> released should be reduced by 10%.

The targets indicate that the Chinese government was serious in its call for the new “scientific development” concept to assure a sustainable environment. However, the 11th FYP was widely considered to be too ambitious, considering that China's 10th FYP had also set goals for environmental protection (in the main plan), that were not achieved (MEP, 2007a). There was a general agreement that it would be impossible to achieve the new goals without strong involvement of provincial and local governments. The problem was how local authorities would contribute, considering that, in China, environmental efforts have lacked effectiveness, resulting in an implementation gap, and that the biggest obstacles to environmental policy implementation are at the local level (OECD, 2006).

In this paper we use Shanxi province (see Fig. 1) as a case to illustrate how policies and measures were implemented in practice at a local scale as a response to the National FYPs issued by the central

<sup>1</sup> “Unexpected’ pollution comes as no shock”, October 16, 2006. [http://english.peopledaily.com.cn/200610/16/eng20061016\\_312042.html](http://english.peopledaily.com.cn/200610/16/eng20061016_312042.html).

<sup>2</sup> There are also mandatory goals for the 12th FYP. See discussion section.

<sup>3</sup> COD—Chemical Oxygen Demand which is an indicator of the amount of organic compounds in water.

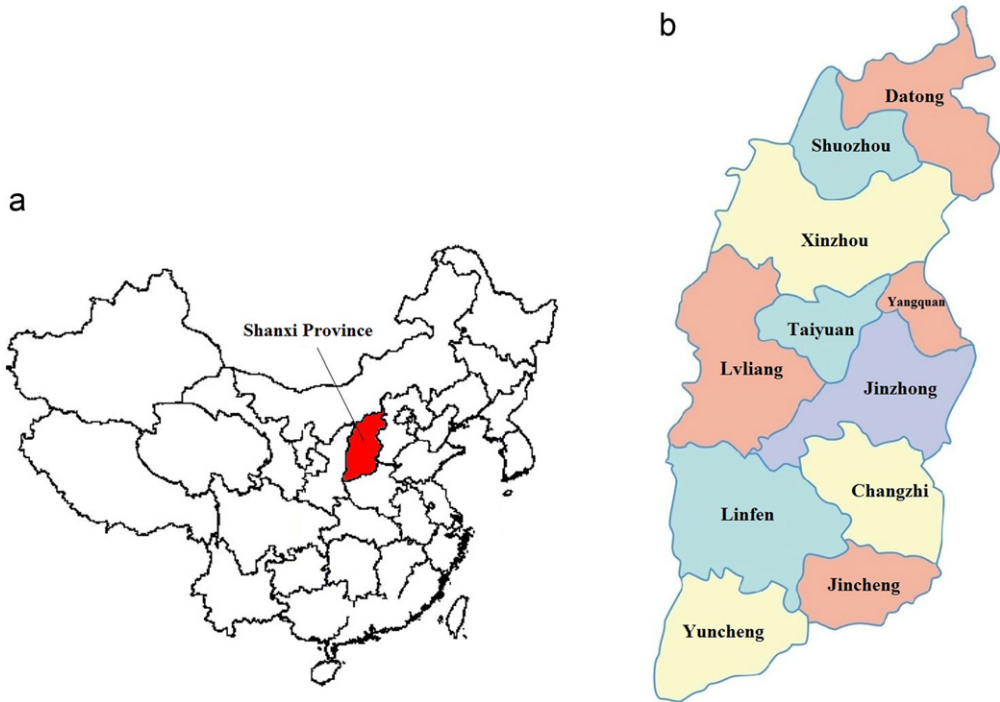


Fig. 1. Shanxi Province: (a) Location of Shanxi and (b) Map of Shanxi (11 key cities).

government. The paper describes efforts to reduce the release of pollutants with emphasis on  $\text{SO}_2$  in Shanxi during the 11th FYP period (2006–2010). It describes the major policies and policy changes that seem to have been instrumental to the increased success of the 11th FYP as compared to previous FYs. For efforts and achievements in the Shanxi Province on energy conservation and energy intensity, see our previous paper (Zhang et al., 2011), and also Zhang et al. (2011) and Kostka and Hobbs (2012).

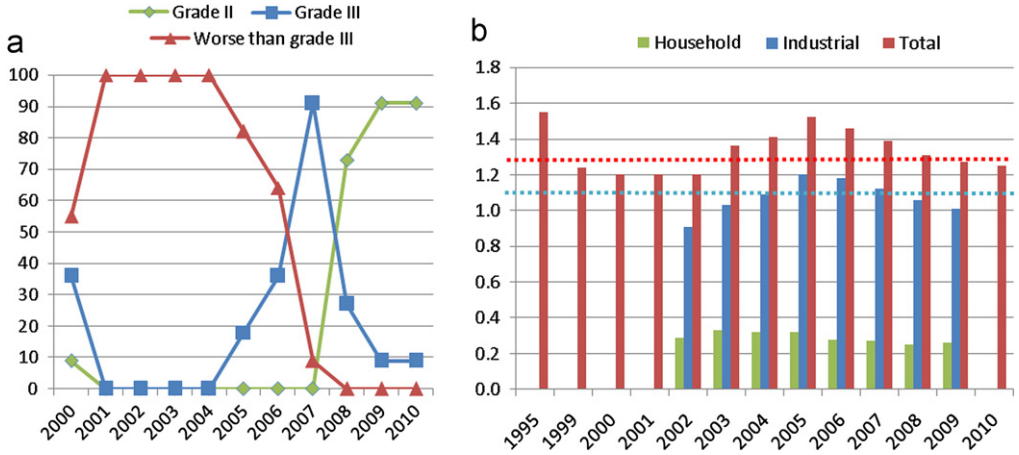
## 2. Air pollution in Shanxi

According to Shanxi EPB (2006, 2007), emissions of main pollutants far exceeded the environmental capacity by the end of the 10th five year period, and the environmental situation was serious. Implementation of a series of control policies and measures led to improvement in the environmental situation in Shanxi during the 11th FYP period.

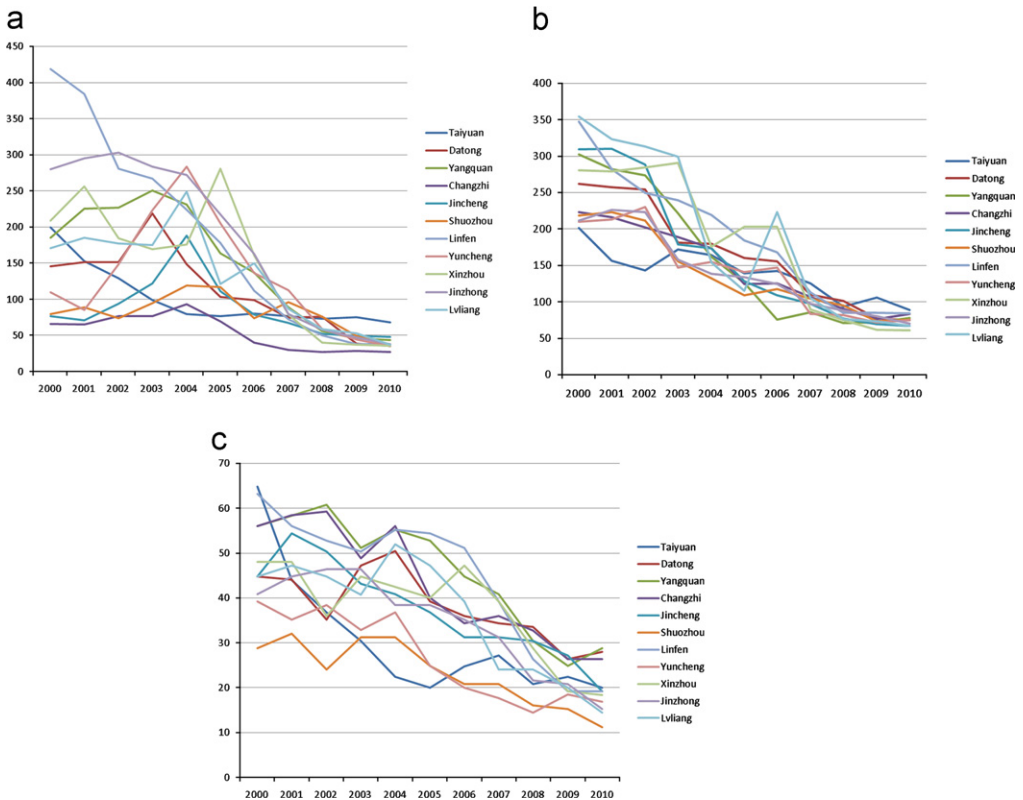
According to Shanxi EPB (2006), none of the 11 key cities (see Fig. 1b) satisfied the grade II standard for air quality<sup>4</sup> and only 2 met the grade III standard<sup>5</sup> (the least stringent standard) in 2005 (see Fig. 2a). Linfen, Datong and Yangquan were the 3 most polluted cities among the 113 key cities in China inspected by MEP, and 5 of the 11 Shanxi cities were listed among the 30 most polluted of the 113 cities. Linfen (1.4 million urban population) was the worst, followed by Datong (1.5 million urban population) and Yangquan (0.7 million urban population). However, the air quality of other cities inspected by Shanxi EPB (but not included in the 113 cities inspected by MEP), such as Xinzhou, was even worse than that of Linfen,

<sup>4</sup> Grade II standard requires annual average values below  $60 \mu\text{g}/\text{m}^3$  for  $\text{SO}_2$ ;  $100 \mu\text{g}/\text{m}^3$  for  $\text{PM}_{10}$ ; and  $80 \mu\text{g}/\text{m}^3$  for  $\text{NO}_2$ . Note that the guidelines from World Health Organization for  $\text{PM}_{10}$  and  $\text{SO}_2$  are much lower than the grade II values, respectively  $50 \mu\text{g}/\text{m}^3$  and  $20 \mu\text{g}/\text{m}^3$  for 24-hour mean. The guidelines are available at: [http://whqlibdoc.who.int/hq/2006/WHO\\_SDE\\_PHE\\_OEH\\_06.02\\_eng.pdf](http://whqlibdoc.who.int/hq/2006/WHO_SDE_PHE_OEH_06.02_eng.pdf).

<sup>5</sup> Grade III standard requires annual average values below  $100 \mu\text{g}/\text{m}^3$  for  $\text{SO}_2$ ;  $150 \mu\text{g}/\text{m}^3$  for  $\text{PM}_{10}$ ; and  $80 \mu\text{g}/\text{m}^3$  for  $\text{NO}_2$ .



**Fig. 2.** Development in Shanxi of main pollution indicators: (a) air quality trends (Percentage of 11 key cities meeting ambient air quality standard) and (b) SO<sub>2</sub> emission (million tonnes) (··· 10th FYP target; ···· 11th FYP target).  
 Source: Shanxi EPB, 2001–2011.



**Fig. 3.** SO<sub>2</sub>, PM<sub>10</sub> and NO<sub>2</sub> concentration in 11 key cities of Shanxi (µg/m<sup>3</sup>): (a) SO<sub>2</sub> concentration, (b) PM<sub>10</sub> concentration and (c) NO<sub>2</sub> concentration.  
 Source: SOE of Shanxi 2000–2010 (Shanxi EPB, 2001–2011).

according to Shanxi EPB (2006). Thirteen of the Forty one counties/municipalities in Shanxi that do have air quality monitoring had a pollution index higher than Linfen.

SO<sub>2</sub> and PM<sub>10</sub> were the major components affecting Shanxi air quality in 2005, with SO<sub>2</sub> causing most violations of air quality standards. Among the 11 key cities', 2 slightly exceeded the grade II SO<sub>2</sub> standard; most of the others had concentrations 2–7 times this standard (see Fig. 3a).

PM<sub>10</sub> pollution was also very serious in 2005 in Shanxi. PM<sub>10</sub> concentrations in all 11 key cities exceeded the grade II standard with up to 100% (see Fig. 3b). All 11 cities in Shanxi met the grade II standard of NO<sub>2</sub> concentration in 2005 (see Fig. 3c).

Provincial SO<sub>2</sub> emissions were 1.5 million tonnes in 2005 (see Fig. 2b) ranking Shanxi third among the Chinese provinces. It had increased 26% compared with emissions in 2000, while the 2005 target was 1.10 million tonnes, which corresponds to an 8% reduction compared to 2000. Per unit GDP and per capita SO<sub>2</sub> emissions in Shanxi in 2005 were 2.6 and 2.2 times higher than the national averages, respectively.

Provincial TSP (total suspended particulates) emissions in 2005 from industrial production and households were 1.82 million tonnes (industrial soot 909,600 t, household soot 212,300 t and industrial dust 694,700 t), the highest among provinces in China. It had increased 18% compared with emissions in 2000.

According to Shanxi EPB (2011), considerable improvements were achieved in air quality in Shanxi during the 11th FYP. Among 11 key cities, 10 met with grade II in 2010, which is 91% points increase compared with 2005, and the last one, Taiyuan, reached grade III. Compared to 2005, the annual average concentration of SO<sub>2</sub> had decreased 73.2% and that of PM<sub>10</sub> had decreased 47.2% by 2010 (Shanxi EPB, 2011) (see Fig. 3a and b). In 2010, SO<sub>2</sub> emission amounted to about 1.25 million tonnes, 17.6% lower than in 2005 (see Fig. 2b). The target for 2010 was 1.30 million tonnes (State Council, 2006), so according to the figures from Shanxi EPB (2011) the province had surpassed its 11th FYP goal for SO<sub>2</sub> reduction.

However, it has been questioned whether the official SO<sub>2</sub> emission data in China may be understated (Vennemo et al., 2009). For instance, Ohara et al. (2007) have developed an emission inventory for Asia and estimated that China's SO<sub>2</sub> emissions in 2003 were about 70% higher than officially reported. Moreover, research at Tsinghua University in Beijing also suggests that SO<sub>2</sub>-emissions in 2005 may be 24% higher than official figures (Zhao, 2006; Zhao et al., 2011).

Shanxi's emission data might also be understated as the national values, but data from alternative sources are scarce. Zhao (2006) estimated that Shanxi's SO<sub>2</sub> emission in 2000 was about 1.3 million tonnes and also presented the province estimate from Ohara's emission inventory for the same year (Ohara et al., 2007) which was about 1.1 million tonnes. The official data for 2000, which was about 1.2 million tonnes, thus fell in between.

### 3. Policies and measures in Shanxi for reaching the pollution reduction targets of the 11th FYP period

In August 2006, the State Council approved a scheme disaggregating the 11th FYP's national pollution reduction targets into provincial reduction targets (State Council, 2006). Regarding SO<sub>2</sub> emission reduction, Shanxi was given a target of 14% from 2005. Based on this target and relevant national policies, a package of polices to reduce SO<sub>2</sub> emissions has been put in place in Shanxi (see Figure Appendix A).

#### 3.1. Disaggregated targets and planning

##### 3.1.1. Shanxi Provincial Government Notice<sup>6</sup> on major pollutants control in the 11th FYP Period

In order to realize the pollution reduction goals set for the 11th FYP period, Shanxi Provincial Government approved the provincial pollution reduction targets disaggregation scheme to the 11 key cities (see Fig. 1b), which was based on each city's economic structure, in July 2006, in Shanxi

<sup>6</sup> The legal status of administrative documents in China: regulation > government order, decision, implementation scheme, measure or method > notice or opinion (Characteristics of Common Types of Official Documents. <http://office.nwsuaf.edu.cn/edoas2/website7/level3.jsp?id=1186058812578066>. (In Chinese)).

*Provincial Government Notice on major pollutants control in the 11th FYP Period (the Notice)*. The disaggregated reduction targets for SO<sub>2</sub> range from 8% to 18%. For details, see [Appendix B](#).

*The Notice* also required the 11 city governments to further disaggregate their targets to counties, and integrate the evaluation results on the performance of local officials in reaching the targets into the official appraisal system as an important basis for promotion.

### 3.1.2. *The Shanxi Provincial Government Decision on Implementation of “Blue Sky and Clean Water” Program*

In order to realize the goals of environmental protection set for the provincial 11<sup>th</sup> FYP period and reverse the environmental degradation trend, Shanxi Provincial Government issued, in June 2006, *The Shanxi Provincial Government Decision on Implementation of “Blue Sky and Clean Water” Program* (the Program).

The Program covers 11 cities and 32 counties out of the 119 counties in Shanxi. The cities and counties included in the Program cover the main urban areas in Shanxi situated along the main highway (from the northernmost, Datong, to the southernmost, Yuncheng) and along the main river, Fen River. Administrative areas, with 58% of Shanxi's population and responsible for 79% of SO<sub>2</sub> emission and 94% of the COD discharge in Shanxi, are covered. For details, see [Appendix C](#).

## 3.2. *Implementation of pollution reduction measures in Shanxi*

Several measures to improve energy efficiency and restructure the economy away from the heavy dependence on secondary industry have contributed to less pressure on the environment as described in D. Zhang et al (2011). In this section we will emphasize measures directly targeting pollution reduction (not energy efficiency).

The actions taken in Shanxi to reach the pollution reduction targets can roughly be summarized into four categories: pollution control engineering, economic restructuring, enhancing environmental management, and supplementary policies. They will be illustrated separately in the following (except category economic restructuring, see [Zhang et al. \(2011\)](#)), while, in fact, they are closely integrated when implemented.

### 3.2.1. *Pollution control engineering: FGD facilities for SO<sub>2</sub> reduction*

In 2005, SO<sub>2</sub> emission from coal-fired power plants in Shanxi accounted for 49% of the total, and the emission from other industrial sectors was 30% of the total. Thus, desulphurization in the coal-fired power plants was the key to reach the provincial SO<sub>2</sub> reduction target.

In 2005, Shanxi People's Government issued “The Notice regarding Tasks Assignment for the Desulphurization of Existing Coal-Fired Power Plants within a Prescribed Time Limit in The Whole Province” (*The Desulphurization Notice*). According to *The Desulphurization Notice*, the establishment of FGD and installation of online monitoring systems should be completed by the end of 2005 for the 83 smallest coal-fired power plants (totally 246 generation units with total 4222 MW installed capacity); as a second step the same applied to 19 medium power plants (42 generation units with 6865 MW installed capacity) by the end of October 2006; and finally for the 7 largest power plants (17 generation units with amount of 4550 MW installed capacity) by the end of 2007. The power plants that met the requirement would enjoy subsidies from the electricity price premium described in [Appendix D](#), while those that failed would be shut down.

In 2006, the General Office of Shanxi People's Government issued “The Implementation Opinions on Accelerating the Desulphurization in Coal-Fired Power Plants” (The Opinions) to further strengthen the construction of FGD facilities. The Opinions required not only that the existing power plants should complete FGD construction before due time, but new-built power plants should install FGD during plant construction. The Opinions asked to strengthen the supervision in order to ensure proper operation of FGD facilities. Unauthorized stop of FGD facilities would be punished by cutting the subsidy from the price premium. The Opinions ordered the governments at different levels to accelerate the construction of FGD facilities by using various incentive policies, clearly defining



responsibilities of local government departments, making strict performance assessment of officials and strengthening the accountability system.

During the 11th FYP period, 72 sets of generation units that failed to complete the FGD construction before due time were shut down in Shanxi. Most of these were small units and the average size was about 20 MW (1527 MW in total). All the other power plants had completed the construction of FGD by the end of 2008. Whereas the aim is to shut down all small units (even those with FGD installed), this had to be done step by step during 11th FYP and continued into the 12th, due to the high power demand and the time needed to construct new larger power plants to replace the smaller ones. Furthermore, coke making industry had also realized coke oven gas desulphurization by the end of 2010 (Liu, 2011).

### 3.2.2. Enhancing environmental management

*3.2.2.1. Environmental management of key industries.* More than 80 local environmental legislation and regulations promulgated during the 11th FYP period, such as *Shanxi Provincial Government Order on the Control Measures to Pollution Sources from Key Industries* and *Shanxi Supervision Regulations on Pollution from Key Industries*, form a basis for improved environmental management.

Shanxi Provincial Government approved *The Control Measures to Pollution Sources from Key Industries (the Measure)* at its 77th executive meeting in August 2006.

Key industries in *the Measure* are the industries of coal, power, metallurgy, chemical, coke, building materials and paper. *The Measure* specified the responsibility of local governments, and required phasing out production facilities with high energy consumption, heavy pollution and outdated technology, listed in the “Phasing out Category” of *The Guiding Catalog of Industrial Structure Adjustment*. According to *the Measure*, all key industries should have installed cleaning devices and meet the emission (or discharge) standard by the end of 2008, and should also strictly implement emission (or discharge) permit systems and environmental impact assessment system. *The Measure* also required all key industries to make sure that the cleaning devices work satisfactorily and install online monitoring devices. Penalties for any violation were also specified.

The 33rd Meeting of the Tenth People’s Congress Standing Committee of Shanxi Province approved *Shanxi Supervision Regulation on Pollution from Key Industries (the Regulation)* in September, 2007. *The regulation* specifies that the governors at different levels have the main responsibility for the environmental quality in their jurisdiction, gives higher level EPBs legal right to punish local governments for neglect and dereliction of duty on environmental law enforcement, and gives the public legal right to know, to participate and to supervise the government’s supervision of pollution from key industries.

*3.2.2.2. Enhanced environmental management through institutional development.* In 2009, Shanxi EPB was updated to be a cabinet department of the Provincial Government rather than a department directly under it. The updating reflects the increasing power of Shanxi EPB in provincial policy-making. All 119 counties established independent environmental management administration structures (most of them were part of other governmental departments before).

*3.2.2.3. Strengthened environmental management through capacity building.* During the 11th FYP period, Shanxi invested about 1.4 billion RMB in capacity building in environmental management, and took the lead in China in establishing online air quality monitoring stations. The network covers all 119 counties in Shanxi. Online pollution source monitoring and control systems were also established in 756 enterprises with 5000 monitoring and control spots covering waste gas emission and pollution control facilities performance, etc.

*3.2.2.4. Improved environmental management through strengthened law enforcement.* In cooperation with 14 different government departments, Shanxi EPB issued more than 20 regulations and took actions against 4420 violations of environmental regulations. To reach annual targets, Shanxi punished enterprises which did not phase out their outdated capacities within due time by the “Five Stops”, i.e. cutting off power supply, water supply, coal supply, transportation services and loans. In order to punish

environmental violation in a region, “Regional Restricted Approval” was introduced. Environmental impact assessment approval might be stopped for all construction projects within the region. During the 11th FYP period, 15 counties experienced punishment through “Regional Restricted Approval”. “The Elimination System of the Worst” was introduced to phase out the most polluting enterprises and processes based on yearly evaluation. 1236 enterprises with serious pollution and 1606 sets of outdated facilities were phased out during the 11th FYP period in Shanxi (Liu, 2011).

### 3.2.3. Incentive policies

A series of incentive policies have been adopted in Shanxi in addition to the national economic incentive policies (see Appendix D), including the new appraisal and reward programs and financial incentives.

*3.2.3.1. The appraisal and reward programs in Shanxi.* Appraisal and reward programs have proved important for emphasizing the leadership responsibilities of local government officials at all levels as well as of enterprises.

*Appraisal Program for Regional Economic and Social Development during the 11th FYP period in Shanxi*

As described in detail in Zhang et al., 2011, Shanxi Provincial People’s Government approved *The Appraisal Program for Regional Economic and Social Development during the 11th FYP period in Shanxi* (the *Appraisal Program*) in August, 2006. This was a response to the call for a new appraisal system, based on the *Scientific Concept of Development*, for major leaders of local governments regarding their regional economic and social development to replace the old one which was based on economic indicators only. 39 indicators in total are included in the *Appraisal Program*, 31% of them are relevant to sustainable development, and SO<sub>2</sub> emission reduction target as a mandatory indicator is among them. This means that if local governments fail to meet their annual target for this indicator, the top leaders of local governments will fail their annual appraisal.

*Interim Measures of environmental protection performance appraisal for leading cadres in Shanxi Province*

Shanxi Provincial Government issued Interim Measures of environmental protection performance appraisal for leading cadres in Shanxi Province (the Interim Measures I) in February, 2007. The Interim Measures I includes performances in six areas: enforcement of leadership responsibility for environmental protection, enforcement of environmental protection laws and regulations, environmental quality improvement in their jurisdiction, achievements on main pollutant emission reduction targets in their jurisdiction, completion of key environmental protection projects, and the public satisfaction regarding the environmental protection in their area. The Interim Measures I further specified the performance appraisal criteria for leading cadres of relevant departments of local governments at all levels and of state owned enterprises.

*Interim Measures of Evaluation, Reward and Punishment for Environmental Pollution Control in Shanxi Province*

In December 2008, Shanxi Provincial Government issued additional incentive policy measures to governments at different levels for promoting the implementation of “Blue Sky and Clean Water” Program and realization of pollution reduction targets, *Interim Measures of Evaluation, Reward and Punishment for Environmental Pollution Control in Shanxi Province* (the *Interim Measures II*). The *Interim Measures II* are based on the city’s or county’s rank of environmental quality, the rank regarding environmental improvement and the rank of achievement in reaching pollution reduction targets. Among the cities that have reached their annual pollution reduction target, the city with the best air quality will get a 3 million RMB reward; the city with the biggest air quality improvement will get 1 million RMB reward; and each of them will also get extra 10 million RMB for a capacity building fund. The 10 counties with best air quality and the 10 counties with biggest air quality improvement will get a 0.5 million RMB reward and an extra 2 million RMB for a capacity building fund. The city and the 10 counties with worst air quality, and the city and the 10 counties with the largest deterioration of air quality, will be punished by circulating a notice of criticism and their main leaders will lose their right to compete for any rewards. Main leaders from the cities or counties who are being punished for two consecutive years will receive admonishing remarks and those for three consecutive years will receive administrative sanctions according to relevant regulations. Deception in the assessment and evaluation can lead to criminal charges.



During the 11th FYP period, 80 government officials were punished according to the appraisal and evaluation rules, while 72 institutes and individuals lost their right to compete for any rewards. Meanwhile, more than 80 million RMB were rewarded to cities and counties for their excellent pollution reduction performance.

3.2.3.2. *Financial incentives.* In addition to a series of national financial policies encouraging pollution reduction (see Appendix D and Zhang et al., 2011), Shanxi issued the following financial incentives:

*Shanxi Management Method of Special Fund for Major Pollutants Reduction*, issued in September 2007, required that government finance departments at all levels should establish special funds for supporting pollution reduction, in forms of subsidized loan interest rates, direct subsidies, grants and rewards. The funds shall support pollution reduction engineering projects; environmental management capacity building, such as improving the “Three Systems” construction (i.e. monitoring system, supervision system and statistics system); shutting down or moving enterprises for pollution reduction; and other projects contributing to pollution reduction determined by the provincial financial department and Shanxi EPB. In addition these funds are used to reward cities, enterprises, units and individuals that have achieved outstanding results in pollution reduction.

During the 11th FYP period, 4.7 billion RMB were allocated from governments at all levels as the *Special Fund for Major Pollutants Reduction*.

*Shanxi Special Compensation Fund for Eliminating Backward Production Capacity*, issued in May 2008, required a special compensation fund, raised by the provincial finance department from the Coal Sustainable Development Fund, the Power Construction Fund and the provincial budget, for compensating investments in new industry replacing backward production facilities which are dismantled before due time set by the government. (An extra 10% of the compensation rewards to facilities dismantled one year earlier than the due time, 20% to those dismantled two years earlier, and no compensation to those dismantled later than the due time.) These funds also finance the restoration of landscapes where backward production facilities are dismantled.

By the end of September 2010, Shanxi had allocated 1.31 billion RMB to compensate for the phasing out described above, and 1.49 billion RMB had been rewarded from the central government.

In December 2009, Shanxi People’s Government issued *Guidelines on Starting Paying for the Use and Trading of Pollution Release Rights in the Whole Province* as an incentive to stimulate further pollution reduction in the last year of the 11th FYP period and beyond by initiating emission trading mechanisms through trial projects.

In March 2010, Shanxi EPB and China People’s Bank Taiyuan Branch jointly launched *Shanxi Evaluation Method on Green Credit Policy Implementation* to promote pollution reduction through the integration of credit policy and pollution reduction policy.

#### 3.2.4. *Data quality assurance and control*

In order to assure and control data quality and avoid local officials fabricating data, Shanxi Provincial People’s government, in July 2008, issued *The Shanxi Implementation Scheme on the Statistics of Total Pollution Control of Major Pollutants* and *The Shanxi Implementation Scheme on the Monitoring of Total Pollution Control of Major Pollutants*. Reported pollution reduction data from local government will be triple checked and verified by panels of experts from local, provincial and central government level by considering consistency with other indicators, e.g. general economic development, population and indicators of environmental status, before they are published by MEP and NBS. Any false reporting will be punished according to *Interim Measures of Evaluation, Reward and Punishment for Environmental Pollution Control in Shanxi Province*.

## 4. Effect estimates of pollution reduction measures in Shanxi

By implementing pollution control policies and measures more than 1400 seriously polluting enterprises were closed in 2006. Newly established power plants were required to install desulphurization facilities, and an installed capacity of 13 GW power generators completed construction of desulphurization facilities. In 2007, more than 4000 enterprises were closed,

construction of desulphurization facilities was accelerated and the national policy of preferential electricity price<sup>7</sup> was applied to power-generating plants to encourage construction of desulphurization facilities. By 2008, all the coal-fired power plants, with capacity of 30.56 GW, were equipped with desulphurization facilities. Meanwhile, 476 enterprises that failed to reach environmental standards were ordered to stop on 1st January, 2009. Among the other 9208 key industrial pollution sources that have built pollutant disposal facilities, 1015 sources fully reached environmental standards by 2008. By the end of 2010, the district heating coverage and gas supply for household use had increased by 44.9% and 14% respectively compared to 2005 (Shanxi EPB, 2011).

Publicly available, systematic reporting of effects of the provincial pollution control programs is lacking. This limits the possibility to link the progress in overall SO<sub>2</sub> emission reduction to the different policies and measures described above. In an effort to estimate the effects of the provincial programs, we have estimated a baseline SO<sub>2</sub> emission for the period 2006–2010, assuming no change in SO<sub>2</sub> cleaning after 2005. The baseline is calculated from reported coal consumption (SBS, 2011), a constant SO<sub>2</sub> emission per unit of coal consumption of the non-electricity generation sectors (SBS, 2011; Shanxi EPB, 2006) throughout the 11th FYP period, and the formula in Eq. (1) (MEP, 2007b) for the electricity generation sector. The formula is based on the assumptions that the sulfur content of coal used is S and 80% is combustible. The ratio 80% is based on data for the 11th FYP (MEP, 2007b). For the 12th FYP, it is assumed to be 85% (MEP, 2011). Using the latter value would, of course, increase all emission amounts calculated by Eq. (1) by 6.3%. The factor of 2 converts amount of S to amount of SO<sub>2</sub>.

$$\text{SO}_2\text{emission} = (\text{Amount of coal combusted}) \times S \times 0.80 \times 2 \quad (1)$$

Estimates were made for S equal to 1%, which is considered the most likely value, and lower and upper limits of 0.6% and 1.5% (SPG, 2009).<sup>8</sup> In the following, sensitivity estimates using these S content limits are provided in parenthesis along with estimated SO<sub>2</sub> reductions.

Compared to the estimated baseline SO<sub>2</sub> emission, 10.58 (8.15–13.66) million tonnes in total for the period 2006–2010, Shanxi reduced the SO<sub>2</sub> emissions by about 3.90 (1.45–6.96) million tonnes from 2006 to 2010 (see Table 1).

In the following we attempt to disentangle the emission reductions from some main SO<sub>2</sub> reducing policy measures in order to understand which ones have been the most effective. As data on emission reductions are not available for individual sources or policy measures we estimated emissions reduction from different sources and measures and compared to the baseline of Table 1. We estimated SO<sub>2</sub> emission reduction from electricity generation by flue gas desulfurization (FGD), and by closing down outdated production capacities, mainly in key industries described in Section 3.2.2.1.

For FGD, we used two different methods. Method 1 (M1): we subtracted reported SO<sub>2</sub> emissions for the relevant power plants from the estimated amounts obtained by Eq. (1) as done above to obtain the results in Table 1. Method 2 (M2) is used to check consistency in reported numbers: We combined the SO<sub>2</sub> emission estimates obtained by Eq. (1) with FGD installation rate (see Table 2) assuming that 70% of new-built FGD started operating at the same time as the operation start-up of the new-built power generation units (MEP, 2007c). According to the official requirements, the operation rate of well-functioning FGDs should be 95% (SPGGG, 2009) and the efficiency of FGD 90% (SPG, 2007) which were used in our estimation in M2. To estimate the SO<sub>2</sub> emission reduction obtained by closing down outdated electricity generation capacities (PCD stands for Power sector Closing Down, hereinafter), Eq. (1) was used directly based on estimated amount of coal used in the facilities before closing as given in Zhang et al. (2011). To estimate the SO<sub>2</sub> emission reduction from closing down outdated emission sources in non-electricity generation sectors (NPCD stands for Non-Power sector Closing Down, hereinafter), the SO<sub>2</sub> emission intensity of coal consumption in these sectors and the estimates of coal saved given in Zhang et al. (2011) were used. Due to lack of data, we

<sup>7</sup> A plant with desulphurization facilities with 100% operation can add 0.015 RMB per kWh for electricity sold to the grid compared to a plant without the facilities.

<sup>8</sup> Average 1% S content is confirmed by personal contact in Shanxi EPB.

**Table 1**

SO<sub>2</sub> reduction estimates compared to baseline SO<sub>2</sub> emission. Values in the two last rows were obtained with S contents in coal of 1%, and, in parenthesis, the range 0.6%–1.5%.

	2005	2006	2007	2008	2009	2010	Sum (2006–2010)
SO <sub>2</sub> emission control target	1.52	1.43	1.37	1.30	1.30	1.30	–
Reported SO <sub>2</sub> emission <sup>a</sup>	1.52	1.48	1.39	1.31	1.27	1.25	6.70
Estimated baseline SO <sub>2</sub> emission	1.52	1.94 (1.52–2.47)	2.11 (1.65–2.69)	2.12 (1.63–2.73)	2.09 (1.60–2.72)	2.32 (1.75–3.05)	10.58 (8.15–13.66)
Estimated SO <sub>2</sub> emission reduction	0	0.46 (0.04–0.99)	0.73 (0.26–1.30)	0.81 (0.32–1.42)	0.83 (0.33–1.45)	1.07 (0.50–1.80)	3.90 (1.45–6.96)

Unit: million tonnes.

<sup>a</sup> Source: Shanxi EPB, 2006–2011.

**Table 2**

Percent of power generation capacity in Shanxi with FGD installation.

	2005	2006	2007	2008	2009	2010
FGD installation rate <sup>a</sup>	10	20	54	100	100	100

<sup>a</sup> Calculated based on the data for annual total power generation capacity and the capacity with FGD installed from SBS (2006–2011) and Shanxi EPB (2001–2011).

**Table 3**

SO<sub>2</sub> emissions reduction by various control options. Values (except the second last row) were obtained with S contents in coal of 1%, and, in parenthesis, the range 0.6%–1.5%.

	2006	2007	2008	2009	2010	Sum
Estimated SO <sub>2</sub> reduction from FGD (M1)	429 (3.5–960)	549 (86–1127)	657 (167–1270)	695 (197–1319)	866 (289–1704)	3196 (743–6380)
Estimated SO <sub>2</sub> reduction from FGD (M2)	170 (102–256)	479 (288–719)	999 (599–1499)	1178 (707–1767)	1364 (818–2045)	4190 (2514–6286)
Estimated SO <sub>2</sub> reduction from closed down outdated power generation capacities (PCD)	6.11 (3.67–9.17)	39 (23–59)	28 (17–41)	51 (30–75)	51 (30–77)	175 (104–261)
Estimated SO <sub>2</sub> reduction from closed down outdated non-power generation sectors' capacities (NPCD)	0.73	8.17	6.60	3.52	3.10	22
Other <sup>a</sup>	28 (20–32)	131 (106–143)	117 (102–129)	77 (52–99)	155 (16–178)	508 (296–581)

Unit: 1000 t.

<sup>a</sup> Derived from the estimated SO<sub>2</sub> emission reduction in Table 1 minus FGD (M1), PCD and NPCD in Table 3.

assume that the SO<sub>2</sub> intensity is the same in outdated facilities as the baseline intensity, which may be an underestimate.

We estimate that FGD (by using M1) and PCD and NPCD gave a total reduction of 3.39 (0.87–6.66) million tonnes during the 11th FYP compared to that of the baseline emission of 10.58 (8.15–13.66) million tonnes, see Table 3. The reduction from the power sector, which was 3.37 (0.85–6.64) million tonnes, contributed the lion's share of the estimated total SO<sub>2</sub> emission reduction. The reduction by FGD dominated the total reduction (82%), followed by the *other* control options (13%). This may be efforts to reduce SO<sub>2</sub> emissions from existing production capacities in other industrial sectors than

the power sector, and from the domestic sectors, e.g. closing down small-to-medium boilers through expanding the coverage of district heating supply and replacing domestic coal use for heating and cooking by expanding the coverage of coal gas supply. However, it must be kept in mind that the values for “other control options” are obtained as differences between large numbers with considerable uncertainties, and are thus only rough estimates. The SO<sub>2</sub> emission reduction from closing down outdated production capacities is rather low consistent with the fact that the estimated coal used in these closed down production capacities only accounted for 4% of the total reported coal consumption during 2006–2010. Nationwide, Cao et al. (2009) also found FGD to be significantly more effective than closing down outdated facilities.

However, the closing down of outdated production capacities and domestic sources might contribute much more to the substantial SO<sub>2</sub> concentration decrease showed in Fig. 3a than its share of the emission reduction, since the emission height of these sources is low in most cases and hence the local impact larger.

Estimated SO<sub>2</sub> reduction from FGD by using M2 for the year 2008, 2009 and 2010 are higher than that of the estimated total SO<sub>2</sub> reduction (showed in Table 1) for these three years. This is discussed further in the next section.

Although we do not have as detailed data for PM emissions as for SO<sub>2</sub>, Fig. 3b shows a substantial decrease in PM<sub>10</sub>-concentrations in Shanxi cities. Xie et al. (2009) describe a study of airborne particles (PM<sub>10</sub>) in Taiyuan in July 2003. They found a very complex mixture of particles which could be grouped as 20 different types. The three types containing the highest number of particles in the collected samples seemed to be mainly caused by coal burning. At that time the use of raw coal or briquettes for cooking and heating in households was still fairly common in some areas of Taiyuan. The emissions from these sources are close to the ground and the effect on the particle concentrations substantial. The decrease in PM concentration since 2003 may in part be due to gradual phase-out of these household fuels, and partly a side effect of WET-FGD systems, as these systems also entail reduced PM emissions (Zhao et al., 2011).

## 5. Discussion

Due to the lack of detailed data for SO<sub>2</sub> emission from other industrial sectors than power plants, we have assumed a baseline where *the pollutant release intensity of those sectors together* is kept constant at the 2005 level in Shanxi throughout the 11th FYP period. This assumption may underestimate the baseline pollutant release and thus the reduction, considering that the ratio of added value of heavy industry and light industry increased from 15:1 to 18:1 during the 11th FYP (SBS, 2011).

Results using M1 for FGD reduction estimation depend on assumptions of S content and percentage of combustible S in coal. These data are not available for each individual power plant. Using M2 for FGD reduction estimation, the results are sensitive to the assumed fraction of new-built FGD each year operating from the onset (70%), the operation rate of FGD (95%) and the efficiency of FGD (90%). In Shanxi 100% FGD coverage of the power generation units were reached already in 2008 and 70% of new-built FGD each year were thus assumed to be operating (95% of the time) in 2006–2008. Considering that the fraction of 70% is the national average in 2006 (China environment, 2009), the uncertainty in this assumption is considerable. The fact that estimates using M2 are much higher than the estimated total reduction during 2008–2010 in Table 1 indicates that either the FGD operation rate or the efficiency, or both, are much lower in practice than officially assumed. This finding is consistent with Zhao et al. (2011), who concluded that the SO<sub>2</sub> removal efficiency of FGD in practice in China is 75%. Note that both M1 and M2 as well as the estimated SO<sub>2</sub> reductions in Table 1 rely on official coal consumption data. We are aware that these may be too high or too low (see e.g. Guan et al., 2012), and do not address the reliability of these data as such in the current paper. If the FGD operation rate and/or efficiency are overestimated in the official figures, the reported SO<sub>2</sub> emissions (Table 1) would be underestimates. This would imply that the SO<sub>2</sub> reductions in Table 1 are overestimated, making the discrepancy between M2 results and total emission reductions even larger.

We may also have underestimated the SO<sub>2</sub> emission reduction from closing down outdated emission sources in non-electricity generation sectors by assuming that the SO<sub>2</sub> intensity is the same

in outdated facilities as the baseline intensity. However, there can be little doubt that this reduction so far has been only a small fraction of the total SO<sub>2</sub> emission reduction.

In spite of data gaps and large uncertainties in our calculations, it seems clear that the pollution reduction achievements in Shanxi have been substantial in the 11th FYP period, even though SO<sub>2</sub> emission was still higher than the targets in the 10th FYP according to Fig. 2b. A series of policies have been implemented. The data available indicate that these policies have resulted in substantial improvements in environmental quality.

In Shanxi, the government's decision to focus on those sectors which yield the greatest immediate impact seems to be the main reason for the achievements. Shanxi government focused on the industrial sector through legislation on pollution control in key industries, implementing FGD projects, and phasing out obsolete production capacity. Our estimates indicate that SO<sub>2</sub> emission reduction (compared to the baseline) by FGD construction contributed about 82% to the total emission reduction achievements. This is consistent with the observation of the Ozone Monitoring Instrument (OMI) aboard NASA's Aura satellite (Li et al., 2010). During 2007 and 2008, OMI observed dramatic reduction of SO<sub>2</sub> emission over Datong and Shuozhou—two major power producing cities in Shanxi and without new power plants built between 2005 and 2007. To reach this, Shanxi invested 80 billion RMB in pollution control during the 11th FYP, a 60% increase compared to the investment in the 10th FYP. It was 2.93% of RDP, considerably higher than the national requirement which is 1% of RDP.

An important difference in 11th FYP vs. earlier FYPs was that the pollution reduction targets were defined as “compulsory”, i.e. they are mandatory targets that the governments at both the central and local levels are responsible for achieving. Also, the fact that achievement of the target is tied to a person's political career by a personal penalty and reward system for governmental officials seems to have been effective at least in the short term. Thus pollution from many high-intensity polluters seem to have been reduced during the 11th FYP period due to the urgency of meeting compulsory targets and the various incentives linked to obtaining them. On the other hand, one may speculate whether the urgency may have led to a sub-optimal solution for the longer term. In this paper we have not been able to explicitly quantify in general how individual policies and measures have contributed to pollution reduction in Shanxi. However, we have used the available sectorial data in combination with information about the implemented policies and measures to suggest what may have been of most importance.

The World Bank Mid-term Evaluation of China's 11th FYP (World Bank, 2008) attributed the progress achieved so far to several key factors which also apply to Shanxi. These include a high level of political commitment, generally improved administrative capacity to rapidly roll out new initiatives, strong public support for the objectives, the adjusted accountability system that links implementation to performance assessment of local officials, and increased central funding. The policy measures introduced were described as comprehensive and relevant to the objectives.

Based on the experiences in the 11th FYP period, the national 12th FYP sets even stricter and more comprehensive binding targets by including CO<sub>2</sub> emission per unit GDP (17% reduction) and NO<sub>x</sub> (10% reduction), in addition to SO<sub>2</sub> (8% reduction).<sup>9</sup> Targets for Shanxi in the 12th FYP are: 11.3% reduction of SO<sub>2</sub> and 13.9% reduction of NO<sub>x</sub> (State Council, 2011). Furthermore, Shanxi has added particle (PM) emission targets (10% reduction of industrial soot and dust emission) to its provincial 12th FYP binding targets in addition to the national ones (Liu, 2011). Reduction in emission of SO<sub>2</sub> during 11th FYP period is encouraging, but to reach the 12th FYP targets, many issues need to be addressed further

- (1) Most anthropogenic NO<sub>x</sub> emissions in China (and Shanxi) are from coal burning, and the explosive growth in power generation since 2000 became the driving force behind the NO<sub>x</sub> emission increase in China (Zhang et al., 2007). However, the contribution from vehicles is increasing with the rapid growth in number of vehicles (Zhang et al., 2007; Liu et al., 2010), and its contribution to ambient air quality is even higher than the emission fraction since the emission height is low (Zhang et al., 2007). So, more focus is needed on reduction of NO<sub>x</sub> from power plants and vehicles.
- (2) Rapid expansion of the deployment of FGD technology for SO<sub>2</sub> has contributed to reaching pollution reduction targets in the 11th FYP. However, our estimates in M2, indicating non-compliance with

<sup>9</sup> 12th FYP of People's Republic of China. <[http://news.xinhuanet.com/politics/2011-03/16/c\\_121193916.htm](http://news.xinhuanet.com/politics/2011-03/16/c_121193916.htm)> (in Chinese).

FGD operation management regulations, imply that it is challenging to keep these facilities in proper operation. Thus, special measures should be put in place and stronger supervision should be conducted to guarantee the proper functioning of these facilities.

- (3) With FGD installed and properly operating in all power plants, the possibilities for further SO<sub>2</sub> emission reduction from power plants will be limited, so policies and measures should focus on other sectors, such as coke making and metallurgical industry.
- (4) During the 12th FYP, more attentions should be paid to agricultural sources not covered in the current environmental statistics. For example, NH<sub>3</sub> emission to air from agriculture is also a major N-source to atmosphere, while focus is now on NO<sub>x</sub>.
- (5) Most of the pollution reduction solutions currently used, such as FGD technology for SO<sub>2</sub> abatement, are end-of-pipe control solutions which generally increase energy consumption. According to Xu et al. (2010), 1.1–1.5% of the power plant's electricity production is needed for FGD operation. Consequently, they increase emissions of CO<sub>2</sub> to some extent. Hence, introduction and development of environmental friendly technologies should be further strengthened. Considering the seriousness of climate change, in the long run, great emphasis should be laid on shift to the low-carbon economy.
- (6) Penalty and award mechanisms based on the new appraisal system seem to be an important incentive in energy conservation in Shanxi as in other provinces. But, millions in awards are also a temptation to manipulate the data. Thus, good monitoring and accounting systems are essential.

## 6. Conclusions

The 11th FYP goal for SO<sub>2</sub> emission reduction in Shanxi has been reached. Very detailed requirements and regulations have been issued by the provincial and local governments. The most effective measures so far seem to be in the industrial sector, particularly FGD for SO<sub>2</sub> reduction in power plants. However, Shanxi has still a long way to go to achieve its 12th FYP targets. Further improvement of pollution reduction will require continuing efforts to optimize the economic structure (in particular a shift to low-carbon economy and reduction in the dependence on heavy industry), promote the utilization of environmental friendly technologies, and improve the personnel appraisal system to provide stronger incentives for achieving pollution reduction. Furthermore, agriculture sources need to be taken into consideration during 12th FYP.

## Acknowledgments

The authors would like to express their gratitude to the anonymous reviewer for remarks and suggestions that improved this paper significantly.

## Appendix A

See Fig A1.

## Appendix B. Shanxi 11th FYP SO<sub>2</sub> targets disaggregate scheme.

See Table B1.

## Appendix C. Targets of the “Blue Sky and Clean Water” Program and main tasks assigned in 2006 in the Program to local governments

The Program set detailed targets to be reached in 2010 at the latest in 4 categories.



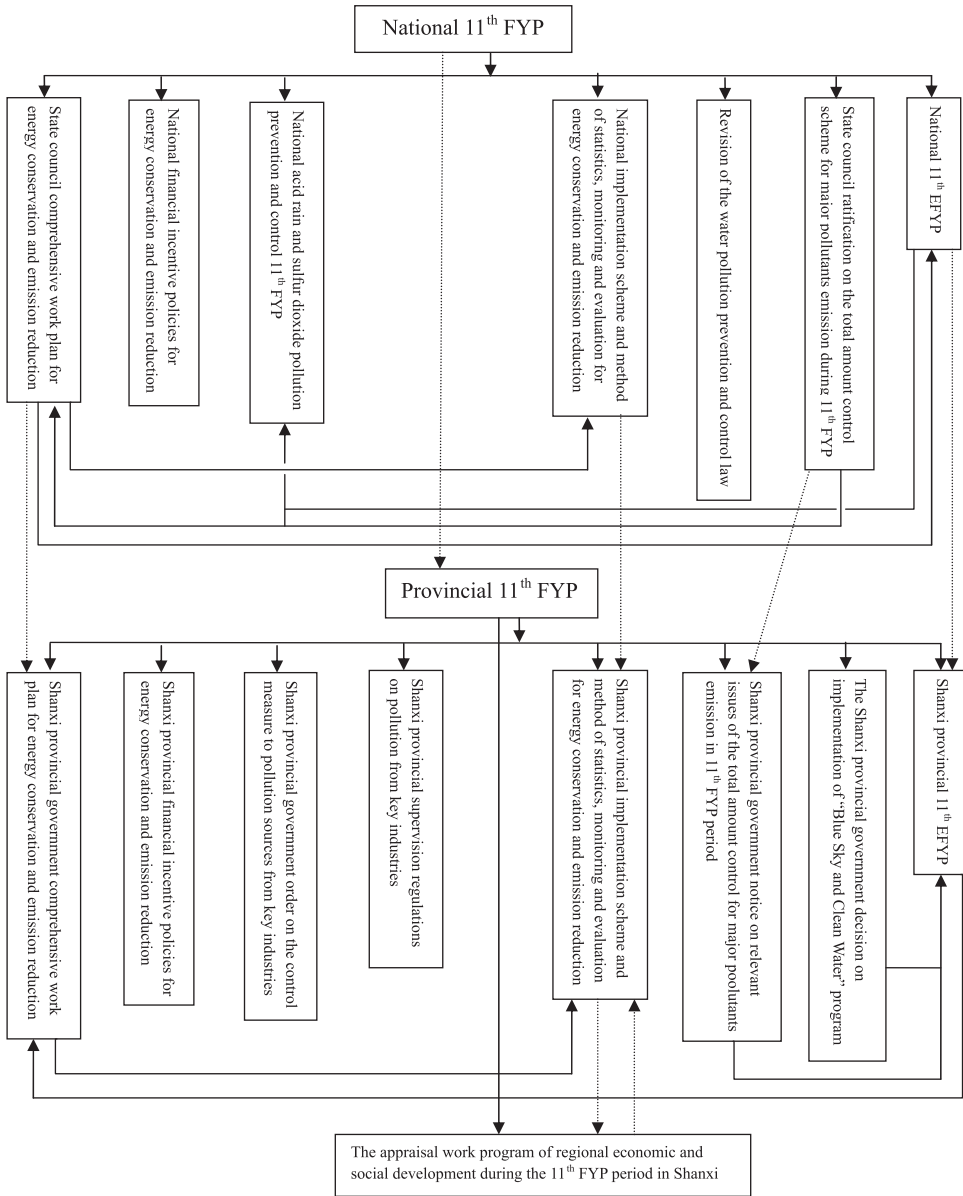


Fig. A1. Figure of National and Shanxi policies for achieving 11th FYP pollution reduction targets.

Environmental quality

The number of days with air quality meeting the national Grade II standard should be at least 280 in the urban areas of Taiyuan, Jincheng, Changzhi and Shuozhou, at least 260 in the other 7 cities, and at least 240 in counties.

**Table B1**  
Shanxi 11th FYP SO<sub>2</sub> targets disaggregate scheme.

	2005	2010 Target	Percent reduction
Taiyuan	184.50	155.00	15.99
Datong	165.80	138.00	16.77
Yangquan	136.20	112.00	17.77
Changzhi	143.60	125.00	12.95
Jincheng	117.30	103.0	12.19
Shuozhou	176.30	145.00	17.75
Jinzhong	113.70	99.00	12.93
Yuncheng	146.20	129.00	11.76
Xinzhou	130.00	119.00	8.46
Linfen	111.10	95.00	14.49
Lüliang	91.80	84.00	8.50
Province	1516.00	1304.00	14.00

Unit: 1000 t.

### *Municipal infrastructure*

District heating coverage should be at least 80% in 11 cities and at least 65% in counties; household gas supply coverage should reach at least 80% in Jincheng and Yuncheng, at least 90% in the other 9 cities and at least 70% in counties.

### *Pollution control*

SO<sub>2</sub> emission reductions should be 14%, based on the emissions in 2005; Soot Control Areas coverage should be at least 90% in the 11 cities and at least 70% in counties; industrial waste reuse rate should be at least 60% and coke oven waste gas reuse rate should reach 85%.

### *Ecological conservation*

The vegetation coverage should be  $\geq 40\%$  in the urban area of Taiyuan, the provincial capital city, and  $\geq 35\%$  in the urban area of other cities.

Main tasks assigned in 2006 in the “Blue Sky and Clean Water” Program to local governments

- Implementing total emission control including optimizing the location of industries It requires local governments to derive scientifically their regional emission limits to achieve the national air quality standard Grade II and disaggregate it to all industries; strictly controlling the approval process of new projects to realize increasing production without increasing pollution.
- Promoting structural adjustment, thus changing the mode of economic growth.
- Strengthening of industrial pollution control including eliminating obsolete production facilities with high energy consumption, high emissions and low efficiency. All key industries must complete their construction of cleaning facilities and start operation by the end of 2008 and their emissions must meet the national and provincial standards. Those that do not meet the requirement will be shut down. All main pollution sources must install on-line monitoring instruments by the end of 2006.
- Strengthening urban environmental protection and improving the urban environmental outlook, including replacing small coal-fired boilers with district heating, and increasing gas supply. All the sewage treatment facilities which have been completed should be put into proper operation by the end of 2006, all of those still under construction should be completed by the end of 2007 and start proper operation in 2008. All the cities yet without sewage treatment facilities must build such and start to operate them by the end of 2008; all counties must complete building and start to operate sewage facilities by the end of 2010. Building of waste treatment facilities must

start in the 11 cities by the end of 2006 and the facilities put into operation by the end of 2008 and those in counties must start to operate by the end of 2010. In order to control secondary dust, all vehicles transporting bulk materials, especially coal transport vehicles, must apply sealed container transport measures by the end of 2008. All vehicles without an environmental label which indicates compliance with the national exhaust emission standards are prohibited in urban areas and on the Datong to Yuncheng highway.

- Construction of green corridors along the Datong to Yuncheng Highway (an area with about 17 million people). It requires strict control of new projects with heavy pollution within 2 km on both sides of the highway and eliminating industries, which do not meet emission standards, within 1 km on both sides of the highway.
- Strengthening the water pollution control in the Fen River basin. Water intakes using Fen River as source for drinking water should satisfy surface water quality Grade III. No new projects which will cause water pollution are allowed within 3 km on both sides of Fen River. Water pollution enterprises which have been completed must have their pollution under control by the end of 2006, otherwise they must have moved or transformed so as to have their pollution under control by the end of 2007.
- Strengthen the protection of drinking water source to ensure safe drinking water. No new polluting projects are allowed in drinking water source catchment and all existing pollution sources threatening the safety of drinking water must complete pollution control, move, transform or shut down.

#### Appendix D. National economic incentive policies for SO<sub>2</sub> reduction

The Appendix in Zhang et al. (2011) gives a description of national economic incentives aiming at energy conservation and improved energy intensity. In the following we describe briefly incentives for SO<sub>2</sub> reduction.

In 2007, MoF allocated special funds for major pollutants reduction, according to the *Interim management measures on central financial special fund for major pollutants reduction*, to support the establishment of the so-called “three systems”: Monitoring system, indicators system, and evaluation system. The funding allocated for 2007 was 1.33 billion RMB.<sup>10</sup>

In 2004, the levy in China for SO<sub>2</sub> emissions from electric power plants was raised from 200 RMB per tonnes to 630 RMB per tonnes, and in 2007, according to the call of the *State Council comprehensive work plan on energy conservation and emission reduction*, it was doubled to 1,260 RMB per tonnes (U.S.-China JES, 2007).

In 2004, China introduced a price premium for electricity generated by coal-fired power plants operating with FGD equipment. The 0.015 RMB per kWh premium is meant to subsidize the additional fuel costs for operating the FGD equipment. Fines are applied if the FGD equipment is in operation less than 90% of the time (U.S.-China JES, 2007).

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