Regulations on Ecological Protection Compensation of the PRC

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Contents

Table of Contents 1

Chapter I — General Provisions 1

Chapter II — Vertical Fiscal Compensation 2

Chapter III — Interregional Horizontal Compensation 3

Chapter IV — Market Mechanism Compensation 4

Chapter V — Safeguards, Supervision and Administration 5

Chapter VI — Supplementary Provisions 6

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Table of Contents

- Chapter I — General Provisions
- Chapter II — Vertical Fiscal Compensation
- Chapter III — Interregional Horizontal Compensation
- Chapter IV — Market Mechanism Compensation
- Chapter V — Safeguards, Supervision and Administration
- Chapter VI — Supplementary Provisions

Chapter I — General Provisions

Article 1 — These Regulations are formulated in accordance with the relevant laws for the purposes of protecting and improving the ecological environment, strengthening and standardizing ecological protection compensation, mobilizing the enthusiasm of all parties to participate in ecological protection, and promoting the development of an ecological civilization.

Article 2 — These Regulations apply to ecological protection compensation and related activities conducted within the territory of the People's Republic of China and other sea areas under its jurisdiction. Where laws or administrative regulations provide otherwise, such provisions shall prevail. For the purposes of these Regulations, "ecological protection compensation" means an incentive institutional arrangement whereby entities and individuals that carry out ecological protection in accordance with provisions or agreements are compensated through mechanisms such as vertical fiscal compensation, interregional horizontal compensation, and market-mechanism compensation. Ecological protection compensation may take various

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forms, including monetary compensation, paired assistance, industrial relocation, personnel training, co-construction of industrial parks, and the purchase of ecological products and services. The entities and individuals mentioned in the preceding paragraph include local people's governments at all levels, villagers' committees, residents' committees, rural collective economic organizations and their members, and other entities and individuals that should receive compensation.

Article 3 — Ecological protection compensation work shall uphold the leadership of the Communist Party of China, combine government leadership, public participation, and market regulation, place equal emphasis on incentives and constraints, advance in a coordinated and integrated manner, and unify ecological benefits with economic and social benefits.

Article 4 — People's governments at or above the county level shall strengthen organizational leadership over ecological protection compensation work, incorporate ecological protection compensation work into national economic and social development plans, and establish a stable mechanism for investing funds in ecological protection compensation. People's governments at or above the county level may, in accordance with the law, broaden the funding channels for ecological protection compensation through various means.

Article 5 — The development and reform, finance, natural resources, ecological environment, water administration, housing and urban-rural development, agriculture and rural affairs, forestry and grassland, and other departments of the State Council shall be responsible for ecological protection compensation-related work in accordance with their respective duties.

Article 6 — Local people's governments at or above the county level shall establish and improve the relevant mechanisms for ecological protection compensation work, and urge their subordinate departments and lower-level people's governments to carry out ecological protection compensation work. The relevant departments of local people's governments at or above the county level shall be responsible for ecological protection compensation-related work in accordance with their respective duties.

Article 7 — Entities and individuals that have made outstanding achievements in ecological protection compensation work shall be commended and rewarded in accordance with the relevant provisions of the state.

Chapter II — Vertical Fiscal Compensation

Article 8 — The state shall, through fiscal transfer payments and other means, compensate entities and individuals that carry out protection of important ecological environment elements, and entities and individuals that carry out ecological protection in ecologically important areas such as key ecological function zones, ecological protection red line areas, and protected natural areas demarcated in accordance with the law.

Article 9 — For entities and individuals that carry out protection of important ecological environment elements, the central finance shall implement compensation (hereinafter referred to as categorized compensation) according to the following categories: (1) forests; (2) grasslands; (3) wetlands; (4) deserts; (5) oceans; (6) water flows; (7) cultivated land; and (8) aquatic biological resources, terrestrial wild animal and plant resources, and other important ecological environment elements prescribed by laws, administrative regulations, and state provisions. The specific scope and methods of the compensation provided for in the preceding paragraph shall be determined by category, comprehensively taking into account factors such as the regional economic and social development level, fiscal capacity, and ecological protection results, and shall be made public to the society in accordance with the law together with matters such as the use of compensation funds and their supervision and administration. Specific measures for central fiscal categorized compensation shall be formulated by field by the competent departments of the State Council together with other relevant departments.

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Article 10 — On the basis of central fiscal categorized compensation, and in accordance with the principle of dividing fiscal powers and expenditure responsibilities between the central and local governments, the relevant local people's governments may, in light of the actual conditions of their respective regions, establish categorized compensation systems and increase compensation for entities and individuals that carry out protection of important ecological environment elements. Where laws, administrative regulations, or State Council provisions require that categorized compensation be implemented with joint funding from central and local finance, or with local finance, the relevant local people's governments shall promptly implement the funds in accordance with the provisions.

Article 11 — The central finance shall arrange transfer payments for key ecological function zones and gradually increase the scale of transfer payments in light of fiscal conditions. Based on characteristics such as the spillover of ecological benefits, the importance of ecological functions, and the sensitivity and fragility of the ecological environment, differentiated compensation shall be implemented in transfer payments for key ecological function zones, and support shall be increased for areas with a relatively high proportion of ecological protection red line coverage. The finance department of the State Council shall formulate measures for the administration of transfer payments for key ecological function zones, specifying the scope of transfer payments and the method of allocating transfer payment funds.

Article 12 — The state shall establish and improve an ecological protection compensation mechanism for the system of protected natural areas with national parks as the main body. The central finance and local finance shall compensate entities and individuals that carry out protection of protected natural areas by category and by level, and shall reasonably determine the scale of transfer payments in light of factors such as the type, level, scale, and management and protection results of the protected natural areas.

Article 13 — Ecological protection compensation funds obtained by local people's governments and their relevant departments shall be used for the prescribed purposes. Local people's governments and their relevant departments shall, in accordance with the provisions, promptly compensate the entities and individuals that carry out ecological protection, and shall not withhold, occupy, misappropriate, or delay such funds. Ecological protection compensation funds used in a coordinated manner by local people's governments shall be used preferentially for natural resource protection and ecological environment governance and restoration. The relevant local people's governments of the places where ecological protection areas are located shall, in accordance with the relevant provisions of the state, steadily advance the coordinated use of ecological protection compensation funds from different channels and improve the overall effectiveness of ecological protection.

Chapter III — Interregional Horizontal Compensation

Article 14 — The state shall encourage, guide, and promote the people's governments of ecologically beneficial areas and ecologically protected areas to establish ecological protection compensation mechanisms through consultation and other means, and to carry out interregional horizontal ecological protection compensation. Based on the actual needs of ecological protection, the people's government at a higher level may organize and coordinate the carrying out of interregional horizontal ecological protection compensation among lower-level people's governments.

Article 15 — Interregional horizontal ecological protection compensation shall be carried out for the following areas: (1) areas located upstream and downstream, on the left and right banks, and along the main streams and tributaries of rivers and river basins; (2) areas where important ecological environment elements are located and other ecologically important areas; (3) water source areas of major water diversion projects and protected areas along the routes; and (4) other areas where ecological protection compensation is carried out in accordance with agreements.

Article 16 — For interregional horizontal ecological protection compensation carried out in key areas of particularly important ecological functions that span provinces, autonomous regions, and municipalities

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directly under the Central Government, and that span autonomous prefectures and cities divided into districts, the central finance and provincial finance may provide guiding support. Where outstanding results are achieved in carrying out interregional horizontal ecological protection compensation, the development and reform, finance, and other departments of the State Council may provide appropriate support in planning, funding, and project arrangements.

Article 17 — Where interregional horizontal ecological protection compensation is carried out, the relevant local people's governments shall sign a written agreement (hereinafter referred to as the compensation agreement) specifying the following matters: (1) the specific scope of compensation; (2) the expected ecological protection objectives and the indicators for their monitoring and evaluation; (3) the ecological protection responsibilities of the ecologically protected areas; (4) the methods of compensation and the relevant arrangements for implementing compensation; (5) the term of the agreement; (6) the handling of violations of the agreement; and (7) other matters. In determining the content of the compensation agreement, factors such as the current state of ecological protection, the cost of ecological protection, the results of ecological protection, and the regional economic and social development level and fiscal capacity shall be comprehensively taken into account. Ecological protection compensation funds obtained by ecologically protected areas shall be used for natural resource protection, ecological environment governance and restoration, economic and social development, and improvement of people's livelihoods in the areas concerned. Where funds need to be directly compensated to entities and individuals, they shall be promptly compensated in accordance with the provisions and shall not be withheld, occupied, misappropriated, or delayed.

Article 18 — The relevant local people's governments shall strictly perform the compensation agreements they have signed. Ecologically protected areas shall implement ecological protection measures in accordance with the agreements, and ecologically beneficial areas shall actively perform their compensation responsibilities in accordance with the agreements. Where disputes arise from the performance of a compensation agreement, the relevant local people's governments shall resolve them through consultation; where consultation fails, they shall report to the common people's government at the next higher level for coordination and resolution, and where necessary the common people's government at the next higher level may make a decision that the relevant local people's governments shall implement.

Article 19 — After the expiry of the term of a compensation agreement, the relevant local people's governments shall renew the compensation agreement according to actual needs, and may renegotiate the relevant matters when renewing the compensation agreement.

Chapter IV — Market Mechanism Compensation

Article 20 — The state shall give full play to the role of market mechanisms in ecological protection compensation, promote the market-oriented development of ecological protection compensation, and expand the modes of realizing the value of ecological products.

Article 21 — The state shall encourage enterprises, public welfare organizations, and other social forces, as well as local people's governments, to carry out ecological protection compensation through the purchase of ecological products and services and other means in accordance with market rules.

Article 22 — The state shall establish and improve trading mechanisms for carbon emission rights, pollutant discharge rights, water use rights, and carbon sink rights, promote the development of trading markets, and improve trading rules.

Article 23 — The state shall encourage and support the organic integration of ecological protection with the development of ecological industries, and, on the premise of safeguarding ecological benefits, develop ecological industries through various means, promote the transformation of ecological advantages into industrial advantages, and enhance the value of ecological products. In developing ecological industries, the

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ways in which rural collective economic organizations and rural residents participate shall be improved, and a sustained benefit-sharing mechanism shall be established to ensure that ecological protection entities are effectively compensated. Local people's governments at all levels shall, according to actual needs, accelerate the cultivation of market entities for the operation and development of ecological product markets, and give full play to their advantages and roles in integrating ecological resources, coordinating the implementation of ecological protection, providing professional and technical support, and promoting the alignment of supply and demand for ecological products.

Article 24 — The state shall encourage and guide social funds to establish market-oriented ecological protection compensation funds and participate in ecological protection compensation in an orderly manner in accordance with the law.

Chapter V — Safeguards, Supervision and Administration

Article 25 — Governments and their relevant departments shall promptly issue and allocate ecological protection compensation funds in accordance with the provisions to ensure that the compensation funds are implemented in place. Governments and their relevant departments shall strengthen supervision and administration over the use of funds, implement budget performance management of ecological protection compensation funds in accordance with the provisions, and improve the incentive and constraint mechanisms for fulfilling ecological protection responsibilities.

Article 26 — The state shall advance the unified registration of the ownership of natural resources, improve the monitoring support system for ecological protection compensation, establish a statistical system for ecological protection compensation, and improve the standards system for ecological protection compensation, so as to provide technical support for ecological protection compensation work.

Article 27 — The state shall improve fiscal, financial, and other policy measures supporting ecological protection compensation, give play to the regulatory function of fiscal and tax policies, and improve the green finance system.

Article 28 — The state shall establish and improve a unified system of standards, certification, and labeling for green products, promote the development of the green product market, implement the government's green procurement policy, and establish a green procurement guidance mechanism.

Article 29 — Governments and relevant departments shall, through various forms, strengthen publicity on ecological protection compensation policies and their implementation effects, and create a favorable social atmosphere for ecological protection compensation work.

Article 30 — Governments and relevant departments shall promptly disclose information on ecological protection compensation work in accordance with the law and accept public supervision and supervision by public opinion. Audit organs shall conduct audit supervision over the administration and use of ecological protection compensation funds in accordance with the law.

Article 31 — Where ecological protection compensation funds are withheld, occupied, misappropriated, delayed, or not used in accordance with the provisions, the government and the relevant competent departments shall order correction; where correction is not made within the prescribed time limit, the ecological protection compensation funds may be deferred, reduced, suspended, or recovered. Where ecological protection compensation funds are fraudulently obtained through deceptive means, the government and the relevant competent departments shall handle and punish such acts in accordance with the law and regulations; where a crime is constituted, criminal liability shall be investigated in accordance with the law.

Article 32 — Where governments, their relevant departments, and their staff members commit dereliction of duty or malfeasance in ecological protection compensation work, liability shall be pursued in accordance with

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the law and regulations.

Chapter VI — Supplementary Provisions

Article 33 — These Regulations shall come into force on June 1, 2024.

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