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Failures of China's Environmental Regulation

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China Environmental Practices Cast Pall on Climate Issue; Public Health, U.S. Jobs at Stake in China's Industrial Spew. New Report Focuses on Failures of China's Environmental Regulation.

WASHINGTON - With China now among the world's leading polluters, a real climate change solution can not be achieved unless the Administration and Congress hold China accountable for its reckless environmental practices. A new report provides the most in-depth and detailed examination to date of the serious flaws in China's pollution-control regime and the damage it is doing to human health and global efforts to address climate change.

Released on the eve of a Congressional hearing on climate issues, the report focuses on China's rapidly growing steel industry, and documents China's ineffective enforcement of weak pollution-control standards, its failure to use adequate pollution-prevention measures, and the resulting high levels of pollution.

The extensive research was conducted by the Alliance for American Manufacturing (AAM) with a team of environmental and legal experts, including investigators working in China. Last year, AAM released a report by Dr. Usha Haley, of the University of New Haven, that found China's steel producers have received more than \$27 billion in governmental energy subsidies since 2000.

"China's steel industry is not only harming the health of its own people, but spreading pollution around the world and contributing to global warming," said Scott Paul, executive director of AAM. "At the same time, China benefits economically from its failure to control pollution, giving it a significant advantage over its foreign competitors."

"Ironically, China pays a heavy price for the serious harm it is inflicting on its citizens, resources, and environment," he said. "And we suffer from the damage China is doing to the planet and unfair competition in the steel industry that's vital to American jobs and our economic future."

China's production of steel has quadrupled this decade, making it by far the world's largest source of steel. It now produces more than the United States, Russia, and Japan combined. And, while China produces one-third of the world's steel, it is responsible for half of the world's carbon dioxide from steelmaking, making it a leading contributor to global warming.

Propelled by its rapid industrial expansion and low environmental standards, China has also become one of the world's biggest polluters. It now produces more sulfur dioxide than any other country, and has taken the lead in generating carbon dioxide as well.

The resulting pollution is taking a heavy toll within China. It causes as many as 750,000 premature deaths in China each year, according to the World Bank, and 99 percent of the 540 million Chinese who live in urban areas breathe unsafe air. But it also raises global threats. According to the Environmental Protection Agency (EPA), on some days, one-fourth of the particulate matter (dust and soot) in Los Angeles comes from China.

Low standards combined with heavy industry investments to expand capacity, as well as poor regulation and enforcement, result in far more pollution from steel plants in China than in the U.S. Although both the Chinese government and leading companies in the steel industry claim they want to address the industry's environmental problems, the levels of pollution are still three to twenty times higher per ton of steel produced in China than in the U.S., depending on the specific pollutant and industrial process analyzed.

"American jobs are at stake and so is the health of the planet," said Leo W. Gerard, International President, United Steelworkers (USW). "This report should be used as a guide for China and the U.S. to make Chinese pollution standards and enforcement efforts more consistent with programs in other steel producing countries."

Gerard will testify on Tuesday, March 24, before Congress at a House Ways and Means hearing on climate issues. The USW represents more than 85,000 active workers in the basic steel industry, plus hundreds of thousands of retired steelworkers who are impacted by the inequities of environmental standards for China steel production.

Perhaps the most glaring example of the huge gap between environmental protection in China and the United States is the resources and personnel devoted to regulation and enforcement. China's Ministry of Environmental Protection (MEP) has only about 300 employees, compared to the 18,000 who work for its U.S. counterpart, the Environmental Protection Agency (EPA). With few employees, most of whom are confined to Beijing, MEP relies on provincial and local governments to implement generally vague environmental laws. But these local entities often give higher priority to economic growth and employment.

Even if China's environmental infrastructure was sound, its air and water pollution standards applicable to the steel industry are far less stringent than in the U.S. For existing equipment in integrated steel mills, emission-control standards for particulate matter, for example, are from two to six times more stringent in the U.S., depending on the steelmaking process. Chinese limits on sulfur dioxide are so low that most companies do not need additional pollution-control equipment to meet them.

In addition to low standards, the new report found that "the Chinese steel industry operates in an environment in which enforcement of existing standards is weak, the permit system is ineffective, and facilities do not do an adequate job of monitoring their emissions and discharges. Financial penalties for violations are too low to have a substantial deterrent effect."

For example, the maximum fine for non-compliance in China is \$14,000 for most violations, and repeated violations don't necessarily lead to additional penalties. By contrast, American companies may incur penalties of as much as \$32,500 per day.

Due to China's low standards and lax enforcement, U.S. steel companies in recent years spent 80% more than their Chinese counterparts per ton of steel --\$8.83 vs. \$4.85--on controlling air and water pollution alone. This meant a yearly savings for China's steel sector of more than \$1.7 billion at 2006 production levels. With respect to capital expenditures on pollution control equipment, estimates suggest that Chinese steelmakers would have to triple or quadruple their capital expenditures to reduce emissions to U.S. levels.

"This report shows that China does not enforce its own environmental regulations," said Terrence D. Straub, Senior Vice President, Public Policy & Governmental Affairs, United States Steel Corporation. "Since Beijing has been unwilling to impose reasonable emissions regulations on provincial and local governments, there's little anticipation that they will address carbon emissions and global climate change either."

Other factors contributing to the Chinese steel industry's pollution problems include higher use of energy (20 percent more energy per ton of steel than the international average), a heavy reliance on coal to produce that energy, a large number of smaller steel companies, and low use of recycled steel.

The report said it's misleading to compare the Chinese steel industry's practices to those in the U.S. decades ago, before regulations and pollution-control technologies existed. "Environmental technology that is in widespread use today has made the human and environmental impacts of industrial pollution both quantifiable and controllable," the report noted.

China now has access to "the know-how needed to address effectively the industry's environmental problems," the report notes. And if China doesn't take steps "to bring pollution levels closer to those in the rest of the world, China's trading partners can justifiably complain that China's failure to act confers on its domestic steelmaking industry an unfair competitive advantage."

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