

## TRANSLATED TRANSCRIPT OF PRESENTATION

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**Session 6: The Yangtze River Economic Belt (YREB) - Mainstreaming Eco-compensation into Potential Ecosystem Restoration Projects in the YREB Region**

### **Eco-compensation in Sichuan Province: Experiences and Future Priorities**

*Yu Hua*

*Director, Western Region Development Division  
Sichuan Provincial Development and Reform Commission*

Dear guests and delegates, good afternoon! According to the meeting agenda, I will represent the Sichuan Development and Reform Commission in making a brief introduction to the basic situation of eco-compensation in Sichuan Province.

Let me first present to you the main work on eco-compensation that we have carried out in Sichuan. The Sichuan provincial government has, for a long time now, attached great importance to the ecological civilization construction, which is a bit different from that of the national level. Sichuan formed a specialized team for provincial ecological civilization structural reform and introduced a series of measures and policies. In July 2016, the Eighth Plenary Session of the Tenth Provincial Party Committee passed the decision of building a beautiful Sichuan by promoting green development, and made overall arrangements of pushing forward green development. The establishment and improvement of non-gratuitous use of natural resources and the eco-compensation system will be actively pursued, thus effectively facilitating the protection of the ecological environment.

There are several aspects covered by our eco-compensation efforts.

- 1) **Forest eco-compensation.** Since 2008, the state has included the new key public welfare forests in Sichuan's Natural Forest Protection Project in the central government's forest eco-compensation program. Since 2011, the state subsidy system for management and protection and the eco-compensation system for collective public welfare forests have been established throughout the province. Within the management and protection scope of provincial nature reserves and forest parks in the provincial forestry system, all forest land owned by the state, pine forests, and shrub land were included in the central government subsidy for management and protection in the second phase of the Natural Forest Protection Project. The standard

was CNY5 per *mu* per year, or a total of about CNY60 million. Within the scope of provincial nature reserves and forest parks in the provincial forestry system, collective and individually-owned state-level public welfare forests were all included in the central government subsidy of forest eco-compensation. The standard was CNY10 per *mu* per year from 2011 to 2012, and CNY15 since 2013; a total of CNY185 million of eco-compensation subsidy was implemented from 2011 to 2014.

- 2) **Grassland eco-compensation.** During the 12th Five-Year Plan period, Sichuan adopted the first round of its grassland ecological conservation subsidy incentive. Roughly 70 million *mu* of grassland grazing prohibition subsidy was implemented in 48 counties each year, as well as 142 million *mu* of forage-and-livestock balance award, 8.6 million *mu* of fine grass breed subsidy, and 452,000 households of livestock production general subsidy. The targets of subsidies and awards are herdsman responsible for the grassland that fulfill the requirements of grazing prohibition and forage-and-livestock balance. The subsidies and awards were given according to the household's grassland area for grazing prohibition and forage-and-livestock balance. A total of CNY4.295 billion was paid to farmers and herdsman, benefiting over 1 million households and over 4 million people. In the past 5 years, CNY4.725 billion of central government subsidy and CNY650 million of provincial and supporting subsidy were implemented.
- 3) **Wetland eco-compensation.** Sichuan attaches great importance to the degradation and desertification of wetlands, and has adopted a series of comprehensive rehabilitation measures. Since 2016, the provincial finance department has established the provincial nature reserve protection and management subsidy system; a total of CNY72.9 million of subsidy was implemented from 2006 to 2014. Subsidies were also given to the protection and management of provincial forest park and wetland park; a total of CNY13 million of subsidy was implemented from 2013 to 2014. In 2015, the Sichuan Provincial Wetland Eco-compensation Pilot Program was implemented, which included provincial wetland parks in the provincial financial pilot incentive for wetland protection. The pilot program was carried out in Hongyuan County in Aba prefecture and Litang County in Ganzi prefecture. About CNY19.72 million of economic compensation were given to the grassland contracting operators for their economic loss in the wetland restoration project. According to the practical wetland restoration situation of the pilot program, we will gradually expand the program and improve compensation methods.
- 4) **Resource exploitation compensation.** On one hand, we gradually established the pilot system for arable land protection compensation reform in Mianyang, Deyang, Luzhou, and Zigong. Arable land protection fund was established with the minimum subsidy standard of CNY50 per *mu* per year. Detailed regulations were stipulated as to the source and use of the fund. The pilot policy offered compensation for the people responsible for arable land protection, which, to some extent, stimulated the enthusiasm and initiative of farmers and collective economic organizations to protect arable lands, and effectively curbed the illegal use of land, thus promoting the development of the rural social management. On the other hand, the ecological environmental protection in exploitation-prohibited regions was

strengthened. Since 2014, the provincial finance department has implemented special funds to subsidize CNY3.3 million to exploitation-prohibited regions including national geological park, for the protection of ecological environment, water, vegetations of woodlands and meadows, wild animals, geological relics, and other natural resources inside the region.

- 5) **Transfer payment in ecological function areas.** We established and improved the transfer payment system in national key ecological function areas and mainly used the transfer payment in ecological protection, thereby strengthening the state's policy guidance on ecological function areas and ecological protection. From 2010 to 2015, Sichuan implemented CNY12.2 billion of transfer payment to the national key ecological function areas in four counties to support the governments of these counties in enhancing ecological environment protection and improving public service. Sichuan also set up a provincial fiscal subsidy system for the management and protection of provincial nature reserves, forest parks, and wetland parks; a total of CNY85.9 million of subsidy was implemented from 2006 to 2014. In addition, the General Office of the State Council issued in 2016 the *Suggestions on Improving Eco-compensation Mechanism*, after the implementation of Document No. 31 in 2016. Combined with previous pilot programs, Sichuan carried out eco-compensation research in related areas, and drafted the *Implementation Suggestions on Improving Eco-compensation Mechanism in Sichuan*, which will be examined by the provincial government executive meeting soon and issued after approval.

The second part of my report discusses the main problems we have encountered in undertaking ecological compensation practices in Sichuan.

- First, we feel that the measures and solutions at the national level need to be improved and detailed. After the State Council issued Document No. 31 in 2016, key areas, main work and tasks are specified. Document No. 31 is, by far, the best top-level design document of eco-compensation in our country in terms of comprehensiveness, systematicness, and authority, which will guide and promote the establishment and improvement of [the People's Republic of] China's eco-compensation mechanism. However, we also believe that special detailed laws and regulations for some key areas are not introduced, such as the support for eco-compensation. In addition, the specific mechanism for wetland and river basin eco-compensation policies are not fully established, affecting the implementation and impact of eco-compensation policies.
- Second, as Director Li from Yunnan Province mentioned, coverage of eco-compensation should be further strengthened and expanded. Current eco-compensation mainly covers forests, grasslands, and mineral resources development areas. Eco-compensation for river basins and wetlands are still at an initial stage, while the compensation for arable land and soil are not included. National compensation standard for collectively-owned forests and public welfare forests is relatively low, much lower than the income of forest management unit and collective management organization. This issue requires eco-compensation to be further strengthened at the national level, and our province will also actively provide corresponding support.

- Third, the methods for eco-compensation need to be explored and innovated. At the national and local levels, horizontal eco-compensation system is still lacking. The construction of development areas, benefit areas, and ecological protection areas should be led at the national level. An effective communication platform and consultation mechanism between the river basin upstream and downstream areas are also absent. It seems that delegates from Guangdong and Jiangxi mentioned that they face this same problem. In terms of funding source for eco-compensation, in addition to the government-led approach, a diversified financing mode needs to be established in order to realize the internalization of external interests in ecological conservation and provide economic compensation to areas that invest in ecological protection through market means. Moreover, fund compensation is the main method of compensation; other compensation methods are not effectively used such as industrial support, public service support, etc. Likewise, the compensation method has not been effectively utilized.

Based on this, let me now talk about some suggestions primarily concerning the national level, especially since our province will soon introduce an implementation plan.

- We suggest formulating major policies and regulations on eco-compensation mechanism. As local ecological environment and basic conditions differ greatly, it is very difficult to have consistent eco-compensation mechanism in terms of area, scope, content, method and standard, making it hard to achieve comprehensive results. During the progressive exploration process, we suggest that government at the national level research and formulate a systematic and comprehensive eco-compensation regulation that covers key ecological function areas, forests, wetlands, grasslands, mineral resources development areas, etc., and specify the principle, area, scope, target, funding sources, standards, rights and obligations of eco-compensation, the examination and evaluation method and the person who is responsible, laying a good foundation for eco-compensation legislation in the future.
- We suggest improving supporting policies as soon as possible. Establishing eco-compensation mechanism involves complicated interest relationships. We have made sufficient appeals during this 5th eco-compensation conference. First, to adjust and improve relevant policies at the national level, laying a foundation for the establishment and implementation of eco-compensation mechanism, so as to set up a unified approval registration system. This is a very difficult technical problem if it involves quantification, like deepening the reform of industrial system, improving the industrial registration system, specifying the main area, target, and service value of eco-compensation. Second, to speed up establishing eco-compensation standards, performance evaluation system, and statistical indicator system; promote cultural and ideological progress; and provide basic data for the establishment of compensation standards. Third, to improve relevant tax policy and accelerate the process of ad valorem taxation reform of resource tax; adopt techniques and methods of ad valorem quantification for coal; integrate current resource tax system, and include water resource into the scope of resource tax; increase the proportion of resource tax used in eco-compensation; and begin to collect taxes on hydropower and establish eco-compensation funds.

I would like to provide some additional information regarding the issue on hydropower resources. As early as 10 years ago, Sichuan has developed a 1+6 compensation mechanism for hydropower resources development due to the fact that hydroelectric development takes up a large proportion. This is a local exploration. However, the National Development and Reform Commission, Ministry of Finance, Department of Taxation, and Ministry of Land and Resources seemed to have doubts about it. It was a local measure to promote eco-compensation that suited our practical situation, yet it was shut down by the state. When we left for the conference, the Forestry Department of Sichuan Province specifically asked us to report this situation in the conference.

- We suggest carrying out various forms of eco-compensation pilot projects. According to the arrangements and deployment of relevant state ministries and commissions, Sichuan has carried out eco-compensation pilot projects in grasslands, forests, hydroelectric development, and water pollution. But it was mainly relying on fiscal funds; relatively improved system is yet to be established. We suggest relevant state ministries and commissions take the lead in implementing the eco-compensation pilot project of transprovincial river basin area in key areas in Sichuan, and explore the horizontal eco-compensation in development areas, benefit areas, ecological protection areas, and the upstream and downstream of the river basin; meanwhile, enhance support for local governments to carry out pilot projects under the policy framework, in order to gain experience for the whole country.

Finally, I want to say that it is a great opportunity to attend this conference. We are very much inspired and we have learned a lot. We will bring back home the views of experts from both home and abroad and the exploration experiences of sister provinces and cities, which will further guide and promote us to make new progress in eco-compensation mechanism. Thank you!