

Risk Alert: China Environmental Liability



In 2008, the People's Republic of China issued a range of new environmental laws and regulations governing many areas including: water, noise, air, solid waste, hazardous waste and public reporting related to environmental compliance.

This was prompted by recent events in China, such as the air and water quality issues surrounding the 2008 Beijing Olympics and public unrest over pollution and environmental harm from the country's rapid economic development. These moves also bring China in line with international best practices.

There are two primary amendments to the environmental regulation to highlight:

1) Regulation concerning disclosure

Mandatory disclosure laws have been tightened for any enterprise that operates in China. For companies that discharge in excess of a national or regional standard, this includes the disclosure of the entity name, legal representative, pollutants, discharging method, concentration / volumes, emergency plans and other measures for responding to incidents of environmental pollution.

Fines and penalties have been increased significantly, with the ultimate penalty being closure of the business.

Citizens and organizations are also now able to access disclosure information without restriction.

2) Soil and groundwater contamination standards

By the end of 2009, China will have in place soil and groundwater standards which are expected to follow the European standards. It is likely to vary depending on the contaminated property's intended use after remediation.

Compulsory environmental insurance in trial phase

China has begun an initial trial phase within two regions, with a target of full implementation for the whole of China by 2015.

Currently the focus is on any local or foreign company that produces, sells, stores, transports or uses high risk chemical products. This essentially targets the petrochemical products and hazardous waste disposal industries. However, it is clear that this will be expanded to cover many other industries over time.

The principle reason for this mandatory insurance is to ensure third parties affected by environmental accidents are properly compensated.

Chinese environmental insurance market

From an insurance perspective China is an admitted market which means all insurance policies must be written by a locally licensed insurer. However, for environmental insurance, a number of international underwriters can underwrite environmental insurance.

Marsh can help

Now more than ever, companies with operations in China need to focus on their environmental risk as China steps up its regulatory and enforcement regimes.

Marsh, the world's leading risk advisor and insurance broker, has the specialized expertise to help businesses manage their environmental risk.

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