

## China Releases Draft Environmental and Ecological Code with Key Implications for Enterprises

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China has released a draft of its first Environmental and Ecological Code, marking a major step forward in the country's efforts to strengthen environmental and ecological protection. The draft, submitted to the Standing Committee of the National People's Congress for first review on April 27, 2025, contains 1,188 articles divided into five chapters: General Provisions, Pollution Prevention and Control, Ecological Protection, Green and Low-Carbon Development, Legal Liability and Supplementary Provisions.

The Chinese Draft Environmental Code reflects a distinctive vision where environmental protection and ecological transition are fully integrated into a single, unified legal and political framework. This stands in contrast to most Western legal systems, where these issues are typically addressed separately — environmental protection is governed by one set of laws, while climate and ecological transition are regulated through distinct frameworks.

While the Code represents a significant consolidation of China's environmental legal framework, most of its provisions are drawn from existing laws and regulations. Only about 20% of the content introduces new rules or mechanisms aimed at addressing environmental and ecological issues.

Several provisions in the draft have direct or indirect implications for enterprises:

### 1. Regulation of New Pollutants and Light Pollution

The draft introduces legal principles to regulate emerging environmental issues such as chemical substances, electromagnetic radiation, and light emissions. Although specific standards are not yet provided, the draft code authorizes the creation of pollutant category, risk assessments and control measures.

For the first time, a national-level legal obligation to reduce light pollution is proposed. Operators of digital billboards, illuminated signage, and glass façades would need to adopt control measures. Additionally, administrative fines for violations involving new chemical substances and radiation may reach up to RMB 200,000, reflecting a tightening of compliance expectations in these areas.

### 2. Prohibition of Industrial Wastewater Discharge into Municipal Systems

To address strain on municipal treatment facilities, the draft explicitly bans industrial wastewater containing heavy metals, toxic pollutants or hazardous substances from being discharged into public sewage systems.

Although existing laws already require pre-treatment and encourage enterprises to set up dedicated treatment facilities, enforcement has been inconsistent. The new provision offers a

clearer legal basis, closing gaps and reinforcing the obligation of enterprises to treat industrial wastewater independently or through dedicated systems.

### **3. Increased Accountability for Environmental Service Providers**

The draft code introduces a new enforcement mechanism targeting data fraud and serious quality issues in reports prepared by third-party environmental service providers. These include agencies engaged in environmental impact assessments (EIA), environmental monitoring, soil pollution risk control and remediation, as well as the operation and maintenance of monitoring and pollution control systems.

Currently, environmental authorities lack the power to directly penalize such misconduct and must instead refer cases to market regulators or law enforcement—a process often criticized for its limited effectiveness. To address this gap, the draft code empowers environmental authorities to impose direct administrative penalties on service providers that falsify data or submit deficient reports. This move responds to growing regulatory concern over data fraud, which has been spotlighted in high-profile enforcement cases involving fabricated sampling, forged signatures, and manipulated monitoring results.

### **4. Stronger Enforcement at Local Levels**

To improve enforcement efficiency, the draft authorizes district- and county-level environmental authorities to independently carry out inspections, impose penalties, and take enforcement actions.

This may lead to faster and more frequent local enforcement. Enterprises operating at the county or district level should be prepared for shorter response windows and closer regulatory oversight.

### **5. Integration of Carbon Goals into Legal Framework**

The draft codifies key elements of China's "dual carbon" goals—peaking carbon emissions before 2030 and achieving carbon neutrality by 2060. It introduces broad provisions on carbon accounting, footprint tracking and carbon sink monitoring. However, the draft does not yet provide detailed methodologies or enforcement mechanisms for these areas.

Environmental impact assessments (EIAs) would also be strengthened. For the first time, EIA reports must evaluate a project's greenhouse gas emissions and propose corresponding mitigation measures. These signals increased regulatory scrutiny of climate impacts at the project approval stage and raises compliance expectations for high-emission industries.

### **6. Extended Statute of Limitations**

The draft extends the limitation period for:

- Civil claims related to ecological damage—from 3 years to 5 years. The limitation period begins from the date the claimant knew or should have known that their rights were harmed and who the liable party is.
- Administrative enforcement of pollution or ecological violations—from 2 years to 5 years. The limitation period is generally counted from the date the illegal act occurred. However, if the violation is continuous or ongoing, it starts from the date the act ended.

This means enterprises may face legal or administrative actions long after an incident occurs and should be prepared to preserve records and maintain compliance evidence over longer periods.

## **7. Recognition of Environmental Rights**

The draft introduces the concept of “environmental rights” (生态环境权益) as a legal interest of individuals and the public. While not directly aimed at enterprises, this change may increase litigation risk and public scrutiny, as individuals or NGOs may invoke these rights in complaints or lawsuits.

This aligns with recent trends in judicial practice, where courts have started referencing environmental rights in rulings. It may also broaden the standing for plaintiffs in environmental disputes, reinforcing the need for careful compliance and community engagement.

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The drafting process began in 2023. Unlike the process used for the Civil Code, the Environmental Code is being developed through a new “rolling review” mechanism, where different sections are reviewed and revised in stages. This approach is expected to speed up the legislative process, making formal adoption likely in the near future. Once enacted, the Code will become China’s second formal statutory code, following the Civil Code. Enterprises should pay close attention, as the Code may raise compliance requirements.

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