

Trends in China's Energy-Saving Product Promotion Project  
--Shift in Subsidies from Home Appliances towards Production Equipment--

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China's Energy-Saving Product Promotion Project (hereafter, the "Promotion Project"), implementation which commenced in 2009, has recently seen two developments. First, many home appliances previously targeted under the program are to be dropped beginning in June, and second, eligibility for subsidies will shift from home appliances to equipment and facilities.

The Promotion Project was launched in 2009 as a measure to boost the economy during the global economic downturn. While resembling in some ways Japan's eco-point system at the time, the Promotion Project scheme stipulated that manufacturers can deduct subsidy amounts established by the government from product prices prior to their sale to consumers, after which the manufacturers can be refunded by the government on a monthly basis. In addition to new energy or energy-saving automobiles and high-efficiency lighting already covered by financial assistance under other programs, the Promotion Project included products meeting Level 1 and 2 efficiency standards (air conditioners, refrigerators, flat-panel televisions, washing machines, etc.), bringing the total to 10 types of products. According to the National Development and Reform Commission, in addition to the effect of driving the development of energy-saving measures and other technological progress, the Promotion Project was expected to have an annual economic effect of between 400 and 500 billion yuan.

While the Promotion Project was initially planned to run from 2009 through 2012, it was decided in September 2012 that the program would be continued, and at the same time the range of eligible products was expanded. The primary reason for the continuation and expansion is presumed to be the great success achieved by the project. In the case of air conditioners, for example, products meeting Level 1 efficiency standard initially had about a 5% market share, but that has reportedly now climbed to about 80%; meanwhile, production has stopped for air conditioners meeting the lower Level 3 through 5 efficiency standards. In addition, the upsurge in small factories, which tend to lag technologically, seems to have resolved itself in a surprisingly natural sequence of events.

However, beginning in June, 2013 five product categories including air conditioners, refrigerators, flat-panel televisions, washing machines, and water heaters will no longer be eligible under the program. The government has explained that this is because market shares for the energy-efficient versions of these products have already risen to significant levels, which, in a sense, is a reflection of the success of the Promotion Project.

At the same time, along with the exclusion of these home appliances, the program will be adding coverage for new equipment, such as, transformers, air compressors, ventilation equipment and pumps. To achieve the national energy saving targets under its 12th Five-Year Plan, China intends to utilize the Promotion Project in both commercial and industrial sectors. One of the goals set forth under the 12th Five-Year Plan for Energy Saving and Emission Reduction, announced last year, is to "improve on the Promotion Project and accelerate the spread of energy-saving products." Specifically, this calls for the use of high-efficiency air conditioners in the commercial sector, and high-efficiency motors and other equipment in the industrial sector. It is expected that, based on the result of implementation in these sectors, the program would include a wider range of production equipment going forward.