

# ALL EYES ON CHINA'S INDUSTRIAL WATER MARKET

Improving China's water quality has become a key priority in the next five years (2015-2020) as the most comprehensive water policy to date - the Water Ten Plan - sweeps in to tackle major polluters.

Heavily polluting industries are the first on the list to be hit by tightening regulations and increased enforcement. Companies active in the industrial water market will however benefit from the new regulations: the plan is expected to boost the industry by \$300 bn USD between 2015-2020.

For foreign companies this means to strike while the iron is still hot: Chinese industrials are looking for advanced technologies to solve their water problems and comply with new regulations, particularly technologies which can be applied to desalination, difficult-to-treat wastewater, water re-use and water recycling are experiencing strong demand.

## Chinese companies are forced to comply with new environmental laws

In addition to the Water Ten Plan, a new environmental protection law (EPL) came into effect in January 2015 – a law that instigates increased transparency and monitoring.

While rewarding compliant enterprises and companies in the environmental protection industries with financial incentives such as

tax breaks, non-compliant enterprises will face heavy penalties such as shutdown.

The new EPL in combination with the Water Ten Plan make up the armour for China in its war on pollution. Major polluting industries are the first to be hit, with smaller factories without qualified water treatment facilities to face shutdown by 2016.

Larger companies are targeted for technological upgrades and are forced to adopt clean production methods. They will need to comply and consequently spending on water technologies will increase.

Many smaller factories are unable to bear the costs involved in treating wastewater to high standards. Consequently, more and more smaller factories will be forced to move into industrial parks, making this an increasingly relevant niche market.

With currently 3,300 industrial parks, less than 50% are estimated to have centralised treatment plants. This is due to change: all industrial parks are required to install centralised treatment facilities and online monitoring systems by the end of 2017 (end of 2016 for the more developed regions of Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta).



Desalination

Main driver: water scarcity and increasing water demand

Government plans to quadruple capacity from 2015-2020



Process water

Relatively mature and conservative market

Most industrials prefer to use their current and tried-and-tested methods (e.g. UF, MF, EDI and IX) as this directly affects their production



Wastewater  
(incl. Sludge treatment  
Water Efficiency, Re-use, Recycling)

Most demand for foreign advanced technologies

Trend moving towards water re-use and recycling and energy conversion



Monitoring

Strong demand, but also growing competition

Foreign equipment manufacturers must compete on high-end of market

Source: Excerpt from report – Launch Factory 88 (2015). China's Industrial Water & Wastewater Market



| 10 industries to face shutdown if not compliant with relevant national policy, standards & industrial regulation by 2016 |                      | 10 major polluting industries targeted for technological upgrades, emission reductions and to achieve clean production |                     |
|--|----------------------|--|---------------------|
| Paper & pulp   | Sulphur smelting     | Paper & pulp   | Pharmacy Production |
| Leather  | Arsenic smelting     | Coking   | Leather             |
| Textile dyeing   | Oil refineries       | Nitrogen Fertiliser  | Pesticide           |
| Dyes production  | Electro-plating      | Textile Dyeing & Finishing   | Electro-plating     |
| Coking   | Pesticide production | Agriculture Food Production & Processing   | Non-ferrous Metals  |
|  |                      | Processing   |                     |

Source: China Water Risk



Source: Excerpt from report – Launch Factory 88 (2015). China's Industrial Water & Wastewater Market

### Market competition and opportunities for foreign SMEs in China

The Chinese government often leans to favouring domestic brands over foreign brands. In addition, domestic competition is picking up as Chinese industrials are increasingly eyeing environmental protection as an investment opportunity.

However there are still many opportunities because of the lack of advanced technologies in the Chinese market. Water re-use and water recycling are particularly hot topics due to the water scarcity issues the country is facing.

It is important for foreign SMEs to keep the following points win mind:

- Merely selling equipment is simply not cutting it anymore
- Focus on niche markets and leverage your foreign know-how and certification
- Ideally, Chinese end-users want to see a return-on-investment
- Tailor your solutions to China-specific needs
- Use superior service and quality to position yourself against your Chinese competitors

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