

Report

from China; July-2022

Content

China Macroeconomy	1
MOFCOM: Measures to Invigorate Automobile Circulation and Boost Auto Consumption	1
Policy and Regulation	2
Shenzhen: Regulation on the Administration of Intelligent Connected Vehicles in Shenzhen Special Economic Zone	2
CAC: Standard Contract Provisions on the Export of Personal Information_ Draft for Comments	3
CAC: Measures for Data Export Security Assessment	4
MIIT: Revisions to Parallel Management of Passenger Car Corporate Average Fuel Consumption and New Energy Vehicle Credit _ Draft for Comments	5
Standardization	5
Standard Drafts for Public Comments	5
Official Publication of Standards	6
CNCA Announcement of New Standards Adoption for CCC Rule	6
VDA & NTCAS Jointly Publication of ICV Data Compliance Research Report	7
Automotive Industry Topics	7
Sino-German Forum on Cooperation and Development of New Energy Vehicles within WNEVC on August 26, Haikou	7

China Macroeconomy

MOFCOM: Measures to Invigorate Automobile Circulation and Boost Auto Consumption

On July 7, the Ministry of Commerce (MOFCOM), jointly with other 16 ministries and government departments including the National Development and Reform Commission (NDRC) and the Ministry of Industry and Information Technology (MIIT), unveiled a slew of measures to invigorate automobile circulation and boost auto consumption, as multiple factors have had a major toll on economy, industry production and consumption.

This move was to further break down and imbued with the same spirit of the State Council on “Accelerating the Construction of a Unified National Market” and “Unleashing Consumption Potential to Promote Recovery of Consumption”.

The document detailed 12 specific measures to inject impetus into the auto sector from six aspects:

- Uphold the Purchase and Use of New Energy Vehicles (NEVs)**
 Steps have been initiated to build a unified national market for automobiles that is rule-based and features interconnectivity, with efforts to remove local protectionism in the NEV market and promote NEV sales in rural areas.
 Charging accessibility is also being largely promoted by accelerating the construction of charging infrastructures and facilities as well as lowering charging service fees.
- Stimulate Used Car Markets**
 Starting from August 1, restrictions on cross-regional transfer of noncommercial light-duty vehicles that meet national stage V emission standards will be lifted nationwide.
 Besides, promoting the used car circulation is also an effective approach to promote purchase of new automobiles to replace old ones in a way.
- Promote the Consumption from Automobile Renewal**

Local governments are encouraged to use economic, technological, and other means to promote the phase-out of old vehicles, and localities where conditions permit may carry out vehicle trade-in to speed up the obsolescence and renewal of old vehicles.

It's also to improve the system for recycling the end-of-life motor vehicles, and support qualified enterprises in obtaining the business qualification.

- **Sustain the Healthy Development of Parallel Import**

From policy and administrative point of view, it is designed to leave more space for the promotion of parallel imported vehicles, varying from product compulsory certification and information disclosure system, where it's clearly stated to continue the relevant policy for on-board diagnostic system (OBD) testing and accept enterprises' commitments of compliance with National 6 emission standards.

- **Optimize the Vehicle Use Environment**

More parking facilities will be built in cities and more battery charging facilities will be added in parking lots, gas stations and expressway service areas, among other spots, to meet NEVs' charging demands.

- **Enrich Auto Financial Services**

Financial institutions are encouraged to determine the down payment ratio, loan interest rate and repayment period under the premise of compliance with the law and controllable risks, ultimately to increase support for auto consumer credit.

Measures, as a whole, will also be taken to boost the green and low-carbon transition of the auto industry, with efforts to stimulate NEVs consumption and improve the recycling system for scrapped vehicles. The move to unleash the auto industry's potential is part of China's policies aimed at maintaining economic stability, as it's a top-down consensus that auto sales play a vital role in boosting consumption and stabilizing economic growth.

Policy and Regulation

Shenzhen: Regulation on the Administration of Intelligent Connected Vehicles in Shenzhen Special Economic Zone

On June 30, the "Regulation on the Administration of Intelligent Connected Vehicles (ICV) in Shenzhen Special Economic Zone" (hereafter "Regulation") was officially approved and released by the Standing Committee of Shenzhen Municipal People's Congress, which is a first-of-its-kind regulation tailored for ICV management in China and will come into force since August 1, 2022.

The new Regulation is set to fill the legal gap for domestic ICV administration, where the ICV, in general, is deemed as the SAE level 3 and above autonomous driving solutions, even though with some subtle differences in the definitions. In this regard, the vehicles fitted with level 3 and above features for the first time will be legally permitted to be registered, enter the market, and hit the road in areas and sections designated by the city's traffic management department, as long as they are type approved via the national list or the Shenzhen ICV list.

The Regulation stipulates the primary requirements from various scenarios and aspects, covering:

- **Road Tests and Demonstrative Applications**

The application-approval rules are set for the applicant subject. The appropriate roads, sections, areas, and time periods will be selected and indicated to the public by the Authority to support ICV tests and demonstrations, on the premise of not interfering with normal road traffic activities.

- **Market Access Approval and Registration**

Besides the technical standards that will be proposed later to support market access approval, it's additionally stressed the vehicle's accessibility by the government's supervision platform and compulsory insurances purchased for the vehicle and persons (both driver and passenger).

- **In-use Management**

The new functions and technical requirements are raised to the ICVs and their manufactures. It's required to pack an external indicator light to turn on while autonomous driving mode to serve as a safety signal for other vehicles and passengers; and to record data such as the position, operating status, driving mode, and video of inside and outside the vehicle at least 90 seconds before the accident or vehicle failure, which shall be stored for not less than 30 days.

- **Connective Road Infrastructure**

As needed, ICV enterprises are allowed to apply to the municipal Authorities to install and build roadside infrastructures, which shall obtain the network access certification or other approval in accordance with the related regulations.

- **Cyber and Data Security**

It's indisputable that all related regulations on cyber and data security shall be fulfilled as the legal base. Extra requirements include that ICV enterprises shall obtain certifications for critical network equipment and cybersecurity-exclusive products, formulate emergency plans for cyber incidents, and establish cybersecurity assessment and management mechanisms.

- **Traffic Violations, Accident, and Legal Liability**

The legal liabilities are the key focus and main concerns from the industry and the public, which is clarified as drivers will bear responsibility in the event of traffic breaches and liabilities if they are seated in the cockpit, while for entirely driverless vehicles, if violations or accidents occur when the system is in control, the owner will in principle be liable.

Furthermore, if an accident is attributed to vehicle defects, the driver or car owner is entitled to file for compensation with manufactures and vendors post their penalty obligations.

While fully recognize the great significance of this trailblazing Regulation to ramp up the commercialization of the ICV, the VDA and members are paying more attention to the following supporting documents and standards to detail the product requirements and implementation process, as well as how the first released regional regulation will influence the progress of the national ICV regulations.

CAC: Standard Contract Provisions on the Export of Personal Information_ Draft for Comments

On June 30, the "Standard Contract Provisions on the Export of Personal Information" (hereafter "Provisions") was released by the Cyberspace Administration of China (CAC) to solicit the public comments until July 29, which is to clarify how companies can transfer personal information outside of China by signing a "Standard Contract" with the overseas recipient of the data – a simpler procedure not require an external audit.

The Provisions are drafted under China's "Personal Information Protection Law (PIPL)", which came into effect on November 1, 2021. The Standard Contract is one of a few different mechanisms offered in the PIPL to receive approval for cross-border data transfer. The Provisions requires the PI processor to file the Standard Contract and the self-assessment report at the local provincial-level cybersecurity office, and clearly states the liabilities for non-compliance.

- **Applicable Scope**

Due to the simplified procedure, the Standard Contract only applies to relatively small data operators and companies that don't handle data deemed to be of concern to national security and interests, so companies meet all of the following criteria are eligible to use the Standard Contract:

- They are not a critical information infrastructure operator (CIIO).
- They process the PI of less than one million people.
- Since January 1 of the previous year, they have transferred less than 100,000 people's PI out of China.
- Since January 1 of the previous year, they have transferred less than 10,000 people's "sensitive" PI out of China.

- **Personal Information Protection Impact Assessment**

Though it does not require an audit by either the CAC or an accredited third-party agency, companies going this route will be required to carry out a Personal Information Protection Impact Assessment on following matters:

- The legality, legitimacy, and necessity of the purpose, scope, and processing method.
- The amount, scope, type, and sensitivity level of the outbound PI.
- The responsibilities and obligations undertaken by the overseas recipient.
- The risk of leakage, damage, tampering, abuse, and other risks to the PI after being exported.
- The impact that the PI protection policies and regulations in the country or region where the overseas recipient is located may have on the fulfilment of the Standard Contract.

- **Standard Contract Contents**

The contents of the Standard Contract must essentially cover all of the aspects assessed in the Personal Information Protection Impact Assessment. Specifically, it must include the following items:

- Basic information of the PI processor and the overseas recipient.
- The purpose, scope, and method of the processing activity, the type, sensitivity, quantity, retention period, and storage location of the PI, and other relevant items.
- The responsibilities and obligations of the PI processors and the overseas recipients to protect the PI, as well as the technical and management measures taken to prevent security risks that may arise from the cross-border data transfer.
- The impact of the PI protection policies and regulations of the country or region where the overseas recipient is located
- The rights of PI subjects, and the channels and methods adopted for protecting the rights of the PI subjects.
- Remedies, contract rescission, liabilities for breach of contract, dispute resolution mechanisms, and other articles.
- Additionally, if there are any changes to the PI information stipulated in the contract during its validity period, the PI processor must re-sign and re-file the Standard Contract.

The Standard Contract Provisions provide a much clearer picture for companies on how to handle cross-border data transfer activities, which has been one of the major concerns especially for multinationals. However, there are limitations to the provision which may continue to cause confusion, most of which stems from the definitions of various terms introduced in other legislation and regulations. VDA China has elaborated the common concerns of member companies in the position paper to CAC.

CAC: Measures for Data Export Security Assessment

On July 7, the “Measures for Data Export Security Assessment” (hereafter “Measures”) was officially published by the Cyberspace Administration of China (CAC) and will come into force since September 1, 2022, following the release of the draft version for public comment in November 2021.

Compared with the draft for comment version, the final version remains mostly unchanged but makes a few semantic changes to align more closely with other regulations on data export. The Measures outlines specific requirements, steps, and procedures for companies to undergo a security assessment in order to transfer data or personal information (PI) overseas, a requisite for companies that handle a large volume of data from Chinese users, or whose data is categorized as “important” or “sensitive”.

With effective date September 1, 2022, if a company has previously engaged in data export activities that do not comply with the provisions in these measures, it will be required to make requisite changes to be compliant within 6 months of this date.

- **Applicable Scope**

The objects of security assessment are scoped basically the opposite of the Standard Contract. In general, stipulated by Cybersecurity Law (CSL) and Personal Information Protection Law (PIPL), companies such as ‘critical information infrastructure’ operators (CIIOs) and state agencies that gather data from Chinese users must undergo a security assessment before transferring data overseas.

Then, the Measures specifically clarify the circumstances as:

- Data processors providing “important” data overseas.
- CIIOs and data processors that process PI of more than 1 million people providing PI overseas.
- Data processors that have transferred the PI of over 100,000 people or the “sensitive” PI of over 10,000 people overseas since January 1 of the previous year.
- Other situations required to declare data export security assessment as stipulated by the CAC.

- **Self-assessment**

To apply for a security assessment, companies must first conduct a security risk self-assessment of the data it wishes to export. The self-assessment largely focuses on evaluating the risks the export of the data could pose to China’s national security, as well as the personal rights of the individuals or organizations in China from whom the data was collected.

- **Application for Security Assessment**

When applying for the data export security assessment, companies are required to submit the following materials:

- A declaration.
 - Cross-border data transfer risk self-assessment report.
 - Legal documents to be signed between the data processor and the overseas recipient, and the compulsory duties and obligations to be covered are specified.
 - Other materials required for security assessment work.
- **Security Assessment**
The security assessment will be carried within 45 working days once the application was accepted. However, this procedure may be extended for complicated cases or where additional documentation, or corrections are required.
The assessment will be valid for a period of two years from the date that results are issued. The assessment can however be revoked earlier if there is a substantive change to the circumstances under which the approval for cross-border data transfer was granted.

It's commonly viewed that the Measures provide significant clarification and a tangible pathway for companies to export and process data overseas, however, some questions remain over how the regulations will be implemented. No matter it's ambiguity over the definition of certain terms or a time frame for the history activities to be rectified.

MIIT: Revisions to Parallel Management of Passenger Car Corporate Average Fuel Consumption and New Energy Vehicle Credit _ Draft for Comments

On July 7, the Ministry of Industry and Information Technology (MIIT) released a list of revisions to "Parallel Management of Passenger Car Corporate Average Fuel Consumption (CAFC) and New Energy Vehicle (NEV) Credit" (hereafter "Dual-credit Regulation") to solicit the public comments until August 7.

The Dual-credit Regulation, since first issued in September of 2017, has played a crucial role in controlling the fuel consumption and promoting the development of NEV market. Against the new industrial environment and further development demands, the revisions are focused on:

- **Updating the assessment ratio and calculation method of NEV credit**
The credits for NEV passenger cars during 2024-2025 would be lowered by about 40% and the NEV assessment ratio will be set as 28% and 38%. The calculation method and the upper limit of the credits are adjusted accordingly.
- **Adding the market adjustment mechanism of credit transaction**
Via establishing a "credit pool" system, it's to increase the flexibility of the credit market, i.e. when the supply of credits in the market exceeds the demand (2 times), enterprises will voluntarily apply for NEV credits storage; when the supply is less than the demand (1.5 times), the stored positive credits will be released to regulate the supply and demand balance of the market.
- **Improving the verification and penalty requirements**
It's further stressed to strengthen the credit verification through random inspection, regular inspection and special purposed inspection. For the enterprises whose negative credits are not offset as required, the qualification certificate for locally produced vehicles or importing approval of imported vehicles will be suspended.

It's also touched that the pre-research of the next stage policy has been initiated by working on the following aspects:

- To integrate the dual-credit system into the national decarbonization.
- To explore the diversity of market adjustment mechanism.
- To further improve credit calculation and assessment method and better support fuel consumption control and NEV market development.

Standardization

Standard Drafts for Public Comments

In July of 2022, CATARC released following drafts of standard for comments:

NO.	Name	Release date	Deadline for comments	Note
1	GB/T 17692-xxxx Measurement methods of net power for automotive engines and electric drive trains	2022-07-13	2022-09-11	UN ECE R85 and ISO 1585 as reference
2	GB/T 19515-xxxx Road vehicles-Recyclability and recoverability rate- Requirements and calculation method	2022-07-19	2022-09-17	ISO 22628-2002 as reference

Official Publication of Standards

In July of 2022, SAC released following standards:

NO.	Name	Release date	Implementation date
1	GB/T 41630-2022 Performance requirements and test methods for intelligent parking assist system	2022-07-11	2023-02-01
2	GB/T 41578-2022 Technical requirements and test methods for cybersecurity of electric vehicle charging system	2022-07-11	2023-02-01
3	GB/T 40711.1-2022 Off-cycle technology/device energy saving effects evaluation methods for passenger cars—Part 1: Gear shift indicator	2022-07-11	2022-11-01
4	GB/T 41600-2022 Straight-line driving stability test procedure for automobile	2022-07-11	2022-11-01

CNCA Announcement of New Standards Adoption for CCC Rule

On July 8, CNCA officially released the notice for new standards adoption of CCC rule. Standards listed as below are adopted by CCC rules for market access.

NO.	Name	Note
1	GB/T 38694-2020 Requirements and test methods of alert for vehicle turning right	<ul style="list-style-type: none"> • Mandatory installation for vehicles specified in GB 7258-2017 8.6.7 • Not passenger car relevant
2	GB/T 38185-2019 Performance requirements and testing methods for electronic stability control system (ESC) for commercial vehicles	<ul style="list-style-type: none"> • Mandatory installation for vehicles specified in GB 7258-2017 4.17.4 • Not passenger car relevant
3	GB/T 38186-2019 Performance requirements and test methods for advanced emergency braking system (AEBS) of commercial vehicles	<ul style="list-style-type: none"> • Mandatory installation for vehicles specified in GB 7258-2017 4.17.3 • Not passenger car relevant
4	GB/T 38796 Performance requirements and test methods of automobile blow-out emergency safety device	<ul style="list-style-type: none"> • Mandatory installation for vehicles specified in GB 7258-2017 9.2.7 • If fitted for other M, N category vehicles, it shall fulfill this standard.
5	GB/T 38892-2020 On-board driving video recording system	<ul style="list-style-type: none"> • As specified in GB 7258-2017 8.6.6, passenger car shall fit with EDR which meet the requirement of GB 39732. • It is also compliant if fitted with DVR which meet the requirement of GB/T 38392.
6	GB 39720-2020 Vehicle event data recorder system	<ul style="list-style-type: none"> • As specified in GB 7258-2017 8.6.5, 8.6.6, passenger car shall fit with EDR

		<p>which meet the requirement of GB 39732.</p> <ul style="list-style-type: none"> • It is also compliant if fitted with DVR which meet the requirement of GB/T 38392. • EDR and DVR are deemed as independent test items which OEM could choose one of them.
--	--	--

VDA & NTCAS Joint Publication of ICV Data Compliance Research Report

The 8th International Symposium on Technologies & Standards and Regulations for Intelligent and Connected Vehicles (ICV2022) was held by National Technical Committee of Automotive Standardization (NTCAS) from July 12 to 14 in Wuhan in hybrid mode.

As results of the cooperation in the Sino-German ICV Standardization Working Group, “ICV Data Compliance Standardization Demand Research Project” has been officially released by VDA China and NTCAS. This project further enhanced the depth and breadth of cooperation between the two parties in the area of ICV standardization.

VDA China and NTCAS will continue promoting the cooperation, coordination, and harmonization in the area of standardization under the guidance of both governments, to create a good international platform for automotive industry.

Automotive Industry Topics

Sino-German Forum on Cooperation and Development of New Energy Vehicles within WNEVC on August 26, Haikou

The Sino-German Forum on Cooperation and Development of New Energy Vehicles during WNEVC, co-hosted by China Society of Automotive Engineers (CSAE), German Association of the Automotive Industry (VDA), China Centre for International Science and Technology Exchange (CISTE), will be held on August 26 in Haikou, Hainan Province. The event will be joined by government officials, representatives from Chinese and German OEMs and suppliers, aiming to share and discuss the results of Sino-German cooperation on NEV and the outlook of future cooperation.

VDA China sincerely invites members to join in this industry congress and witness the fruits of Sino-German cooperation in the field of NEV development.

Copyright German Association of the Automotive Industry (VDA) China

Editor Mr. Lin Zhang | Ms. Lucia Liu | Ms. Stacy Dong
Mr. Yinan Li | Ms. Amy Sun

Address Unit 0501A, DRC Liangmaqiao Tower D1,
19 Dongfang East Road, Chaoyang District,
Beijing 100600, P. R. China

Contact info@vda.cn

Date July 29, 2022