



# Quantifying coal power plant responses to tighter SO<sub>2</sub> emissions standards in China

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**We evaluate the impact of China's new air pollution standards on sulfur dioxide (SO<sub>2</sub>) emissions by comparing newly available data from Continuous Emissions Monitoring Systems (CEMS) at coal power plants with satellite measures. First, we show that following the July 2014 deadline for implementing tighter emissions standards, stack concentrations of SO<sub>2</sub> reported by CEMS declined by 13.9%. Second, on average the ratios of the declines of SO<sub>2</sub> measures in the satellite data and the CEMS data are about 0.5. However, the degree of correspondence between the two data sources varies by policy stringency, with weak correspondence found in key regions facing the toughest new limits. Third, large plants achieved compliance earlier than small (typically) power and heat cogeneration plants. To achieve continued air quality improvement, our results suggest a need for increased scrutiny of emissions data quality and monitoring practices and clear long-term targets.**

air pollution | satellite | high-frequency monitoring | China | policy

**S**everely polluted air has become pervasive in industrializing economies. While regulations increasingly incorporate the most stringent international standards, weak and uneven implementation complicates efforts to reduce emissions and improve human health (1). Data quality is also a major challenge. Reliable, high-frequency information on industrial emissions by source is essential given that acute health effects often depend on emissions timing (2–6). In developing countries, the present norm—sporadic, often manually collected, data—provides an incomplete picture of environmental performance and may be particularly susceptible to manipulation, as ref. 1 found in India. There is a growing need for studies that assess the impact of policy on polluting behavior at the firm level over time with attention paid to the plausibility of underlying data.

Our study contributes to addressing this gap by using high-frequency data from Continuous Emissions Monitoring Systems (CEMS) to evaluate how coal power plants responded to an increase in the stringency of air pollution standards in China. In 2007, the Ministry of Environmental Protection (MEP) in China required that certain (mainly high-emitting) plants install and operate CEMS (7). Early analysis of data collection efforts identified several challenges to implementation (8): inadequate local Environmental Protection Bureau (EPB) involvement in the initial testing of CEMS performance, large variation in the EPB response to data submitted, and insufficient capacity for comprehensive field inspections. From the end of 2013, 14,410 firms were required to upload hourly, automatically recorded pollutant-specific concentration data to a publicly available, online platform for each province.

Existing coal-fired power plants in China were required to comply with new emission standards (GB13223-2011) by the deadline of July 1, 2014. For power plants in relatively less polluted, nonkey regions, the limit on the maximum concentration of SO<sub>2</sub> declined from 400 to 200 mg/m<sup>3</sup>. This limit was further reduced to 50 mg/m<sup>3</sup> for plants in highly polluted and populous key regions, including 47 prefecture-level cities in 19 provinces primarily located in the greater Beijing–Tianjin–Hebei area, the Pearl River Delta, and the Yangtze River Delta.

The CEMS data allow us to study the overall impact of tighter air pollution standards on plant-level emissions near the policy deadline and to probe heterogeneity in compliance behavior as a function of policy stringency and firm characteristics. Furthermore, we compare changes in plant-level SO<sub>2</sub> emissions concentrations recorded by CEMS with changes in the Ozone Monitoring Instrument (OMI) satellite SO<sub>2</sub> measures from the US National Aeronautics and Space Administration (NASA) over an area around each plant following the policy deadline. The satellite data provide an objective source for assessing changes in plant-level emissions that is not susceptible to manipulation. The OMI data have been used in many settings to measure and verify changes in air pollution emissions from point sources (see, for instance, refs. 9–13).

We report three primary findings. First, we find a large reduction (13.9%) in average plant SO<sub>2</sub> concentrations in the CEMS data in the months following the policy deadline. Satellite data also show a corresponding reduction in SO<sub>2</sub> column amounts. Second, while postpolicy reductions in CEMS and satellite measurements correspond closely in nonkey regions facing less stringent new standards, we find no such correspondence in key regions where new standards are more aggressive. Third, we explore heterogeneity in firm responses and find that the firms that fail to comply after the policy deadline tend to have smaller, older boilers and may thereby find it technically difficult or costly to introduce the end-of-pipe controls required for compliance. Our results suggest steps to improve both the quality of emissions data upon which evaluation must rely and the effectiveness of policy.

We test for confounding effects due to neighboring point sources of SO<sub>2</sub> and find that our main results are robust. Raising the capacity share threshold used to define a power plant as

## Significance

**We observe large reductions in the concentration of sulfur dioxide (SO<sub>2</sub>) from coal power plants in China following the implementation of a tougher national air emissions standard using a high-frequency plant-level data source. We find a corresponding decline in SO<sub>2</sub> measures in satellite observations. However, correspondence between these two measures is lower in areas that faced a sharper increase in standard stringency.**

Author contributions: V.J.K., S.Z., and D.A. designed research, performed research, contributed new data and analytic tools, analyzed data, and wrote the paper.

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isolated does not change our main results. We find no evidence that our results are driven by the operation of combined heat and power (CHP) systems during the winter heating season. Finally, we use the CEMS data to show that the behavior of nearby nonpower firms likewise does not explain our results.

## Methods

**Data Sources.** We assemble CEMS monitor-level hourly emissions data for coal-fired power plants in four Chinese provinces: Guangdong, Hubei, Shandong, and Shanghai. In each province, the provincial EPB provides a publicly available data platform to disseminate hourly emissions concentration data from monitored firms. These four provinces provided CEMS data from November 2013, 9 mo before the July 2014 policy deadline, allowing us to compare plant-level emission performance before and after the policy deadline. Our data include 256 power plants, with 43 plants whose generating capacity is larger than 1,000 MW. While plant-level configurations vary, multiple monitors are often installed on stacks associated with one or more generating units and perform hourly measurements of the concentration of SO<sub>2</sub> (mg/m<sup>3</sup>) in emitted stack gases. A plant's average daily SO<sub>2</sub> concentration is measured as the average of all observed hourly values in a 24-h period from all monitors. Monthly average SO<sub>2</sub> concentration data are aggregated from daily measures by plant and are used in our analysis.

We use SO<sub>2</sub> satellite observations from NASA's dataset OMSO<sub>2</sub>e: OMI/Aura Sulfur Dioxide (SO<sub>2</sub>) Total Column L3 1 d Best Pixel in 0.25° × 0.25° V3. For each power plant, we draw a circle with radius of 35 km centered at the plant. We take the average of the SO<sub>2</sub> readings of all of the OMSO<sub>2</sub>e grids that are partially or fully covered by the 35-km circle to capture SO<sub>2</sub> emissions from the power plant on each day. Monthly SO<sub>2</sub> measures for our analysis are aggregated from daily values. To benchmark the CEMS data to satellite data, we restrict our analysis to a sample of relatively isolated plants for which generating capacity represents at least 50% of all surrounding plants' total generating capacity within 35 km. (Our definition of relatively isolated plants is based on the distribution of plant-level capacity shares. Most power plants are located in dense industrial areas in China, and only 16% of all power plants in the CEMS data have a capacity that represents at least 50% of all surrounding plants' total capacity within 35 km.) Additional description of both the CEMS data and the satellite data are provided in *SI Appendix*.

The CEMS records SO<sub>2</sub> concentration at the point of emission from a plant, whereas the satellite column amounts capture local changes in SO<sub>2</sub> from all sources. In our analyses below, we test the robustness of our main results by taking into account SO<sub>2</sub> emissions from sources other than power plants in the CEMS data.

Summary statistics are reported in Table 1. The average stack SO<sub>2</sub> concentrations reported in CEMS are 93.6 mg/m<sup>3</sup> for all 256 plants in our sample. In key regions (113 plants), the average stack SO<sub>2</sub> concentration before July 2014 is 89.4 mg/m<sup>3</sup>, and it decreases to 64.9 mg/m<sup>3</sup> after July 2014, which is still higher than the new standards at 50 mg/m<sup>3</sup>. In nonkey regions (143 plants), the average SO<sub>2</sub> concentration is 170.3 mg/m<sup>3</sup> before July 2014, and it decreases to 102.4 mg/m<sup>3</sup> after the policy deadline, below the new standard. (Subsequent tables will consider the subset of geographically isolated and large-capacity power plants.)

**Literature.** Methods for comparing in situ measurements of air pollutants with satellite retrievals are well established for a range of air pollutants (see, for instance, refs. 12 and 14 for SO<sub>2</sub>, ref. 9 for NO<sub>x</sub>, and ref. 11 for PM<sub>2.5</sub>). Prior studies have compared in situ measures of SO<sub>2</sub> from point sources to satellite observations over North America (12, 14–16), Mexico City (10),

China (13), and globally (17, 18). The methods used here most closely follow refs. 10, 13, 14, and 17.

This study contributes to prior research in several ways. For the ground (or other direct, in situ) measures of SO<sub>2</sub>, this study is the first to use plant-level SO<sub>2</sub> concentration data recorded on an hourly basis by the newly installed CEMS network in China. This data source distinguishes our study from ref. 13, which did not observe high-frequency SO<sub>2</sub> emissions data from monitors at emitting facilities. (Ref. 13 used information on power plant technology and operation to estimate monthly SO<sub>2</sub> emissions.) For the satellite measures of SO<sub>2</sub>, we use the OMI data release described in ref. 14, which allows detection of smaller point sources of SO<sub>2</sub> emissions compared with earlier editions. Unlike ref. 17, which focused on quantifying long-term changes in pollutants over industrial areas, our study uses a regression approach to study correspondence in plant and satellite measurements of SO<sub>2</sub> emissions changes around the July 2014 policy deadline.

Furthermore, because China's CEMS reports hourly SO<sub>2</sub> emissions concentration, not emissions amounts, our study also differs from prior studies in that we estimate the correspondence between plant SO<sub>2</sub> concentrations and satellite measurements. As we control for conditions affecting the plant operation and any annual variation, plant-level SO<sub>2</sub> concentration is a good proxy for SO<sub>2</sub> emission amounts. We discuss the validity of this assumption in greater detail in *SI Appendix, Materials and Methods: Comparing CEMS SO<sub>2</sub> Concentration and Satellite Column Amounts*.

We expect that changes in the plant and satellite SO<sub>2</sub> measures due to the policy follow a linear relationship, as discussed in refs. 19 and 13. As a short-lived pollutant, SO<sub>2</sub> is more amenable to such comparisons than ambient PM<sub>2.5</sub> or ozone, which include contributions from substances formed in the atmosphere from emissions precursors. Our analysis of the satellite data controls for climate conditions from the same satellite source, as described below.

**Econometric Model.** We separately estimate changes in CEMS and satellite SO<sub>2</sub> emissions around the July 2014 policy deadline using the following specification:

$$E_{it} = \alpha P_t + \gamma_{iy} + \theta_m + X_{it}\beta + \epsilon_{it}. \quad [1]$$

Depending on the dataset we use,  $i$  denotes either the plant in the CEMS data or the 35 km area surrounding the plant in the satellite data.  $t$  denotes time in months ( $y$  calendar year together with  $m$  calendar month). The dependent variable,  $E_{it}$ , denotes the SO<sub>2</sub> concentration of plant  $i$  in month  $t$  in the CEMS data or SO<sub>2</sub> measure of the area  $i$  in month  $t$  in the satellite data. The key independent variable is the policy indicator,  $P_t$ , which equals 1 starting July 2014 and 0 otherwise. We include plant-by-year fixed effects  $\gamma_{iy}$  to absorb plant or surrounding area-specific characteristics that change by year. We also include calendar month dummies,  $\theta_m$ , to capture seasonal variation common to all plants/areas. For analysis of the satellite observations, we also include additional controls  $X_{it}$ , specifically climate controls and satellite data missing counts. The climate controls include temperature, precipitation, humidity, wind speed, and wind direction. Our specification allows flexibility to capture the substantial unobserved heterogeneity in plant characteristics and circumstances, isolating common changes in the neighborhood of the policy deadline.

## Results

Fig. 1 shows the trends in demeaned SO<sub>2</sub> concentration (controlling for province and calendar month fixed effects) in the CEMS data. There is a clear trend of reductions in SO<sub>2</sub> concentrations before the July 2014 compliance deadline, and the decline

**Table 1. Summary statistics for plants included in both the CEMS and satellite datasets**

Measure	Key regions			Nonkey regions	
	All	Before July 2014	After July 2014	Before July 2014	After July 2014
Average CEMS SO <sub>2</sub> concentration, mg/m <sup>3</sup>	93.6	89.4	64.9	170.3	102.4
Standard deviation	(78.2)	(59.8)	(46.4)	(152.7)	(66.4)
Average OMI SO <sub>2</sub> total column, mol/cm <sup>2</sup>	0.347	0.414	0.336	0.396	0.331
Standard deviation	(0.210)	(0.283)	(0.206)	(0.229)	(0.184)
SO <sub>2</sub> concentration standard, mg/m <sup>3</sup>		400	50	400	200

CEMS SO<sub>2</sub> concentration and OMI SO<sub>2</sub> column amounts are averages of monthly values. Standards in place by region and time period are provided for reference.



**Table 2. Estimated changes in CEMS and satellite SO<sub>2</sub> measures after the July 2014 policy deadline for implementing new SO<sub>2</sub> emissions standards on existing power plants**

Measure	All plants	All isolated plants		Isolated plants with capacity ≥ 1,000 MW	
	ln(plant SO <sub>2</sub> )	ln(plant SO <sub>2</sub> )	ln(satellite SO <sub>2</sub> )	ln(plant SO <sub>2</sub> )	ln(satellite SO <sub>2</sub> )
<b>The policy</b>					
Post-July 2014	−0.139*** (0.042)	−0.368*** (0.100)	−0.183*** (0.053)	−0.372*** (0.111)	−0.183** (0.074)
Observations	5,754	901	901	506	506
R <sup>2</sup>	0.81	0.84	0.62	0.88	0.64
<b>Falsification test</b>					
Post-July 2015	0.083* (0.043)	0.107 (0.082)	−0.129 (0.154)	0.202 (0.134)	−0.105 (0.243)
Observations	4,539	697	697	384	384
R <sup>2</sup>	0.83	0.87	0.61	0.90	0.61
Plant/Area × Year fixed effects	Y	Y	Y	Y	Y
Month fixed effects	Y	Y	Y	Y	Y
Additional controls			Y		Y

Estimated changes post-July 2015 are included as a falsification test. Column 1 uses all power plants from November 2013 to July 2016. Columns 2–5 use relatively isolated power plants whose capacity is at least 50% of all plants' total capacity in 35 km. The time period for estimating the policy effect, November 2013 to July 2016; Falsification test time period, July 2014 to July 2016 (data before July 2014 are not used in the falsification test section to avoid confounding changes following July 2014). Y, yes. Standard errors are clustered at the plant level. \**P* < 0.10; \*\**P* < 0.05; \*\*\**P* < 0.01.

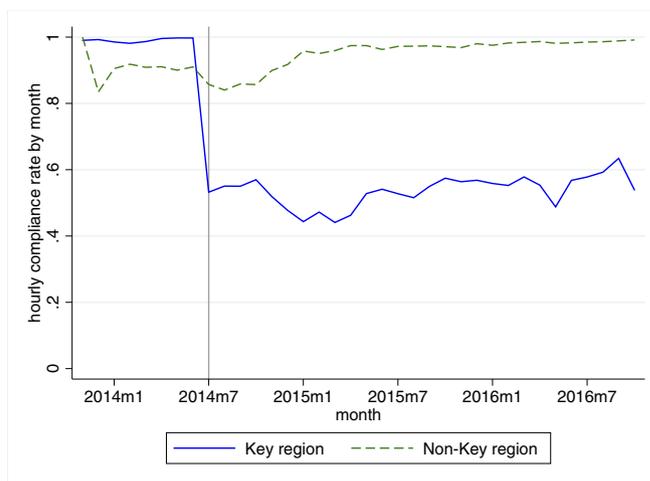
A potential explanation for the discrepancy in the two data sources in key regions is that plants overstated or falsified reductions. The stricter new standards and greater pressure to comply may have generated incentives for plant managers to falsify or selectively omit concentration data. In *SI Appendix*, we provide additional evidence suggestive of the potential incentives to misreport. We investigate plant emissions before and after an episode of missing data (on average 19 d) in which firms report that emissions control facilities did not operate properly. In *SI Appendix*, Fig. S3, there is little change in concentration data trends in the 15 d before and after missing data episodes in nonkey regions. In key regions after the policy, however, plants improve their reported compliance substantially after a few weeks of missing data. In addition to the possibility of falsification, plants may have reallocated production across units in ways that increased operation of dirtier units without CEMS monitors within the same facility. Both of these possibilities are consistent with our results. We also investigate alternative explanations in the next section.

**Robustness Tests.** We report the results of robustness tests in *SI Appendix*. First, because we focus on power plants whose capacity represents at least half of all power plants' capacity within 35 km, changes in SO<sub>2</sub> emissions in surrounding power plants or heating boilers that are part of CHP plants might generate noise when we compare changes in emissions in the CEMS data with those in the satellite data. Second, a potential concern about our findings in Table 3 is that if SO<sub>2</sub> emissions at nonpower firms in key regions increased after July 2014, it could have offset a possible decrease in SO<sub>2</sub> emissions of power plants nearby in the key regions, and therefore, little change in the SO<sub>2</sub> measure from the satellite is observed.

To address the issue posed by surrounding power plants, we further restrict the sample to power plants whose capacity is at least 70% of all power plants' total capacity within 35 km. (Eleven percent of all power plants in the CEMS data have a capacity that represents at least 70% of all surrounding plants' total capacity in 35 km.) Confounding changes from surrounding power plants, if any, should be smaller in this subsample. Results are reported in columns 1 and 2 in *SI Appendix*, Table S2. We find results similar to those in Table 3. Notably, in nonkey regions,

we find a 26.8% reduction in SO<sub>2</sub> concentration in the CEMS data and a 27.0% reduction in the satellite data. The ratio of the estimated postpolicy declines of SO<sub>2</sub> measures from the satellite data and the CEMS data are nearly proportional (0.268/0.270, or approximately 1). This represents a much stronger correspondence between the two data sources where possible errors from surrounding power plants are further reduced.

To address the concern about winter heating, we note that heating boilers operate only in winter months (November to March), and the deadline for complying with the new emission standards was in July 2014. Therefore, we would not expect the change in emissions before and after the July deadline to have been affected by emissions from heating boilers. We also directly examine this concern by dropping winter months in the sample and report results in columns 3 and 4 of *SI Appendix*, Table S2. We find that results are robust to those shown in Table 3.



**Fig. 3.** Plant-level hourly compliance rates by month in key regions (blue solid line) and in nonkey regions (green dashed line) before and after the policy deadline in July 2014 (indicated by a vertical line).

**Table 3. Estimated changes in CEMS and satellite SO<sub>2</sub> measures after the July 2014 policy deadline shown separately for key and nonkey regions**

Measure	All isolated plants		Isolated plants with capacity $\geq 1,000$ MW	
	ln(plant SO <sub>2</sub> )	ln(satellite SO <sub>2</sub> )	ln(plant SO <sub>2</sub> )	ln(satellite SO <sub>2</sub> )
<b>Nonkey regions</b>				
Post-July 2014	-0.325*** (0.070)	-0.208*** (0.074)	-0.293*** (0.104)	-0.227** (0.105)
Observations	711	711	360	360
R <sup>2</sup>	0.70	0.61	0.68	0.59
<b>Key regions</b>				
Post-July 2014	-0.509** (0.239)	0.004 (0.100)	-0.536* (0.311)	0.016 (0.104)
Observations	190	190	146	146
R <sup>2</sup>	0.88	0.68	0.84	0.73
Plant fixed effects	Y	Y	Y	Y
Area $\times$ Year fixed effects	Y	Y	Y	Y
Month fixed effects	Y	Y	Y	Y
Additional controls		Y		Y

All columns use power plants whose capacity is at least 50% of all plants' total capacity in 35 km. Time period is from November 2013 to July 2016. Standard errors are clustered at the plant level. Y, yes. \* $P < 0.10$ ; \*\* $P < 0.05$ ; \*\*\* $P < 0.01$ .

Finally, to address the concern about nonpower facilities, we directly investigate the change in SO<sub>2</sub> concentration of nonpower, high-emitting facilities before and after the July 2014 deadline for power plants. For each power plant in our data, we obtain CEMS data for nonpower firms within 35 km. In *SI Appendix, Table S3*, we do not find statistically significant changes in SO<sub>2</sub> concentration at nonpower plants in both key and nonkey regions, consistent with the fact that the July 2014 deadline did not apply to nonpower facilities. The sign of the change is negative in key regions, which further reduces the concern about a potential increase in SO<sub>2</sub> concentration at nonpower firms in key regions. Results suggest that the limited correspondence between CEMS and satellite measures of SO<sub>2</sub> cannot be explained by changes in the emitting behavior of neighboring nonpower firms. To summarize, these additional findings suggest that our main results are robust and that manipulation of the CEMS data in regions facing the toughest emission standards is plausible.

### Conclusion

We find that tighter environmental standards targeting power plants' emissions concentrations prompted substantial SO<sub>2</sub> reductions at coal power plants in China. Satellite data corroborate these reductions in nonkey regions but not in key regions, which faced deeper reduction requirements. Reductions recorded by CEMS were large: Average SO<sub>2</sub> emissions concentrations at power plants were 13.9% lower after the policy deadline. The absence of a change in satellite measurements at key regions' plants around the policy deadline is suggestive of misreporting. Prior studies documenting efforts to improve SO<sub>2</sub> policy enforcement in China have raised questions about the quality of the CEMS data (see, for example, refs. 7 and 20). Penalties for falsifying data have historically been lower than those for violating the standard. Regulations initially offered neither detailed guidance on CEMS reporting requirements, instructions on how to identify falsification cases, nor a schedule of associated penalties for reporting violations (see *SI Appendix, Table S1* for a description of penalties for standard violations and data falsification). Our findings based on the satellite comparison further suggest that manipulation is far from universal but may have increased as compliance grew more costly or difficult.

The drop in SO<sub>2</sub> concentrations around July 2014 suggests that the policy deadline prompted a substantial change in the emitting behavior of most firms, such as increasing utilization of end-of-pipe control. However, potential reductions from these short-term levers are constrained largely by the vintage of installed equipment. Many plants, especially in key regions, likely required substantial changes to their pollution removal technology or operational practices to meet the tighter standards. Despite a large drop in SO<sub>2</sub> emissions concentrations, many firms ultimately fell short. As of June 2016, nearly half of the plants in key regions had not complied with the strictest new standard, and many smaller plants did not have CEMS installed.

Our results suggest substantial room to strengthen incentives for accurate and comprehensive reporting as part of China's national air pollution control efforts. An important first step involves clarifying reporting requirements and strengthening penalties for data inaccuracies or falsification. For instance, officials could mandate that CEMS measure concentrations in the stack gases of all (and not just a subset of) operational boilers and that CEMS record emissions during all of a plant's operational hours. A second step could involve allowing more time for emitters to comply with tougher standards but signaling strong enforcement. Emissions trading systems could help to alleviate high costs for some plants and provide compliance flexibility; however, for these systems to work, high-quality emissions reporting is essential. As a third step, where feasible, plants that contribute disproportionately to local pollution and lack cost-effective pollution control options could be shut down as part of efforts to reduce substantial existing excess capacity in China's power sector. Increasing the reach and accuracy of CEMS monitoring can help to support air quality improvement.

The method applied in this paper could be extended to assess cleanup efforts for other short-lived industrial air pollutants. NO<sub>x</sub> was added as a regulatory target during the Twelfth Five-Year Plan; both CEMS and satellite data are available for NO<sub>x</sub>. Comparisons of CEMS and satellite measures could also be used to alert policy makers to major instances of CEMS data manipulation, extending the growing application of remote sensing data in a regulatory setting (19). Finally, an approach like ours could be applied in other developing countries that seek low-cost

tools to ensure data quality and policy compliance and thereby improve air quality.

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