

## 2019 Negative List - Update

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In particular, the 2019 Negative List removes the restrictions that were previously in place concerning oil and gas exploration and development in China. Before the 2019 Negative List, foreign investors were only able to invest in the exploration and development of oil and gas assets in China (excluding coalbed methane, oil shale, oil sands, shale gas, etc.) with Chinese investors as a joint venture or cooperation. The 2019 Negative List removes the joint venture requirement for foreign companies looking to invest in the upstream sector of the Chinese oil and gas industry, along with a rule that only allowed local Chinese firms to control gas networks in cities with populations of over half a million people.

The decision to remove the restrictions mentioned above in the 2019 Negative List indicates that China is looking to increase the involvement of foreign investors in the upstream component of the Chinese oil and gas sector as part of its efforts to reform the industry. However, it remains unclear as to how foreign investors would participate in the upstream sector in China, such as how they would be able to hold and obtain (i) the necessary and relevant licences and (ii) interests in the respective exploration fields. Further guidance from the Chinese authorities is required on these matters, particularly with regards to the regulatory framework that will govern the development of oil and gas exploration assets. It is also worth noting that the Chinese government is looking to reform the midstream sector of the Chinese oil and gas industry (such as with the establishment of the National Oil and Gas Pipeline Company in March of this year), although again, further details as to what these reforms may look like is required.

The Negative List regime was formally established in 2018 through the first Negative List (the Negative List for Foreign Direct Investment in Industry (2018)), which replaced the Catalogue

of Industries for Guiding Foreign Investment (2017 Reversion).

## Categories

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