Analysis of China's Oil and Gas Policy in 2015

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Abstract: The reforms in oil and gas sector have been accelerated in 2015. The reform of mineral rights has begun and 6 oil and gas exploration zones in Xinjiang Autonomous Region have served as the tender pilots, breaking through the requirements on the resources varieties, exploration phase and enterprise qualification. The right of importing and using of the crude oil has been gradually relaxed and 13 local refineries have obtained the right to use imported crude oil of 55.1888 million tons per year. The natural gas price for non-residential use was unified and a universal price was set for the incremental supply and existing supply. The Shanghai Petroleum and Gas Exchange (SHPGX) was established and laid foundation for the market mechanism to determine the price. The government governance has undergone continuous adjustments such as regulating the tax instead of charging the fees, streamlining administration and delegating power to the lower levels.The Guidelines on Deepening the Reform of State-owned Enterprises was released, symbolizing the accomplishment of the overall planning of the SOE reform.

Key words: Reform; Mineral right; Right of importing; Exporting and using of crude oil; Pricing; SOE reform

The reforms in oil and gas sector marked the focus of the national policy adjustments in 2015. The overall planning of deepening reforms in the oil and gas sector has entered the phase of calling for public opinions as the successive release of the market-oriented measures such as the pricing reform, increasing market access and establishing the exchange center. The reform of pipeline networks of oil and gas, together with the SOE reform, is about to start. It is estimated that various policies will be carried out comprehensively in 2016. Meanwhile, the changes in governance mode and the policies in green development of the oil and gas industry would also be promoted continuously.

Deepen the reform of the industrial chain of oil and gas and ease the market access

As China's economy has stepped into a "new normal" phase, the energy supply and demand is relatively relaxed, thus creating a rather favorable condition for deepening the energy reform. Since 2015, the reforms involved oil and gas as well as its upstream and downstream industries have been accelerated. Led by National Development and Reform Commission and the National Energy Administration, The Overall Planning for Oil and Gas Reform was designed and called for public opinions for several times and was about to be released. The oil and gas reform will center on various aspects such as the pricing mechanism, mineral right, pipeline networks, the importing and exporting rights of crude oil, the government functions as well as the SOE reform and others. The reform will be shifted from the pattern of covering only the parts to the whole industrial chain.

Further promote the reform of oil and gas pricing mechanism

The reform on price formation mechanism is one of the cores of the market reform in the oil and gas industry. According to the proposal of unifying the prices of incremental and existing gas supply by the natural gas pricing reform in 2014 , the oil and gas pricing mechanism has made new progress in 2015— after two adjustments, the gas price for non-residential use has been overall decreased, achieving the universal price for incremental and existing supply.

In November 2015, the CPC Central Committee and the State Council officially issued Opinions on Promoting the Pricing Mechanism Reform, which clearly states that we should advance the reform of oil and gas prices, liberalize the pricing in competition and give full play to the market to determine the price. The domestic oil price has been synergized with the international one since 1998. The process was smooth for crude oil price, yet rough for refined oil price. Nevertheless, since the publication of the Notice on the Implementation of Price and Tax Reform of Refined Oil by State Council in December 2008, the new mechanism ran stably and the price was more sensitive to the market changes, and a mechanism that connects the domestic with the international market is established as well as operated under regulations. During the 12th Five-Year Plan period, the pricing of natural gas in China underwent a series of reforms in price management, pricing mechanism as well as price structure and so on. The price management has changed from controlling the EXW (Ex Works) price to the city gate price while the pricing mechanism has changed from cost-plus to alternative energy. Adjustment has been shifted from the specific price to the price structure, carrying out the classified management of final prices.

Up till now, the reform of gas pricing mechanism has scored a significant progress, but the two major concerns remained unsolved. The first one is the gas price is still determined by the government, yet the reform trend is to have the market determine the price instead. According to the Opinions on Promoting the Pricing Mechanism Reform, the trend of gas pricing reform is "controlling the middle and relaxing the two ends", to achieve the market-oriented final price, and one of the important measures to achieve this is to establish an exchange center. In July 2015, SHPGX was established with the promotion from the National Development and Reform Commission. As the gas price is adjusting, it is required that gas for non-residential use should be quickly listed on SHPGX, with a price publicly settled by both supply and demand sides under the permission of the pricing policy. Therefore, the current model of linking with alternative energy is just a transition phase in the process of market-oriented pricing. The future gas price will be determined by the fundamentals of supply and demand. The second concern is that the problem of cross-subsidization of the gas price needs further solution. For a long time, China conducted low price policy for residents' use of gas, the gas price for residential use is markedly lower than for manufacturing use or other uses and the cross-subsidization is heavy. Compared with other major consumers in the world, all countries have their gas price for manufacturing use lower than that for residential use except for China. For example, countries in EU and OECD have their gas price for residential use around twice that of for manufacturing use; America and Holland have their gas price for residential use almost 2.5 times that of for manufacturing use and the statistics of Canada is about 4 times. The new policy in 2015 reduced gas price for non-residential use by 0.7 Yuan/ m^3 yet the price for residential use remained unchanged, causing a 70 billion Yuan annual revenue loss for the three major natural gas producers (China National Petroleum Corporation (CNPC), Sinopec and China National Offshore Oil Corporation (CNOOC)). For the next step of the reform, we should lift the gas price for residential use properly on the basis of establishing a targeted subsidy and helping mechanism for people who struggle with their lives and for certain non-profit industries so as to eliminate the cross-subsidization between residential use of gas and manufacturing as well as thermal use of gas.

Monopoly of upstream sector and mineral right eased

In July 2015, with the approval of the State Council, the Ministry of Land and Resources implemented a project, which made 6 oil and gas exploration zones in Xinjiang Autonomous Region to serve as the tender pilots. There were 13 enterprises participating the bidding, including state-owned petroleum companies, local energy companies and private petroleum chemical enterprises, symbolizing a major step in the reform of the upstream of oil and gas industry.

At present, China conducts the filling system on the basis of qualification management for the exploration market of oil and gas upstream industries. Only four state-owned petroleum companies acquired the standing exploration qualification: CNPC, Sinopec, CNOOC and Yanchang Petroleum, and other enterprises obtain the exploration and development rights by cooperating with the above mentioned four companies. In December 2011, the Ministry of Land and Resources issued announcement No.30, approving the shale gas as a new independent mineral. In 2012, the open tender of the second round of shale gas mineral rights was launched, bringing a new form of transfer of mineral rights for oil and gas. This bidding of Xinjiang exploration zones broke through the limits on mineral varieties, exploration phase and the requirements on the enterprises qualification, serving as a considerable progress in the mineral right reform of oil and gas upstream industries. For a long time, the upstream exploration and development is the task of and supervised by the state-owned enterprises. After the liberalization of access, more government regulation is needed otherwise it may result in development disorder and resource waste.

Gradually relax the importing and using rights of crude oil

In February 2015, the National Development and Reform Commission issued Notice on Issues Related to the Use and Management of Imported Crude Oil, allowing qualified local refineries to use imported crude oil after closing down outdated production facilities or constructing gas storing equipment. In August, the Ministry of Commerce released the Notice on Petroleum Manufacturing Enterprises Applying for Non-state-owned Importing Qualifications, clarifying that local refineries that has acquired the right of using imported crude oil can import crude oil independently if they obtain the non-state-owned importing qualifications. Thus, these local refineries do not have to rely on China International United Petroleum & Chemicals (UNIPEC), China National United Oil (CNUC) and other three state-owned enterprises to import crude oil on their behalves. Since the release of the new policy, local refineries applied actively and there are 13 companies have obtained the qualifications of the right to use imported crude oil by now, with an annual sum of 55.1888 million tons and a cut-off of 38.07 million tons of obsolete capacity. In addition, 7 enterprises acquired the non-state-owned importing qualifications, facilitating the approach of manufacturing imported crude oil. The Ministry of Commerce announced on 28th October that in 2016, the quota for non-state-owned imported crude oil is 87.6 million tons, up by 50 million tons compared with that in 2015, a significant increase of 133%, which will be mainly for local refineries' use (see Table 1).

For years in China, the state-owned enterprises

Table 1 Local refineries obtained the right of using imported crude oil (million tons/year)

	Date	Enterprises	Province	Volume of imported crude oil use	Cut-off of outdated capacity
1	May 27th, 2015	Dongming Petrochemical	Shandong	7.50	6.00
2	June 29th, 2015	Panjin Northern Asphalt	Liaoning	7.00	6.00
3	July 2nd, 2015	Kenli Petrochemical	Shandong	2.52	2.10
4	July 2nd, 2015	Lijin Petrochemical	Shandong	3.50	2.50
5	July 10th, 2015	Hongrun Petrochemical	Shandong	5.30	3.30
6	July 29th, 2015	Yatong Petrochemical	Shandong	3.36	2.30
7	August 3rd, 2015	Baota Petrochemical	Ningxia	6.16	1.70
8	October 22nd, 2015	Huifeng Petrochemical	Shandong	4.16	1.80
9	October 22nd, 2015	Tianhong Petrochemical	Shandong	4.3968	3.42
10	October 22nd, 2015	Chambroad Petrochemicals	Shandong	3.312	2.30
11	October 22nd, 2015	Luqing Petrochemical	Shandong	2.58	2.15
12	November 17th, 2015	Qirun Petrochemical	Shandong	2.20	1.90
13	November 25th, 2015	Haiyou Petrochemical	Shandong	3.20	2.60
	Total			55.1888	38.07

Resource: China Petroleum and Chemical Industry Federation (CPCIF).

monopolized the importing right of crude oil and the quota of state-owned importing was mainly for oil manufacturing in state-owned petroleum companies and refineries. The government has given off the signal of relaxing crude oil importing since 2013. In May 2014, the General Office of the State Council issued the Suggestions on Supporting the Steady Growth of Foreign Trade, formally granting eligible petroleum manufacturing companies the qualifications to the right of importing and using crude oil. The relaxation of importing right of crude oil will be conducive to local refineries to gain a fairer competition environment. Under the circumstance of a further relaxation of the import and export of petroleum, we need to have corresponding adaption and enhancement of the qualification and management of crude oil importers and exporters, in order to safeguard the smooth operation of domestic market.

Reform of oil and gas pipeline network steps into a warm up phase

At present, domestic oil and gas pipeline networks are primarily constructed and operated by the state-owned petroleum enterprises. Due to the one-to-one pipeline design between oil and gas field and the user, no surplus capacity is left for the third party. Policies related to oil and gas pipeline networks focus on three aspects: the fair participation of pipeline construction, the fair access for the third party and the supervision of the pipeline operation. Since the 12th Five-Year Plan period, the fair participation of pipeline construction has been partially resolved while the key of the future reform lies in the fair access for the third party as well as the supervision of the pipeline operation.

The reform trend of separating the pipeline network construction and operation is clear. In order to adapt to the upcoming reform, PetroChina has begun to restructure its pipeline business. In September 2015, PetroChina announced that it intends to sell 50% of the equity of Trans-Asia Gas Pipeline after the restructure at the price of RMB 15 to15.5 billion Yuan and also transfer 6 gas storages, Hutubi Xinjiang included, as well as the storage volume. On 25th December, PetroChina announced that it has signed a transfer contract of the equity with shareholders, targeting to establish a unified platform for the management and operation of pipeline assets as well as the investment and financing, so as to create a favorable condition for the listing of PetroChina Pipeline Company. This unified platform is based on the PetroChina Pipeline Company together with the regrouping of PetroChina East Pipeline Company, PetroChina United Pipeline Company and PetroChina West Pipeline Company. The restructure of the pipeline assets might be considered as a warm-up for the upcoming oil and gas reform.

Overall planning for SOE reform completed

On September 13th 2015, the CPC Central Committee and the State Council issued The Guidelines on Deepening the Reform of State-owned Enterprises, which proposes the reform planning for SOE, aiming at making the state-owned enterprises the independent market entities and enhancing the market competitiveness and increasing their leaderships. On September 24th, the State Council released the Opinions on the Development of Mixed Ownership Economy of State-owned Enterprises.Except for the absolute control of or state investment in pipeline of natural monopoly, competitive business could be opened up and allowed fair access of non-state-owned capitals. On December 29th, the SASAC (State-owned Assets Supervision and Administration Commission of the State Council), Ministry of Finance and National Development and Reform Commission jointly issued Guidelines on Definition and Classification of the Functions of State-owned Enterprises. In terms of the core business and their business scopes, the state-owned enterprises were defined as two categories—the profit one and the non-profit one. The Guidelines request the profit state-owned enterprises to follow the demand that the allocation of resources be determined by the market; to push the stock-reform of SOEs and to accelerate the improvement of modern enterprise system, thus becoming the market entities full of vigor and vitality.

In accordance with the overall planning for comprehensively deepening the reform and the expectations of SOE reform proposed by the 3rd Plenary Session of the 18th Central Committee of the CPC, in recent years the three major SOE petroleum companies in China have made several attempts in mixed ownership reform. As the government shifted the focus from “management of employees, matters and assets” to “management of capitals”, oil and gas companies should accelerate the professional restructure according to the idea of “separate the major and minor business and strengthen the major business, have clear property right and improve the subsidiary equipment”. Eligible SOEs may undergo stock-reform and be listed. Following the above ideas, the future trend of reform may be: the non-oil-and-gas core business of the three major petroleum companies will experience professional restructure, stock-reform and later be listed, then becoming the relatively independent market entity, and then be estranged from the social services and realize the socialization of paid services.

Green development and environmental protection

The year 2015 marks the implementation of the new amended Environmental Protection Law and is also a crucial time for designing the environment protection plan of 13th Five-Year Plan. Ecological civilization was enrolled as top ten objectives for the first time in Communiqué of the Fifth Plenary Session of the 18th Central Committee of the CPC. The Communiqué proposed to carry out the "most stringent system of environment protection". In 2015, relevant policies on the infrastructure construction of electric vehicles were released; the upgrade of petroleum products was continued and the legalization of environmental protection was accelerated.

Speed up the infrastructure construction of electric vehicle

In October 2015, with the release of Guidelines on the Acceleration of Construction of Charging Infrastructures for Electric Vehicle and the Development Guidelines on Charging Infrastructures for Electric Vehicle (2015-2020), China clarified the main strategic direction of developing new energy vehicles based on pure electricity. It is proposed that according to the principle of moderate advance, by 2020 China will build more than 12,000 new charging stations and more than 4.8 million charging piles to fulfill the needs of 5 million electric vehicles nationwide.

Since the implementation of Regulations on Admission of New Energy Vehicle Manufacturingin 2007, the state has promulgated a series of policies and measures to encourage the development of electric vehicles such as demonstration and promotion, financial subsidies, tax reduction or exemption etc. The promotion extended from public domain to private one. With the promotion of policies, China's sales of new energy vehicle will surpass United State in 2015, ranking first in the world.

Accelerate the legalization of environmental protection

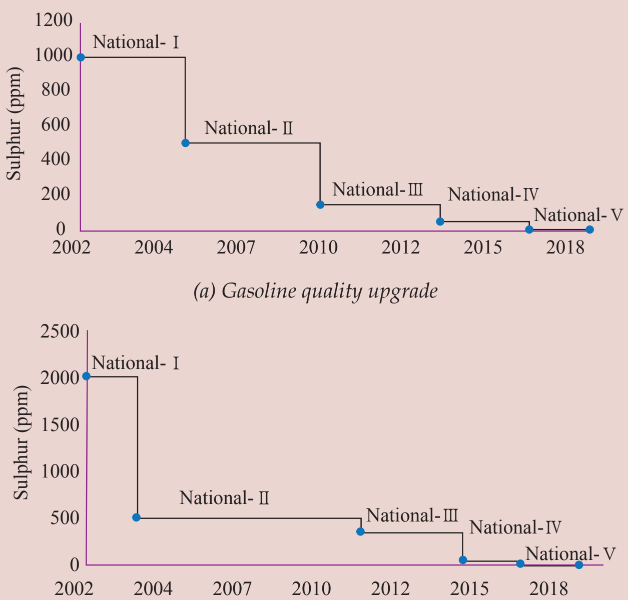
In June 2015, the Legislative Affairs Office of the State Council released the full text of Law of the People's Republic of China on Environmental Protection Tax (Draft) and its illustrations, marking the debut of environmental protection tax after the study of levying on environmental protection since 2012. The tax aims at atmospheric pollutants, water pollutants, solid waste and industrial noises and so on. Energy companies will encounter a huge pressure as industries and enterprises with heavy pollution will shoulder high cost on tax. The introduction of environmental protection tax will guide the company before polluting, transforming the end management to both start and end managements. It encourages enterprises to take initiative to reduce emissions so as to protect and improve the environment.

In August 2015, Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution was formally published. This law targets at improving the quality of the atmospheric environment, strengthening the responsibility and supervision of local governments, and proposes to control the pollution form the source and to enhance the punishment.

Push forward the upgrade of the qualities of petroleum products

In April 2015, the executive meeting of the State Council held by premier Li Keqiang determined the measures to accelerate the quality upgrade of the petroleum products: advance the due time of national supply of "National-Ⅴ-standard" gasoline and diesel from January 2018 to January 2017. In addition, from January 2016 onward, the areas supplying of "National-Ⅴ-standard" gasoline and diesel expanded from scheduled Beijing-Tianjin-Hebei regions, Yangtze River Delta and Pearl River Delta to the whole 11 provinces in East China. In order to increase the supply of high standard diesel, the state will supply "National-Ⅳ-standard" and "National-Ⅴ-standard" diesel from July 2017 and January 2018 respectively. In May, seven Ministries jointly issued the Working Scheme on the Acceleration of the Upgrade of Refined Oil Quality(hereinafter, the Working Scheme). The Working Scheme proposes that we should speed up the amendments of the oil products' standards and improve the standardized system. It is scheduled to implement the "National-Ⅵ-standard" standard of gasoline and diesel in 2019 (see Fig.1).

Under the pressure of environmental protection, the upgrade of petroleum products' quality will be accelerated to alleviate air pollution. However, China's imports of crude oil are mostly heavy crude oil containing high sulfur, which poses certain challenges to the quality upgrade of petroleum products and even more pressure for refineries. Based on the principles of reasonable compensation cost, high quality with appropriate price and cost paid by the polluter, the cost of quality upgrade of gasoline and diesel will be paid together by enterprises and consumers. At the government level, the Working Scheme demands relevant authorities to streamline the administrative procedures and speed up corresponding evaluations on environment, land, energy efficiency, stability, safety and other necessary facilities to ensure the scheduled supply of high-quality gasoline and diesel. At present, China's supervision on refined oil quality is relatively decentralized with a relative high regulatory cost —the manufacture part is charged by the quality supervision department, the admission part is resided in business departments and the circulation part is charged by the industrial and commercial departments. In the future, the key issues of deepening reform stand in the transition of all regions and relevant departments from decentralized regulatory to collective supervision as well as the enhancement of the coherence of quality supervision in the producing, wholesaling and retailing of the petroleum products.



(a) Gasoline quality upgrade

(b) Diesel quality upgrade

Fig.1 Upgrade date for gasoline and diesel.

Reforms in government governance

In recent years, the government continued to promote the reform of oil and gas management and conducted a series of reforms to counter the problems in management such as using approval as supervision, lacking of supervision in mid and post phases and a large sum of laws and regulations are unsuitable for the requirements of marketization. In 2015, the government scored new progress in transforming the governance pattern: it clarified the boundary between the government and the market, and reduced the government intervention in market to the maximum, so as to improve the management efficiency and guarantee the implementation of the reforms.

Further streamline administration and delegate power to lower levels

In May 2015, the State Council issued the Notice on the Working Scheme for Promotion on Streamlining Administration and Delegating Power to Lower Levels together with the Transformation of Governmental Functions. It is proposed that the promotion on streamlining administration as well as opening and delegating power to the lower levels together with transforming the governmental functions. It also stipulates to continue canceling the administrative approval items that heavily influenced the enterprises, completely obsolete the non-administrative approval items and simplified the approval on investment. Later, the National Energy Administration, the Ministry of Land and Resources, the State Administration of Taxation and other departments issued relevant documents to abolish the non-administrative approval items.

For oil and gas companies, the decision making right for development projects of the crude oil and gas was delegated to enterprises with mineral rights; meanwhile the approval procedures of new projects and cooperative contract on petroleum, natural gas as well as coal-bed methane have been markedly streamlined. It is notable that how government should strengthen the supervision after streamlining administration and delegating power to the lower levels, in order to avoid the occurrence of disorder in exploitation and surplus capacity.

Legalize the taxation and comprehensively clean up fees

On March 2015, with the full and modified text release of The Legislation Law of the People's Republic of China, the principle of legalizing the taxation is clarified and specified. It stipulates that basic tax systems should be regulated by law, such as the establishment of taxes and tax rates along with the management of taxation. From 2015, the State Administration of Taxation, the Ministry of Finance and other departments actively promote the works of "cleaning up fees and regulating the tax" and preferential policies of standardized taxation.

In order to alleviate the enterprises' burden, in December 2014 the Ministry of Finance and the National Development and Reform Commission issued the Notice on the Cancellation, Call-off and Exemption of a Series of Administrative Fees.In the notice, the contents related with oil and gas industries include: ① to cancel the land management fee; ② to suspend the registration fees on exploration and mining of the petroleum (natural gas), the registration fees on exploration and mining of mineral resources and the inspection and quarantine fees on exported products. In April 2015, the executive meeting of the State Council decided to carry out special actions to clean up fees. It comprehensively cleaned up the authoritative fees, the governmental funds, the compulsory service fees such as authoritative approval fees, market supervision and admission fees as well as fees related to industrial associations. In November 2015, the State Administration of Taxation issued documents to cancel all the authoritative approval on preferential items for enterprise income tax, instead, carried out the filing management.

Implement the negative list management mechanism in market access

On October 2015, the State Council issued Opinions on the Implementation of the Negative List Management Mechanism in Market Access, which put forward the measures to guarantee the implementation of the negative list management mechanism in market access from six aspects: the access mechanism, review and approval mechanism, social credit system, incentive and punishment mechanism, information publicizing system, information sharing system as well as the law and regulation system.

The Negative List Management Mechanism will greatly reduce the scope of governmental approval, improve the efficiency of the government, and increase the transparency, openness and freedom of the market. Carrying out the Negative List Management Mechanism needs a high level supervision and regulation during and after the process from the government, which demands for a new and higher requirement for government's capability. In the future, no "encouraged projects" can be sought in the negative list, so the enterprises' development will rely more on their own competitiveness.

Establish an exchange center for natural gas

On July 1st 2015, the SHPGX was launched. It creates a natural gas market for domestic clients featuring flexible, free trade, controllable risk and wide selection through modern trading system and trading patterns to safeguard the smooth operation and fulfill of gas demand of upstream and downstream industries via marketization. It strengthens the flexibility and mobility of the existing natural gas market. At the same time, the exchange center also popularizes the change of the pricing of domestic natural gas from volume pricing, weight pricing to calorific value pricing, so as to solve the long-term calorific value difference between pipeline gas and LNG. This change builds the exchange channel between liquid natural gas and gaseous natural gas. In addition, the establishment of the exchange center marks an important step of shifting the pricing of natural gas from the government to the market.

Outlooks on oil and gas policies of the 13th Five-Year Plan

In the context of a profound adjustment in the picture of global energy, the policies related to oil and gas industry will accelerate the promotion of energy revolution. During the 13th Five-Year Plan period, the market-oriented reform of oil and gas industry will be speeded up and the attributes of energy products will be further demonstrated. There will be a market structure and market system featured effective competition. The reforms of oil and gas industry in the 13th Five-Year Plan will focus on the following seven aspects and the year 2016 will serve as the start.

Pricing reform of oil and gas

It is proposed in the Opinions on the Promotion of Pricing Reforms issued by the State Council that we should liberalize the pricing of refined oil in proper time, rationalize the price of natural gas, advance the relaxation of resource of natural gas and the selling prices, steadily handle and gradually reduce the cross-subsidization and establish an energy pricing mechanism that is market-oriented. The pricing of crude oil and refined oil will be relaxed earlier for they had basically settled pricing mechanisms thus the government will no longer release guided-price. Pricing reforms of natural gas will adhere to the principle of "controlling the middle and relaxing the two ends"—the price of the network is determined by the government while the market determines the city gate price. The final price for residential use still remains ladder-pricing model meanwhile the price difference between non-residential use and residential use will be adjusted so as to reduce the cross-subsidization.

Reform of mineral right

We will expand the accession of mining and enhance the optimal distribution of mineral right market on the basis of the state has the top management of mineral right of oil and gas. We will speed up the establishment of mineral right reserve transaction market, improve the cost of holding mineral right and perfect the exit mechanism of oil and gas exploration rights and other approaches of accelerating the transfer of mineral right. Besides we will promote the efficiency of energy use by improving the supervision system of mineral right as well as the laws and regulations on mineral right management.

Pipeline network of oil and gas

With the reform of the oil and gas industry, the existing construction of pipeline networks based on the three major oil companies and its operating model will undergo huge changes. It is estimated that the main pipeline will be separated from each company and through business integration and other approaches such as drawing social capitals to realize the legalization of the independence of pipeline enterprises and later form several pipeline network companies. These companies will acquire their independent property rights through assets stripping or capital operation and so on to promote the integration of pipeline network companies' assets between different market entities. The approaches may also concern with the reforms and separations of intraprovicial or civil pipeline networks. Ultimately, nationwide there will be a pipeline network system consisting of major national pipeline network enterprises, the provincial pipeline network companies and branch line pipeline companies.

Circulation of oil and gas

With the gradual relaxation of limits on importing crude oil, more local refineries will obtain the right to use imported crude oil and non-state-owned importing qualifications. In addition, the related government departments should strengthen the supervision on market access, transaction and pricing etc., to secure the quality of petroleum products and an orderly and fair environment for market competition.

Reforms of SOEs of oil and gas

The SOE reform aims at deepening the reforms in shareholding structure and governance structure so as to further improve the modern enterprise system. Within the enterprises, service business will experience the professional restructure. Qualified enterprises will be listed while the social functions of the enterprises will be gradually transferred to the local government.

Governmental governance

The government will build a relatively independent regulatory system that adapted to the national top management system of oil and gas resources. Reforms in review and approval mechanism will focus on various aspects including giving the publicity to the approval process, changing the way of reviewing and approving, restricting the public power, changing the pre-approval to post-supervision and post-service and so on.

Legalization of oil and gas

In terms of the legalization of oil and gas, the state will accelerate the legalization of basic laws as Energy Law and specific laws such as Oil and Gas Law, Law on Oil and Gas Pipeline, Oil and Gas Distribution Law, Management Law on Import and Export of Oil and Gas, Regulatory Law on Oil and Gas. In addition, through the publish of a series of administrative laws, regulations, industrial policies as well as related standards, which covers the whole industry, on technology, safety, quality, environment and energy consumption, so to regulate the sound and orderly development of the oil and gas industry.

Considering the complexity of the reform of the oil and gas industry, it is estimated that the forthcoming general reform plan may be more like principles. The implementation of specific rules and supporting policies will be the focus of 2016.

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