

all petroleum products. There is free entry to import, refine, and distribute oil in Chile. With the flat 11% tariff as the only import barrier, prices of oil and oil derivatives move along with world prices.

Exploration and exploitation

A number of sedimentary basins have been studied along the Chilean territory, representing a total area of nearly 300,000 square kilometers. They are located mainly in the straits of Magellan, the southernmost end of the central valley, and northern Chile. Of these, the most significant and the only one under current exploitation is the Magellan basin, which represents 29% of the total area.

The only company pursuing exploitation is the state-owned Empresa Nacional de Petroleos (ENAP). This is explained by the fact that, under constitutional mandate, the state is the sole owner of all hydrocarbon deposits. Nonetheless, the state can pursue exploration and exploitation in association with national or foreign private investors. The law provides several incentives for these joint ventures, in the form of special petroleum-operation contracts. These are risk-contracts guaranteeing the contractor a previously agreed compensation in petroleum (that can be exported or purchased by the State). In addition, when authorized by the Presidency, the contractor may be granted special tax treatments (which include a reduction for 10% to 100% of payable income tax).

Several explorations through risk-contracts with American and