President of the Republic, the contractor is assured a special tax treatment, which could range from 10% to 100% reduction in payable income tax.

Furthermore, the law also provides incentives for joint ventures. Specified are the minimal regulations required for the state to explore and exploit resources in association with national or foreign private investors.

In the refining and distribution area, any company is allowed to run refineries. Advantages include freedom to import crude oil and derivatives, free access to the market by new distribution companies, and free access through rental storage facilities from ENAP. Prices of petroleum derivatives are also freely set.

Application regulations and restrictions are those generally on quality and safety standards presently in force in the country.

4.7 BUSINESS OPPORTUNITIES FOR CANADIAN COMPANIES

Activity within the oil sector illustrates the varied opportunities for investment in the sector itself. The growing demand for oil and petroleum derivatives within the country (8-9% per year); the ongoing creation of new plants, and the expansion and refurbishing of existing ones; the undertaking of new projects including pipeline network expansion, further exploration and exploitation activities abroad and domestically; the formation of emerging international partnerships and collective projects, point to an economically dynamic sector of business in Chile.

More specifically, it is clear that the Chilean government has an interest in attracting foreign investors in various areas within the oil sector. Such is the case that, to use an example, there are a number of upcoming projects to be undertaken by international businesses in conjunction with ENAP and Petrox, (the future establishment of *Petropower*, a coking and co-generation plant. Foster Wheeler, a US firm, would be the dominant investor in this project. Also, the upcoming creation of *Petroquim,* a polypropylene plant under German-Chilean ownership).

These areas might include any form of technology, equipment and/or assistance in the exploration and exploitation processes.

Within the area of refining, the refineries and plant currently in operation (and those that will initiate operations in the future) are always a possible source of equipment and spare parts purchases. Indeed, if Enap, on its own, cannot withstand the investment costs for the building of a third refinery under consideration, private investment capital would be sought.