

now private distributor of gas in Santiago, has been conducting studies for production and use of biogas from trash landfills. This project has been successful, and biogas now provides over 30% of manufactured gas in Santiago.

The incentives for natural gas exploration and exploitation are similar to those given for petroleum operations. That is, the contractor receives an agreed compensation and has the possibility of receiving a tax deduction.

Natural gas is a competitive substitute for the more expensive imported fuels. So far, however, natural gas has only been found in the southern area of Magallanes. Distance makes it unfeasible to send it to the more industrialized central region. This situation could eventually change if the new pipeline that could bring natural gas from Argentina goes through, or from discoveries of new sites.

#### **17.6 Chile's Energy Sector and NAFTA**

As a large exporter of energy products (US\$16 billion in 1991), Canada's interest is clearly in the side of liberalization of the energy sector. Chile --although a net importer of oil, coal and (in the near future) gas-- will certainly support this goal. Indeed, Chile's energy sector is very liberal, and it is unlikely to cause any significant conflict in future NAFTA negotiations.

Prices of energy products are freely determined by the market for all products, except those where a natural monopoly exist. The latter is the case of electricity distribution, where a clear