waste emissions) should be the subject of further investigation. There is a strong case therefore, for all energy, industrial and fugitive emissions to be included in the scheme from the beginning.

A ''long-term aspirational emissions abatement goal'' should be set for reducing greenhouse gases. The Government would also set a series of shorter-term annual quantity caps.

Careful modelling of the impact of various targets and their impact on Australia's economic growth and competitiveness will need to be undertaken before selecting longer-term emission reduction targets.

Permits will be of three types:

- the up-front allocation of free, annual permits to existing businesses identified as likely to suffer a disproportionate loss of value due to the emissions cap;
- the allocation of five-year permits to trade-exposed, emissions-intensive firms to ameliorate the competitive impact of the emissions cap. The continued provision of these permits would be periodically reviewed; and
- residual permits for the period of 2011 to 2020 would be progressively auctioned, with a small number of future dated permits (beyond 2020) being periodically auctioned to promote the establishment of liquid forward markets.

The Task Group has not nominated a cost of carbon, indicating that it is preferable that the targeted reduction in emissions first be established and that the market establish the cost of carbon—albeit in a transitional period, within a trajectory geared to the rate at which the economy can adjust so as to ensure that the short to medium term costs are manageable.

The Task Group found that an emissions trading scheme is not in itself enough.

There remains a role for government in setting regulatory standards, supporting technological innovations (without championing particular technologies) and encouraging changes in household behaviour.

The Task Group warns that favouring specific technologies or ruling out alternatives will simply make the task of fighting increasing emissions more difficult.

The Report also strongly emphasises the importance of forests as a potential source of offsets. This will put Australia at odds with the EU Emissions Trading Scheme, which does not allow forestry as a legitimate source of abatement.

While accepting the urgency of moving to address climate change, the Task Group warns against precipitous action. It stresses that significant further study needs to be undertaken in order for the correct parameters to be identified. In a call for inclusiveness, the Task Group urges that further work build on that already undertaken by the Task Group and, where possible, the work of the states' and territories' National Emissions Trading Taskforce.

In suggesting a timetable to facilitate the commencement of emissions trading by 2012 (or possibly 2011 if a decision is made in 2007), the Task Group recommendations fit neatly within the Commonwealth Government's stance that its policy objectives have been to meet its Kyoto Protocol target of restraining emissions in the period to 2012 to 108 per cent of 1990 levels. This is at odds with the states' proposals to press for schemes to commence earlier, in 2010.

It remains to be seen whether the states press ahead with their proposals and the extent to which they can be made complementary, not only to the Commonwealth's proposals, but also to wider international schemes developed in the coming years.

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Allens Arthur Robinson

Chile

OIL AND GAS
Upstream developments

International public auction for the exploration and exploitation of oil and gas

LT Chile; Exploration; Oil and gas industry

In recent years Chile has poised itself for energy independence by implementing an Energy Security Policy that diversifies its primary energy matrix.

One feature of this policy has been the investigation of potential hydrocarbon sources in Chile. Chile has recently launched the largest international public auction for the exploration and exploitation of oil and gas in the history of the country, with an invitation to foreign companies to invest in 10 blocks in the southern area of Magallanes.

The blocks range in surface area from 1,254km^2 to 6,761km^2. The winning bidders will operate under a Special Operating Contract (SPOC) that they will have to sign with the State of Chile. The specific provisions of each contract will be established after the tender process in accordance with the winning offers. SPOCs have a maximum duration of 35 years, and are divided into two phases: exploration and exploitation. The first phase will last seven years and the exploitation phase will last for the remaining years.

The SPOCs have characteristics which make them attractive to foreign investors. For instance, they are governed by laws establishing a special tax regime with exemptions and benefits for foreigners. The laws governing the contract are invariable for its duration.

To participate formally as a bidder, acquisition of the ''Bidding Bases'' and technical information on the bidding blocks are required. The Bidding Bases have been available since June 11 in the mailing office of the Ministry of Mining and they must have been picked up before July 10, otherwise it will not be possible to participate in the bidding process.

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France

ELECTRICITY
Regulation
Brussels initiates inquiry into electricity tariffs in France

Electricity; France; Pricing

On June 13, 2007 the European Commission announced the opening of an inquiry into the regulated electricity tariffs in France.

Neelie Kroes, the Competition Commissioner, considers that the regulated tariffs fixed by the State at a level which is lower than the market price, are ''financed directly or indirectly by the State''. The European Commission will examine whether these tariffs constitute ''public subsidies for large and medium sized companies'' and, if this is the case, if such subsidies could lead to ''disproportionate distortions in exchanges and competition'' in the single market.

The Commission initiated a similar procedure, concerning the same issue, in Spain on January 25, 2007. France is already subject to an inquiry by Brussels in December 2006, as are 15 other Member States, in relation to the violation of the 2003 Directives concerning the opening up of the gas and electricity markets (European Directive 2003/54/CE dated June 26, 2003 concerning the internal electricity market and Directive 2003/55/CE dated June 26, 2003).[1]

The regulated tariffs are also being studied in order to determine whether the continuation of regulated supply tariffs for eligible clients is contributing to the blockage of the arrival of new players and whether it prevents a free choice of supplier.

1 Directive 2003/54 concerning common rules for the internal market in electricity and repealing Directive 96/92 [2003] O.J. 176/37; Directive 2003/55 concerning common rules for the internal market in natural gas and repealing Directive 98/30 [2003] O.J. L176/57.

ELECTRICITY AND GAS
Implementation of Directives
New national laws to implement fuel supply competition

EC law; Electricity supply industry; Energy policy; France; Gas supply industry; Implementation

Three successive laws have formed the framework for the opening up of the energy markets in France: Law No.2000-108 dated February 10, 2000, Law No.2003-8 dated January 3, 2003 and Law No.2004-803 dated August 9, 2004. The community legal texts relating to the liberalisation of the energy markets[2] have been successively transposed into national French law, allowing for the gradual opening up of these markets to competition. Initially reserved for the largest consumers of electricity and gas, the possibility to change supplier in France became more important as from July 1, 2004. This is the date as from which all professional consumers became eligible.

The opening up of the gas and electricity markets was completed on July 1, 2007 and each private consumer will now:

(a) either maintain its existing supply at the regulated tariff fixed by the government (in this case no particular step shall be necessary); or

(b) choose from amongst the offers that are made. The consumer will then conclude a contract, including conditions as to price, with a new supplier, or its existing supplier. This change shall be done without cost and without any interruption in the service.

Any non-domestic consumer that has exercised its eligibility option may make a request seeking to benefit from a transitional and temporary regulated tariff, namely, the transitional regulated tariff of adjustment for the electricity market (TRTAM), before July 1, 2007. This request is made per site, for all or part of the supply contracts for the site in question. The non-domestic consumer who exercises this right then benefits automatically from the TRTAM for existing contracts of its choice, as from the date at which the request is made (but

2 Directive 2003/54 concerning common rules for the internal market in electricity and repealing Directive 96/92 [2003] O.J. 176/37; Directive 2003/55 concerning common rules for the internal market in natural gas and repealing Directive 98/30 [2003] O.J. L176/57.