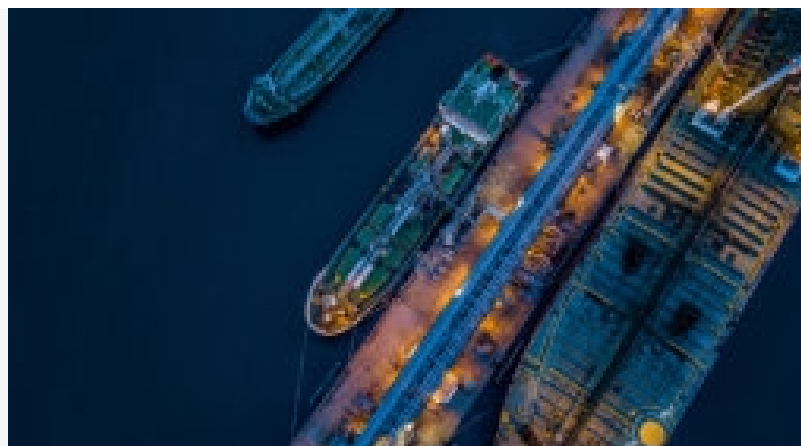


US SANCTIONS ON VENEZUELA SUBSTANTIALLY EASED

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On October 18, 2023, the US Office of Foreign Assets Control (“OFAC”) issued General License 44 broadly permitting US and non-US persons to deal with Venezuelan crude and gas. Under the license, US and non-US persons generally can transport Venezuelan crude and gas until April 18, 2024

BACKGROUND

In January 2019, OFAC imposed significant sanctions targeting the Venezuelan oil and gas sectors, explicitly targeting the oil sector for sanctions, and adding Petróleos de Venezuela, S.A. (“PdVSA”), the state-owned oil and gas company, to the list of Specially Designated Nationals and Blocked Persons (the “SDN list”). As a result of these sanctions, US persons were largely prohibited from transporting or facilitating the transport of Venezuelan crude oil and other Venezuelan oil and gas products (see [here](#)). Furthermore, non-US persons who provided material assistance to PdVSA were at risk of themselves being added to the SDN list.

The 2019 sanctions were an escalation of sanctions introduced in 2017 which, *inter alia*, prohibited US persons from providing financing to PdVSA (see [here](#)).

"The General License does not authorize the provision of goods or services to, or new investment in, an entity located in Venezuela that is owned or controlled by, or a joint venture with, an entity located in Russia."

In November 2022, OFAC eased the sanctions somewhat by permitting Chevron to export Venezuelan crude to the US through its joint venture with PdVSA.

GENERAL LICENSE

The General License authorizes transactions otherwise prohibited that are related to oil and gas sector operations in Venezuela. This includes the production, lifting, sale and exportation of oil or gas from Venezuela, provision of related goods and services, payment of invoices for related goods and services, and new investment in Venezuelan oil and gas sector operations. The General License is set to expire April 18, 2024.

The General License does not fully eliminate the Venezuelan sanctions, and has certain exceptions. Most notably, the General License does not authorize the provision of goods or services to, or new investment in, an entity located in Venezuela that is owned or controlled by, or a joint venture with, an entity located in Russia, or any transactions related to new investment in oil or gas sector operations in Venezuela by a person located in Russia or an entity owned or controlled by a person located in Russia.

RISKS AND UNCERTAINTIES

While the General License is a welcome development for parties wishing to do business in Venezuela, there remain several risks and uncertainties, of which the following are among the most significant:

- **What constitutes the oil and gas sectors of Venezuela?** PdVSA and the Government of Venezuela (including all of their subsidiaries) remain fully sanctioned, so transactions by US persons that do not fall within the General License generally would result in a breach of sanctions. While some transactions would clearly fall under the General License (e.g., the maritime transportation of Venezuelan crude oil), there may be transactions with PdVSA or other state-owned entities that are less clear. US and non-US persons wishing to do business with PdVSA or any other sanctioned entities in Venezuela should carefully consider whether the scope of their business falls within the General License.
- **What Russian involvement will invalidate the General License?** There is a broad exception from the General License for dealings with Venezuelan entities that are owned or controlled by, or a joint venture with, a Russian entity. At a minimum, this will require a level of due diligence for parties operating in Venezuela to ensure that there is no prohibited Russian involvement. There is also some uncertainty as to the quantum and degree of Russian involvement that would trigger the exception. Clearly a Venezuelan entity owned directly by a Russian company would not be eligible for the General License. But for an entity owned less than 50% by a Russian company, or owned by a non-Russian company with ultimate ownership in Russia, the results are less clear.
- **Will there be an extension or wind-down of the General License?** The General License was issued by OFAC in response to a tentative agreement of October 17, 2023 between the Venezuelan President Nicolás Maduro and the Unitary Platform to support democracy and freedom in Venezuela. The General License is set to expire April 18, 2024. There is every reason to expect that if the parties remain committed to their agreement to hold elections, the General License will be extended past such date. However, there can be no assurance of such extension. Furthermore, the General License can be revoked at any time if the agreement breaks down. If the General License were to expire or be revoked, it is unclear whether there would be any sort of wind-down or grandfathering for transactions then in place. As a result, parties may be required to suspend operations at a moment's notice.
- **Transactions in *petros* remain prohibited.** The General License does not affect the prohibition on US persons dealing in *petros*, the Venezuelan cryptocurrency. It is unclear whether and to what extent *petros* are actually used in Venezuela.

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