

Alert | **Export Controls & Economic Sanctions**



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US Government Makes Historic Temporary Trade Allowances in Venezuelan Oil, Gas, Gold, and Bonds

On Oct. 18, 2023, representatives of Nicolás Maduro – contested President of Venezuela – and Venezuela’s Unitary Platform – the opposition alliance – signed the [Partial Agreement on the Promotion of Political Rights and Electoral Guarantees for All](#), agreeing to a timeframe for a free and fair Venezuelan presidential election, as well as audits of the electoral system. In response to this agreement and to encourage further democratic developments, the U.S. Department of the Treasury’s Office of Foreign Assets Control (OFAC) issued six general licenses, thereby suspending certain U.S. economic sanctions restrictions.

The new OFAC general licenses follow months of discussion between the U.S. government and Maduro, and the Unitary Platform.

OFAC General Licenses Explained

OFAC is responsible for administering and enforcing economic and trade sanctions that align with and promote U.S. foreign policy objectives. Historically, the U.S. has imposed certain sanctions on Venezuela, known as the Venezuela Sanctions Regulations, or VSR. Notwithstanding these sanctions, OFAC has the power to authorize U.S. persons or entities to engage in transactions that otherwise would be prohibited under sanctions. These authorizations may come in the form of licenses that can be general or specific. General licenses authorize a transaction without requiring the person or entity to apply for a license (but may be utilized if certain criteria and conditions are satisfied). Specific licenses, on the other hand, are

issued to a particular person or entity in response to a written license application describing a particular transaction or activity with specific counterparties and intermediaries. Therefore, by issuing general licenses with regard to Venezuela, the U.S. government has opened the door incrementally to increased U.S. person engagement and dealings in the Venezuelan oil, gas, gold, and bond sectors. Notably, the licenses are temporary, with General License 44 valid only for six months (which OFAC may or may not extend or renew near the end of the six-month validity), and the remaining five general licenses only remain valid provided Maduro follows through on his commitment or until Venezuela has a legitimate presidential election.

New Venezuelan General Licenses

The new general licenses authorize certain activities related to Venezuelan oil and gas operations, gold, and U.S. person purchases in Venezuelan sovereign bonds and equity.

Gold Sector - General License (GL) 43

This GL authorizes certain transactions involving CVG Compania General de Minería de Venezuela CA (Minerven), the Venezuelan Central Bank, and the Bank of Venezuela, and notes that the U.S. government does not intend to sanction any person solely for operating in the gold section of the Venezuelan economy.

Oil and Gas Sector - GL 44

This six-month GL temporarily authorizes transactions prohibited by the VSR, related to oil and gas sector operations in Venezuela. GL 44 provides a non-exhaustive list of transactions covered by the authorization, including:

- (1) the production, lifting, sale, and exportation of oil or gas from Venezuela, and provision of related goods and services;
- (2) the payment of invoices for goods or services related to oil or gas sector operations in Venezuela;
- (3) new investment in oil or gas sector operations in Venezuela; and
- (4) the delivery of oil and gas from Venezuela to creditors of the government of Venezuela, including creditors of *Petróleos de Venezuela S.A. (PdVSA)* entities, for the purposes of debt repayment.

Importantly, several key prohibitions on oil and gas sector operations in Venezuela are not suspended under GL 44 and, thus, remain in effect. These include: (1) transactions involving blocked financial institutions, other than Banco Central de Venezuela or Banco de Venezuela SA Banco Universal; (2) any Russia-related operations; (3) transactions prohibited by Executive Order (E.O.) 13808(1)(a)(i)-(iii), (1)(b), other than the transactions in GL 44(a)(2) and (a)(4); (4) transactions prohibited by E.O. 13827 and E.O. 13835; additionally, (5) property blocked pursuant to the VSR remains blocked; and (6) people blocked pursuant to any authority other than the VSR remain blocked.

Immigration - GL 45

This license authorizes transactions related to the repatriation of Venezuelan nationals from non-U.S. jurisdictions in the Western Hemisphere to Venezuela, involving *Consorcio Venezolano de Industrias Aeronáuticas y Servicios Aéreos, S.A. (Conviasa)* – an entity previously blocked pursuant to the VSR.

Venezuelan Sovereign Bonds - GL 3I and GL 9H

These licenses remove the secondary market trading bans on purchases of certain Venezuelan sovereign bonds and pre-2017 bonds or equity issued by PdVSA.

PdVSA 8.5 Percent Bond - GL 5M

Under this license, on or after Jan. 18, 2024, all transactions related to financing for the Petróleos de Venezuela, S.A. 2020 8.5 Percent Bond are authorized, despite previously being blocked pursuant to the VSR.

Key Takeaways

Notably, all other sanctions currently in place against Venezuela, including the prohibition on nearly all U.S. person dealings involving the Government of Venezuela or any entity owned 50% or greater by the Government of Venezuela remain prohibited, as well as prohibitions against a number of specifically sanctioned Venezuelan individuals and entities named to the SDN list. Additionally, these general licenses are temporary (and will expire unless renewed or extended) and may be revoked at any time even before their stated expiry dates. Under Secretary of the Treasury for Terrorism and Financial Intelligence Brian E. Nelson issued a statement noting that the United States “is prepared to amend or revoke authorizations at any time, should representatives of Maduro fail to follow through on their commitments.” GL 44, for example, is currently valid through 12:01 a.m. EDT on April 18, 2024, and will only be renewed if Maduro and his representatives continue to follow through with their commitments. This creates a complicated dynamic for U.S. persons wishing to engage in activities now authorized under the general licenses. In particular, it will be important for those seeking to make new investment in the oil and gas sector, or engage in long-term supply agreements or activities, to consider compliance and contractual measures to be able to terminate and react or wind down immediately in the event the OFAC general licenses expire or are revoked prior to April 18, 2024. For further questions, OFAC has published a list of [Frequently Asked Questions](#).

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