



Drilling down to the details

OFAC's relaxation of sanctions on Venezuela's oil and gas sector broader than expected

In response to an agreement reached on Tuesday between President Nicolás Maduro's representatives and the Venezuelan political opposition about a road map for the 2024 Venezuelan presidential election, on October 18, the Office of Foreign Assets Control (OFAC) issued [General License 44](#) (GL 44), broadly licensing all transactions in Venezuela's oil and gas sector, including transactions involving Petróleos de Venezuela, S.A. (PdVSA), for a six-month period (until April 18, 2024).

In a non-exhaustive list of authorized transactions, the license specifies that GL 44 covers:

- All activities related to the production, lifting, sale or export of oil or gas from Venezuela, as well as the payment of taxes, royalties, costs, fees, dividends and profits;
- Payment of invoices for goods and services related to oil or gas sector operations in Venezuela;
- Authorization for new investments in oil or gas sector operations in Venezuela; and
- Delivery of oil and gas to creditors of the Government of Venezuela (GoV) or PdVSA as debt repayment.

The GL 44 authorizations apply equally to US and non-US persons.

The major components of GL 44 terms and conditions include the following:

- Authorized transactions involving Banco Central de Venezuela or Banco de Venezuela SA Banco Universal are allowed, but no transactions with any other blocked or specially designated national banks are permitted under GL 44.
- The license does not allow the provision of goods or services to or new investment in any entity in Venezuela that is owned or controlled by or is a joint venture with a person located in Russia. It also does not authorize any new investment in Venezuela's oil and gas sector by any person located in Russia or by any entity owned or controlled by a person in Russia.
- The "new debt" and "new equity" prohibitions of [Executive Order 13808](#) of August 24, 2017, continue to apply as a general matter. However, none of these prohibitions will apply to payment of invoices related to oil or gas operations in Venezuela or to deliveries of oil and gas from Venezuela as GoV or PdVSA debt repayment under GL 44.
- The authorizations of GL 44 are effective immediately and run to April 18, 2024, at which point the US says it intends to renew the license. On the other hand, if at any time the Maduro regime is seen to take steps that are not aligned with its commitments under the electoral agreement – which calls for an election to take place in the second half of 2024 – then the license could be revoked. Presumably, in that instance, there would be an authorized period in which to "wind down" authorized activities.

At the same time, OFAC also issued [General License 43](#) (GL 43) authorizing all transactions involving gold miner CVG Compania General de Minería de Venezuela CA and its subsidiaries, and it also lifted its secondary sanctions on companies solely for operating in Venezuela's gold sector. GL 43 does not have an end date. As with any license, OFAC says it is prepared to revoke the authorization if the Maduro regime fails to follow through on its commitments. Treasury expects this license to reduce black-market trading in gold.

Finally, today's OFAC action also included a general license for repatriation flights to Venezuela and authorized US persons to purchase GoV or PdVSA old (before August 24, 2017) bonds on the secondary market.

If you have any questions about this Legal Alert, please feel free to contact any of the attorneys listed or the Eversheds Sutherland attorney with whom you regularly work.

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