

U.S. Announces Easing of Venezuela Sanctions

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Last month, on October 18, 2023, the Biden administration [announced](#) a significant easing of US sanctions on Venezuela. The move by the administration represents an important reversal of US policy and comes after the Venezuelan opposition and representatives for Venezuelan president Nicolas Maduro signed an “electoral roadmap” agreement.

In line with the decision, the US Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) issued a series of [General Licenses](#) (including GLs 44 and 43) and amendments suspending select sanctions involving Venezuela’s oil and gas sector and gold sector, as well as removing the ban on secondary trading in certain securities of the Venezuelan government. However, OFAC has clarified that it is prepared to amend or revoke the measures at any time if the Maduro government fails to follow through on its commitments under the electoral roadmap agreement. OFAC also released an updated FAQ on November 16, 2023 regarding the General Licenses.

OFAC has emphasized that all other restrictions imposed by the United States on Venezuela remain in place.

General License 43 authorizes certain transactions involving CVG Compania General de Minería de Venezuela CA (“Minverven”), the Venezuelan state-owned mining company. The license has no time limit and provides guidance that the US government does not intend to sanction any person solely for operating in the gold sector of the Venezuelan economy.

General Licenses 3I and 9H, meanwhile, remove the secondary market trading bans on purchases of certain Venezuelan sovereign bonds and pre-2017 bonds or equity issued by Venezuela’s state-owned oil company, Petróleos de Venezuela, S.A. (“PdVSA”).

Perhaps most notably, however, General License No. 44 creates a six-month period (through April 18, 2024) during which US persons may, subject to certain conditions, engage in transactions involving the oil and gas sector in Venezuela, including transactions with PdVSA. The authorization in the license temporarily suspends sanctions applicable to most oil and gas sector operations in Venezuela, including the sale of oil and gas from Venezuela to the United States and other jurisdictions. The license also sets forth a non-exhaustive list of authorized activities which include: (i) the production, lifting, sale, and exportation of oil or gas from Venezuela, and the provision of related goods and services; (ii) payment of invoices for goods or services related to oil or gas sector operations in Venezuela; (iii) new investment in oil or gas sector operations in Venezuela; and (iv) delivery of oil and gas from Venezuela to creditors of the Government of Venezuela, including creditors of PdVSA entities, for the purpose of debt repayment.

Importantly, however, the license expressly lists several activities which are not authorized, which include, among others: (i) 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, any entity located in the Russian Federation; and (ii) any transactions related to new investment in oil or gas sector

operations in Venezuela by a person located in the Russian Federation or any entity owned or controlled by a person located in the Russian Federation.

With the issuance of General License 44, both US and non-US persons can potentially engage in a wide variety of transactions involving Venezuela's oil and gas sector, including investments in new energy projects and exports of Venezuelan crude. However, the US government only intends to renew the license if the Maduro government follows through with its commitments in the electoral roadmap agreement, and thus, given the temporary nature of the sanctions relief, the degree of new investment may be limited and may require additional assurances, such as comfort letters. But perhaps more significantly, on October 30, 2023, Venezuela's Supreme Court of Justice ordered the suspension of the results of the opposition's primary elections and ratified a ban on the candidacy of Maria Corina Machado (who won more than 90% of the votes in the opposition's presidential primary), which decisions could put the current relief from US sanctions at risk.

For more information or assistance with any potential Venezuela questions, please contact our Americas Practice Group or International Trade Group.

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