

CLIENT ALERT: SUSPENSION OF SELECT SANCTIONS IN SUPPORT OF VENEZUELAN DEMOCRACY

October 19, 2023

On October 18, 2023, the United States temporarily suspended certain sanctions against Venezuela in response to the recent signing of an electoral roadmap agreement between Venezuela's Unitary Platform and representatives of Maduro. In recognition of the "concrete steps" taken by representatives of Maduro to ensure democracy and competitive elections, OFAC issued six (6) General Licenses aimed at supporting the Venezuelan people and encouraging democratic progress in the region. A summary of the recent changes in the Venezuelan sanctions regime is set forth below.

Summary of Recent Actions

1. Suspension of Sanctions: The Treasury Department has temporarily suspended select sanctions through the issuance of several General Licenses. As will be explained at length below, these licenses allow certain transactions involving previously sanctioned sectors of the Venezuelan economy, and also temporarily lift the ban on secondary trading of certain Venezuelan sovereign bonds and PdVSA debt.

2. Specific Licensing Details:

a. Oil and Gas Sector: OFAC has issued General License 44, which temporarily authorizes through April 18, 2024, all transactions that are related to oil and gas sector operations in Venezuela, including authorizing ordinarily incident and necessary financial transactions with certain blocked Venezuelan banks related to the oil and gas sector. Notably, section (a) of GL 44 makes clear that the license covers "transactions involving Petroleos de Venezuela, S.A. (PdVSA) or any entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest (collectively, "PdVSA Entities"), that are related to oil or gas sector operations in Venezuela."

As to the scope of the license, GL 44 specifically authorizes the following activities in section (a):

- (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 PdVSA entities, for the purposes of debt repayment.

With respect to this shipping industry, the carriage of oil or gas from Venezuela would fall within the scope of "related goods and services" set forth in section (a)(1) of GL 44, provided such carriage does not violate the limited prohibitions set forth in section (b) of GL 44.

On that point, GL 44 also sets forth several limitations on its scope in section (b). Specifically, section (b) makes clear that GL 44 does not authorize the following activities:

- (1) Any transactions involving any financial institution blocked pursuant to Executive Order (E.O.) 13850 other than Banco Central de Venezuela or Banco de Venezuela SA Banco Universal;

- (2) 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 the Russian Federation;
- (3) 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;
- (4) Any transactions prohibited by subsections 1(a)(i) — (iii) or 1(b) of E.O. 13808, other than the transactions described in paragraphs (a)(2) and (a)(4) of this general license;
- (5) Any transactions prohibited by E.O. 13827 (relating to certain virtual assets of the Government of Venezuela) or E.O. 13835 (involving certain debt owed to the Government of Venezuela or certain transactions involving an equity interest in an Government of Venezuela entity); or
- (6) The unblocking of any property blocked pursuant to the VSR.

Renewal of GL 44 is contingent upon Venezuela meeting its commitments under the electoral roadmap and addressing concerns regarding wrongfully detained individuals.

b. Gold Sector: OFAC has also issued General License 43, which temporarily suspends sanctions against the gold sector of the Venezuelan economy and in turn authorizes dealings with CVG Compania General de Minería de Venezuela CA (“Minerven”), the Venezuelan state-owned gold mining company. This measure is designed to reduce black-market trading in gold.

c. Secondary Trading Ban Lifted: General Licenses 3I and 9H have been amended to remove the ban on secondary trading of certain Venezuelan sovereign bonds and PdVSA debt and equity.

d. Further Delay of Authorization of Transactions Involving PdVSA 2020 8.5 percent bond: OFAC has also issued General License 5M, which, in line with the prior iterations of GL 5, continues to prohibit holders of the PdVSA 2020 8.5 percent bond from taking any action to enforce bondholder rights to the CITGO shares serving as collateral for the bond.

e. Repatriation Actions Involving Conviasa: General License 45 authorizes certain transactions for 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), or any entity in which Conviasa owns, directly or indirectly, a 50 percent or greater interest.

3. Monitoring and Accountability: In conjunction with issuance of these General License, OFAC has also emphasized its commitment to closely monitoring continuing developments in Venezuela. OFAC has thus made clear that the authorizations may be amended or revoked if representatives of Maduro fail to honor their commitments set forth the electoral roadmap. Moreover, all other U.S. restrictions on Venezuela remain in place to ensure accountability for any misconduct.

OFAC has also provided several [Frequently Asked Questions \(FAQs\), available here](#) specifically concerning the recent suspension of sanctions against Venezuela.

If you have any questions about the contents of this alert or would like further information regarding U.S. sanctions, please feel free to contact the authors, Bill Pallas at pallas@freehill.com, or Mike Dehart at dehart@freehill.com.

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