

US Eases Sanctions on Venezuela in Connection With Electoral Roadmap

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On October 18, 2023, following the signing of an electoral roadmap between Venezuela's Unitary Platform and representatives of the Maduro regime, the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) issued four general licenses suspending several key Venezuela-related sanctions. These licenses:

- Broadly authorize transactions involving the oil and gas sector in Venezuela.
- Remove restrictions on secondary market trading in debt and equity of Petróleos de Venezuela, S.A. (PdVSA) and certain Venezuelan government bonds.
- Authorize transactions with the Venezuelan state-owned gold mining company.
- Facilitate the repatriation of Venezuelan nationals from non-U.S. jurisdictions in the Western Hemisphere.

OFAC and the State Department made clear that the U.S. government is prepared to amend or revoke the new authorizations if Maduro's representatives fail to uphold their commitments and continue with additional reforms. In addition, OFAC issued two new Venezuela-related FAQs, amended four other Venezuela-related FAQs and issued a guidance document with additional information.

Transactions Involving Oil and Gas Sector Operations in Venezuela

With limited exceptions, new General License No. 44 authorizes, for a period of six months, all transactions "related to oil and gas sector operations in Venezuela" that would otherwise be prohibited under OFAC's Venezuela-related sanctions program. General License No. 44 contains a non-exhaustive list of authorized transactions, including:

- The production, lifting, sale and exportation of oil or gas from Venezuela, and provision of related goods and services.
- The payment of invoices for goods or services related to oil or gas sector operations in Venezuela.
- New investments in oil or gas sector operations in Venezuela.
- 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.

General License No. 44 carves out certain transactions from the scope of the authorization, including certain Russia-related transactions, certain transactions involving "new debt" under Executive Order 13808 and certain transactions involving virtual currency.

OFAC stated that General License No. 44 will be renewed only if "Venezuela meets its commitments under the electoral roadmap as well as other commitments with respect to those who are wrongfully detained."

Secondary Trading in PdVSA Debt and Equity and Certain Venezuelan Bonds

General Licenses No. 3I and 9H authorize the secondary market trading of Venezuelan sovereign bonds listed in the Annex to General License 3I, and debt or equity (securities) issued by PdVSA. Under these general licenses, which are not time limited, U.S. persons may now purchase GL3I bonds, and PdVSA securities and may sell GL3I bonds and PdVSA securities to other U.S. persons. General License No. 9H extends to any entity

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directly or indirectly owned 50% or more by PdVSA, that was issued prior to August 25, 2017, and includes bonds issued by PDV Holding, Inc. and CITGO Holding, Inc., and their subsidiaries. All sanctions related to the primary bond market remain in place.

OFAC also issued General License 5M, which delays effectiveness of the authorization in the general license until January 18, 2024. As a result, transactions related to the sale or transfer of CITGO shares in connection with the PdVSA 2020 8.5 percent bond remain prohibited, unless specifically authorized by OFAC. This delay is consistent with the U.S. government's approach to the PdVSA 2020 8.5 percent bond, which is secured by shares in CITGO and subject to ongoing U.S. litigation. OFAC explained in FAQ No. 595 that, until January 18, 2024, transactions related to the sale or transfer of CITGO shares in connection with the PdVSA 2020 8.5 percent bond are prohibited, unless specifically authorized by OFAC. FAQ No. 595 also makes clear that, to the extent an agreement may be reached on proposals to restructure or refinance payments due to the holders of the PdVSA 2020 8.5 percent bond, additional licensing may apply, but that OFAC would have a favorable licensing policy toward such an agreement.

Transactions Involving Minerven and the Gold Sector of the Venezuelan Economy

General License No. 43 authorizes transactions involving CVG Compañía General de Minería de Venezuela CA (Minerven), the Venezuelan state-owned gold mining company, or any entity in which Minerven owns, directly or indirectly, a 50% or greater interest, that would otherwise be prohibited under OFAC's Venezuela-related sanctions program. In guidance, OFAC also clarified that it does not intend to impose sanctions on any person solely for operating in the gold sector of the Venezuelan economy, even though this activity is sanctionable under Executive Order 13850.

As with the other sanctions relief announced October 18, 2023, OFAC noted that its policy is contingent on continued steps toward a democratic solution in the country.

Repatriation of Venezuelan Nationals

General License No. 45 generally authorizes transactions involving Consorcio Venezolano de Industrias Aeronáuticas y Servicios Aéreos, S.A., or its subsidiaries, that are ordinarily incident and necessary to the repatriation of Venezuelan nationals from non-U.S. jurisdictions in the Western Hemisphere to Venezuela. In FAQ No. 1137, OFAC clarified that "Western Hemisphere" means the countries and areas identified by the U.S. Department of State on its [website](#) as comprising the Western Hemisphere.

Conclusion

OFAC's actions on October 18, 2023, represent a considerable easing of sanctions on Venezuela, particularly in the oil and gas sector — although the time limits in General License 44 may discourage longer-term exploration and production projects. This relaxation of sanctions is significant as petroleum has historically accounted for nearly 90% of the country's exports, according to the [Congressional Research Service](#). Whether the new authorizations remain in place — and whether the United States further eases sanctions on Venezuela — will almost certainly depend on continued political reforms in Venezuela, including Maduro's adherence to the electoral roadmap, the release of all wrongfully detained U.S. nationals and Venezuelan political prisoners and the reinstatement of all presidential candidates, including María Corina Machado, who won an overwhelming victory in the opposition's primary elections but is currently banned from running for president by the Maduro regime.