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OFAC Revokes General Authorization for Venezuelan Oil and Gas Sector But Permits Limited Wind-Down Transactions

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Broad authorizations permitting dealings in Venezuela’s oil and gas sector came to an end on April 17, 2024, when the United States Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) terminated [General License 44](#) (“GL 44”) and replaced it with [General License 44A](#) (“GL 44A”). GL 44A only authorizes certain wind-down transactions relating to dealings previously authorized under GL 44, which had temporarily authorized U.S. persons to engage in a broad set of business relationships with the Venezuelan oil and gas sector that had been prohibited since January 2019, when OFAC listed Petróleos de Venezuela, S.A. (“PdVSA”) as a Specially Designated National (“SDN”).

As a matter of U.S. foreign policy towards Venezuela, GL 44 had represented a significant opportunity for an improvement in U.S.-Venezuelan relations and was intended to provide incentives for the current Venezuelan regime to hold free elections. With the United States’ decision to not renew GL 44 – after the current Venezuelan government’s failure to demonstrate progress to implement electoral and other reforms promised under the 2023 Barbados Agreements – the prospect for future sanctions-free engagement in the Venezuelan oil and gas sector seems to be diminishing, although OFAC is currently allowing, through its specific licensing authority, one-off transactions with U.S. persons where the specific transaction or arrangement at issue is in the United States’ foreign policy interest.

As explained in a prior Paul Hastings [client alert](#), OFAC issued GL 44 on October 15, 2023 following an agreement between the current Venezuelan regime and the United States-backed opposition party in Venezuela that, in part, set forth internal rules for each side to select its presidential candidate and agree to an electoral roadmap for Venezuela’s 2024 election (the “Barbados Agreement”). GL 44, which had authorized transactions relating to Venezuela’s oil and gas sector, including those involving PdVSA, was one of the main features of the Barbados Agreement – allowing for significant opening of the country’s long-declining oil and gas sector. Renewal of GL 44, however – which was authorized for six (6) months – was contingent on the current Venezuelan regime following through on its pro-democracy and power-sharing commitments. According to U.S. officials, while the Venezuelan government had

“upheld certain aspects of the Barbados Agreement”, it had “not fully met the commitments made under the electoral roadmap agreement” and, as a result, GL 44 was not renewed.¹

With the non-renewal of GL 44, restrictions on dealings with PdVSA effectively revert back to what they were pre-October 2023 under the Venezuela Sanctions Regulations, 31 C.F.R. Part 591. However, simultaneous with the revocation of GL 44, OFAC issued GL 44A, which provides a wind-down period until May 31, 2024.

In addition to that limited wind-down period and license, OFAC also simultaneously published an updated [“Frequently Asked Questions Related to the Suspension of Certain U.S. Sanctions with Respect to Venezuela on October 18, 2023”](#) (the “FAQs”), which provide guidance on how U.S. persons should interpret the non-renewal of GL 44. Those new FAQs provide routine guidance, including that entering into any new business or new investment that was previously authorized under GL 44 would not be considered to be an authorized wind-down activity. The FAQs further note that U.S. and non-U.S. persons unable to complete wind-down activities before May 31, 2024 should seek specific guidance from OFAC, and that OFAC would consider specific license requests on a case-by-case basis for transactions involving PdVSA. Other existing authorizations relating to Venezuela’s oil and gas sector – such as General License 8M or General License 41 – remain unchanged.

Importantly, the FAQs also appear to leave the door open to relaxation of U.S. sanctions on Venezuela should the domestic political situation in the country improve, noting that the U.S. “will continue to assess sanctions policy towards Venezuela in light of actions taken by [the current Venezuelan regime] and [its] representatives as the country approaches the July 28 election and to advance U.S. interests.” This position was echoed in statements by senior White House officials, who conveyed that the non-renewal of GL 44 “should not be viewed as a final decision that we no longer believe Venezuela can hold competitive and inclusive elections.”² Commitments by OFAC and the U.S. administration to continue to assess its policy towards Venezuela (and to continue to process specific authorization requests for doing business in Venezuela) signals that the door is not closed to OFAC potentially easing oil and gas sanctions again in the future or re-issuing GL 44 should the Venezuelan government take meaningful steps to course-correct.

As a result, companies with existing presence in Venezuela and/or that are contemplating investment in the country despite the sanctions challenges may still be successful in approaching OFAC for licenses in certain circumstances where those companies’ and the U.S. government’s interests align.

This is a dynamic policy and legal situation that affects oil markets around the world. Should you have any questions, please contact Paul Hastings attorneys Tom Best, Scott Flicker, and Lindsey Dieselman.



¹ <https://www.state.gov/briefings/department-press-briefing-april-16-2024/#post-553331-venezuela>;
https://twitter.com/StateDeptSpox/status/1780715770579746915?ref_src=twsrc%5Egoogle%7Ctwcamp%5Eserp%7Ctwgr%5Etweet

² <https://www.state.gov/briefings/department-press-briefing-april-16-2024/#post-553331-venezuela>

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