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OFAC Issues New General Licenses for Venezuela, Suspending Sanctions in Certain Sectors

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On October 18, 2023 the United States Department of the Treasury's Office of Foreign Assets Control ("OFAC") [announced a set of new authorizations under the Venezuela sanctions regime](#), including a temporary suspension of prohibitions against transactions related to Venezuelan oil and gas sector operations, even those that involve Petróleos de Venezuela ("PdVSA"). The OFAC action comes in response to an October 17, 2023 agreement between representatives of Venezuela's Maduro government and opposition political parties providing a "roadmap" for legitimate elections in 2024.

The Venezuelan Agreement

In an effort to avoid what were widely regarded as fraudulent claims of victory by President Maduro in the 2018 Venezuelan elections, Norway has mediated talks between Maduro and the United States-backed opposition party, resulting in the electoral guarantees for 2024.¹ In a formal agreement to work together on basic conditions for the next presidential election, the two sides have reached an accord allowing each side to choose its 2024 candidate according to its internal rules, creating hope for a more democratic presidential election in Venezuela next year.² The agreement also allows European Union and United Nations missions to observe the vote and grants media access to the campaigns. However, the agreement did not reverse bans on some opposition figures.³ Venezuela has also committed to releasing U.S. citizens detained in Venezuela, and the Maduro government has already released some members of the opposition from prison.⁴

General Licenses and FAQs

The OFAC authorizations are time-limited and contingent on the Maduro government "following through" on its commitments under the deal.

The general licenses broadly (1) suspend blocking sanctions on Venezuelan oil and gas industry operations, including what were effective bans on the lifting and sale of crude oil, and (2) allow secondary trading in certain Venezuelan bonds and with PdVSA debt and equity. These licenses hold the promise of increased trade with Venezuela following years-long sanctions and pressure imposed on the Maduro regime by the United States. Some of the authorizations are described further below:

- [General License 44](#) authorizes transactions related to the operations of the oil and gas sector until April 2024. General License 44 permits American companies to produce and export

Venezuelan oil and gas and to otherwise conduct business with PdVSA that is related to oil and gas sector operations in Venezuela. The license also allows payments related to oil and gas operations and new investment in the oil and gas sector. Lastly, it allows for the delivery of oil from Venezuela for the purpose of debt repayments. The license specifically enumerates certain activities that remain prohibited, notably transactions involving Venezuelan joint ventures with Russia, new investment by persons located in Russia or owned and controlled by such persons, and transactions with blocked financial institutions in Venezuela (other than Banco Central de Venezuela or Banco de Venezuela SA Banco Universal). Certain restrictions remain in place regarding the purchase or pledge as collateral of debt owed to the Government of Venezuela under Executive Order 13835.

- [General License 3I](#) and [9H](#) remove the secondary trading ban on certain Venezuelan sovereign bonds and PdVSA debt and equity. However, the ban on trading in the primary Venezuelan bond market remains. OFAC issued [FAQ 1136](#) and amended [FAQ 661](#) and [FAQ 662](#) to reflect the amendments to secondary trading permissions in General License 3I and 9H.
- [General License 43](#) authorizes dealings with Minerven, the Venezuelan state-owned gold mining company, for six months. OFAC noted this general license would reduce the black market in Venezuelan gold. OFAC issued a new [FAQ 5](#), superseding [FAQ 629](#), to reflect the permissible gold transactions with Minerven.
- [General License 45](#) authorizes certain repatriation transactions of Venezuelan nationals from non-U.S. jurisdictions in the Western Hemisphere to Venezuela involving Consorcio Venezolano de Industrias Aeronauticas y Servicios Aereos, S.A. OFAC issued [FAQ 1137](#) to clarify that the term “Western Hemisphere” means those countries and areas identified by the Department of State on its website as comprising the Western Hemisphere.

These moves, while in some ways measured and temporary, suggest that OFAC is willing to further reduce sanctions on Venezuela should the Maduro regime continue to take concrete steps towards a democratic process. While sanctions normally serve as “sticks” to punish and force hostile governments, individuals, or nations to action, these general licenses are “carrots” to incentivize the Maduro regime to continue on its path towards electoral reform, and may serve as an example to other foreign actors who are the target of sanctions to demonstrate how progress can be met with sanctions relief. [Secretary of State Antony Blinken noted](#) that the U.S. was acting “consistent with our longstanding commitment to provide U.S. sanctions relief in response to concrete steps toward competitive elections and respect for human rights and fundamental freedoms.”

The general licenses are limited to certain sectors. Companies should continue to remain vigilant of sanctions risk when transacting with Venezuela. Sanctions on the Government of Venezuela, including certain Venezuelan financial institutions, largely remain in place. Transactions with any Russian-Venezuelan joint ventures, even in the oil and gas sector, remain prohibited as the U.S. Government’s apparent incentive to allow Venezuelan oil to reenter the global economy is not meant to ease any restrictions on the Russian oil market. Lastly, transactions with blocked persons in Venezuela continue to be prohibited unless authorized within the text of the newly issued general licenses. [FAQs](#) promulgated in conjunction with the new licenses further emphasize that sanctions restrictions remain in effect with regard to these and other transactions.

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¹ <https://www.washingtonpost.com/world/2023/10/17/us-venezuela-sanctions-deal/>.

² <https://www.wsj.com/world/americas/u-s-lifts-broad-sanctions-against-venezuela-for-six-months-ca8eeb49>.

³ <https://www.reuters.com/world/americas/us-easing-venezuela-oil-sanctions-response-election-deal-official-2023-10-18/>.

⁴ <https://www.wsj.com/world/americas/u-s-lifts-broad-sanctions-against-venezuela-for-six-months-ca8eeb49>.

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