

OFAC announces limited Venezuela sanctions relief

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OFAC issued general licenses providing for a limited and possibly temporary suspension of certain Venezuela sanctions in response to an agreement between the Maduro regime and opposition leaders on a roadmap for elections. The licenses authorize transactions involving Venezuela's oil and gas sector and gold sector and remove restrictions on purchases of certain Venezuelan bonds by U.S. persons. The durability of this sanctions relief will depend on the Maduro regime's adherence to the roadmap.

Following the signing of an electoral roadmap agreement by representatives of the Maduro regime and opposition leaders, the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) [announced](#) that it had issued several general licenses providing for a limited relaxation of certain U.S. sanctions related to Venezuela.¹ The new authorizations include:

- A six-month general license that temporarily authorizes transactions involving Venezuela's oil and gas sector;
- Amendments to existing general licenses to permit U.S. persons to purchase previously restricted bonds issued by the Government of Venezuela and Petróleos de Venezuela, S.A. (PdVSA) on the secondary market; and
- A general license authorizing transactions with Venezuela's state-owned gold mining company, CVG Compania General de Minería de Venezuela CA (Minerven), coupled with guidance that non-U.S. persons will not be targeted for sanctions solely for operating in the gold sector of the Venezuelan economy.

Additional details on each of these authorizations and related guidance in the form of new and amended Frequently Asked Questions (FAQs) published by OFAC is provided below.

In announcing this limited sanctions relief, OFAC made clear that its durability is dependent on the Maduro regime's adhering to the commitments it has made, noting that the energy sector general license would be extended past the initial six-month expiration date only if Venezuela meets its commitments under the electoral roadmap as well as other commitments with respect to those who are wrongfully detained, and that all of the authorizations are subject to amendment or revocation at any time. OFAC also emphasized that other sanctions on the Venezuelan government and designated Venezuelan individuals and entities remain in place.

Energy sector sanctions relief

[General License 44](#) authorizes, subject to conditions and limitations, all transactions related to oil and gas sector operations in Venezuela, including transactions involving PdVSA and its subsidiaries, through 12:01 a.m. eastern daylight time on April 18, 2024.² Authorized transactions include:

- Production, lifting, sale, and exportation of oil or gas from Venezuela, and provision of related goods and services;
- Payment of invoices for goods or services related to oil or gas sector operations in Venezuela;
- New investment in oil or gas sector operations in Venezuela; and

- Delivery of oil and gas from Venezuela to creditors of Venezuela or PdVSA for purposes of debt repayment.

Consistent with customary OFAC practice and published [guidance](#), non-U.S. persons may also engage in transactions that would be authorized for U.S. persons under the general license without risking exposure to sanctions.³

The general license includes several significant conditions and limitations. It does not authorize transactions with designated Venezuelan financial institutions, other than the Venezuelan Central Bank or Banco de Venezuela SA Banco Universal (Banco de Venezuela), transactions with Venezuelan persons sanctioned under authorities other than the Venezuela Sanctions Regulations, or transactions that are prohibited under [Executive Order 13827](#) (which prohibits dealings in virtual currencies issued by the Venezuelan government) or [Executive Order 13835](#) (relating to debt that is owed to the Government of Venezuela, as well as any dealing in the equity of any entity in which the Government of Venezuela has a 50 percent or greater ownership interest). The license also does not override the prohibitions of [Executive Order 13808](#) (relating to transactions in new debt or equity of the Government of Venezuela or PdVSA and certain other financial transactions involving the Government of Venezuela), except in connection with authorized invoice payments and debt repayments. It also does not unblock any currently blocked property or address licensing requirements of other federal agencies, including export controls administered by the Commerce Department's Bureau of Industry and Security.

To ensure that it does not undermine U.S. sanctions relating to Russia, the general license also excludes any transactions involving 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, as well as transactions relating 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.

Most significantly, the general license is limited in duration, and it remains to be seen whether there will be sufficient political progress in Venezuela to support its continued renewal, which OFAC has explicitly [warned](#) will be conditioned on continued concrete steps toward a democratic election in Venezuela by the end of 2024. In light of this uncertainty, as well as the continuing applicability of restrictions under Executive Orders 13808 and 13850, the initial utility of the “new investment” prong of the general license in particular is questionable, and U.S. persons considering opportunities under the general license will need to both carefully parse the conditions and limitations of the general license and closely monitor political developments in Venezuela.

Bond trading

Through amendments to existing general licenses, OFAC has now removed longstanding restrictions on the purchase or sale of pre-sanctions Government of Venezuela and PdVSA bonds by U.S. persons on the secondary market. Specifically, amended [General License 3I](#) now authorizes all transactions related to, the provision of financing for, and other dealings in Government of Venezuela bonds listed in the Annex to the general license and removes, as of October 18, 2023, the prior condition in the license that any divestment or transfer of, or facilitation of divestment or transfer of, any holdings in such bonds be to a non-U.S. person.⁴ Amended [General License 9H](#) makes the same change with respect to debt and equity securities issued by PdVSA and its subsidiaries prior to August 25, 2017.⁵ All other prior conditions and limitations in these general licenses remain intact, including that purchases from and sales to the Government of Venezuela or other blocked persons remain prohibited.

The changes to these general licenses are not time-limited, though the licenses may be further amended or revoked at any time. In announcing the amendment, OFAC acknowledged that allowing U.S. persons to trade Venezuelan bonds on the secondary market “would have the positive effect of displacing nefarious players in this market, and with negligible financial benefit to the Venezuelan regime,” suggesting that these changes may endure even if the Maduro regime backslides on the commitments it has made.

Gold sector sanctions relief

New [General License 43](#) authorizes all transactions otherwise prohibited by Executive Orders 13850 and 13884 involving Minervan and its subsidiaries.⁶ The license does not address prohibitions under other Venezuela-related Executive Orders, including Executive Order 13808, which means in particular that any transaction involving the sale of goods or services to Minervan by a U.S. person or that is otherwise subject to U.S. jurisdiction must involve payment terms and invoicing practices that are consistent with the 30-day debt tenor restriction that applies to Government of Venezuela entities under Section 1(a)(ii) of that order. Like General License 44, the general license does not authorize transactions with designated Venezuelan banks other than the Central Bank or Banco de Venezuela. To complement the general license, OFAC also issued a new [FAQ](#) stating that it does not intend to target any person for sanctions under Executive Order 13850 (which, among other things, authorizes the imposition of sanctions against persons determined to operate in

Venezuela's gold sector) solely for operating in the gold sector of the Venezuelan economy.⁷ While General License 43 is not time-limited, the associated FAQ notes that OFAC's new policy with respect to targeting the Venezuelan gold sector is contingent on continued concrete steps toward a democratic solution in Venezuela, and that both the general license and policy may be changed or revoked if conditions warrant.

Looking ahead

Although limited in scope, the sanctions relief announced by OFAC, and the political agreement that prompted the sanctions relief, may be an important first step on a path to eventual broader easing of sanctions and normalization of relations between the United States and Venezuela. Whether this occurs is contingent on political developments in both countries, however, which makes it challenging to rely on these new authorizations being in place beyond the immediate term. Those interested in potential opportunities in Venezuela should expect to have to navigate continued legal and political complexity for the foreseeable future.

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

Paul Marquardt

+1 202 962 7156
paul.marquardt@davispolk.com

Will Schisa

+1 202 962 7129
will.schisa@davispolk.com

Charles Marshall Wilson

+1 202 962 7130
charles.wilson@davispolk.com

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- ¹ Along with these new authorizations, OFAC took the ministerial step of issuing amended [General License 5M](#) to continue to prevent holders of a particular PdVSA bond to enforce rights against collateral without further authorization from OFAC, and issued new [General License 45](#) to permit transactions with Venezuela's sanctioned state airline in connection with the repatriation of Venezuelan nationals from non-U.S. jurisdictions in the Western Hemisphere to Venezuela.
- ² OFAC, General License No. 44, available at: <https://ofac.treasury.gov/media/932231/download?inline>.
- ³ OFAC, FAQ No. 1099 (November 26, 2022), <https://ofac.treasury.gov/faqs/1099>.
- ⁴ OFAC, General License No. 3I, available at: <https://ofac.treasury.gov/media/932211/download?inline>.
- ⁵ OFAC, General License No. 9H, available at: <https://ofac.treasury.gov/media/932221/download?inline>.
- ⁶ OFAC, General License No. 43, available at: <https://ofac.treasury.gov/media/932226/download?inline>.
- ⁷ OFAC, Frequently Asked Questions Related to the Suspension of Certain U.S. Sanctions with Respect to Venezuela on October 18, 2023 (October 18, 2023), <https://ofac.treasury.gov/media/932241/download?inline>.