

U.S. Lowers the (Oil) Boom on Venezuela

As part of the U.S. strategy to isolate the Maduro regime in Venezuela and support Venezuelan opposition leader Juan Guaidó, the Department of the Treasury's Office of Foreign Assets Control (OFAC) has designated Venezuela's state-owned oil company, *Petróleos de Venezuela S.A.* (PdVSA), as a *Specially Designated National* (SDN). PdVSA represents the primary source of income for Venezuela and Maduro. By designating PdVSA, the Trump administration is attempting to both increase pressure on the Maduro government and prevent it from looting the country's oil revenues.

The designation of PdVSA as an SDN was made pursuant to Executive Order 13850 and means that U.S. persons are now generally prohibited from engaging in any transactions with PdVSA or any entity in which PdVSA has a 50 percent or greater ownership or controlling interest, unless exempt or otherwise authorized by a general or specific license from OFAC.

In conjunction with the designation of PdVSA, OFAC issued eight Venezuela-related general licenses that authorize U.S. persons to engage in certain transactions and activities related to PdVSA in order to wind down existing arrangements with PdVSA entities over the next three to six months. These general licenses include:

- General License 7 authorizes U.S. persons¹ to continue transactions with PDV Holding, Inc. (PDVH), CITGO Holding, Inc. (CITGO), and any subsidiaries in which they have a 50 percent or greater ownership or controlling interest, until July 27, 2019. The general license also authorizes PDVH, CITGO, and their subsidiaries to continue purchasing and importing petroleum and petroleum products from PdVSA until April 28, 2019.
- General License 8 authorizes five U.S. companies, including Chevron Corporation, Halliburton, Schlumberger, Baker Hughes, and Weatherford International to continue, through July 27, 2019, operations in Venezuela that relate to PdVSA.
- General License 9A authorizes U.S. persons to divest certain PdVSA-related debt or equity that was issued prior to August 25, 2017, as long as any transfer of such holdings is to a non-U.S. person.
- General License 10 allows U.S. persons in Venezuela to purchase refined petroleum products from PdVSA entities in Venezuela for use in Venezuela (i.e., any commercial resale, transfer, exportation, or re-exportation of such products remains prohibited).
- General License 11 gives U.S. employees and contractors of non-U.S. entities located outside of the United States or Venezuela until March 29, 2019 to wind down operations involving PdVSA.
- General License 12 allows U.S. persons to continue purchasing and importing into the United States petroleum and petroleum products from PdVSA entities until April 28, 2019.
- General License 13 authorizes U.S. persons to engage in certain transactions with Swedish petroleum products manufacturer Nynas AB through July 27, 2019. (Nynas is 50 percent owned by PdVSA.)
- General License 14 authorizes transactions relating to the official business of the United States government.

In general, payments made by U.S. persons pursuant to these licenses (other than to PDVH, CITGO, Nynas AB, or their subsidiaries) cannot be made to PdVSA or its related entities, but must instead be paid into blocked accounts located in the United States. This is intended to ensure that any payments that may benefit PdVSA or the Maduro government will be held in the United States while also providing a means for PDVH, CITGO, and Nynas to continue their operations under the licenses.

OFAC has also published a number of [Frequently Asked Questions](#) relating to the Venezuela



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sanctions. A close reading of these FAQs confirms the rationale behind the PdVSA designation and notes that relief to PdVSA and its subsidiaries could be provided if control of the company is transferred to Interim President Guaidó or a subsequent, democratically elected Venezuelan government. Given the significant economic presence of CITGO in the United States, it is possible, if not likely, that the deadlines associated with the various general licenses will be extended if the U.S. government believes progress is being made to effect such a transfer of ownership. However, there is no way to know if or when any extensions of the licenses will be announced. Accordingly, companies should prepare for all possible outcomes related to the recently enacted sanctions. Absent authorization through a general or specific license, U.S. persons that engage in transactions with blocked entities may be subject to penalties by OFAC.

All individuals and entities that have dealings with PdVSA or any of its related entities should carefully review the restrictions and general licenses published by OFAC to ensure compliance with applicable OFAC regulations. As always, it is critical to periodically review the SDN list to identify and avoid potential transactions with blocked persons.

¹ For purposes of the Venezuela sanctions, U.S. person means any U.S. citizen, lawful permanent resident, entity organized under U.S. law or any U.S. jurisdiction, or any person in the United States.