

ALERT

OFAC Sanctions Petroleos de Venezuela, S.A. (PdVSA)

January 29, 2019

In light of the political crisis in Venezuela and the U.S. government's support for the self-declared Interim President, Juan Guadió, on January 28, 2019, the Office of Foreign Assets Control (OFAC) added Petróleos de Venezuela, S.A. (PdVSA), Venezuela's state-owned oil and gas company, to its list of Specially Designated Nationals and Blocked Persons. As a result, U.S. persons are now generally prohibited, subject to the limited exceptions below, from engaging in any transactions, directly or indirectly, with PdVSA or any entities owned 50 percent or more by PdVSA. As one of the most important sources of revenue for the embattled regime of Nicolás Maduro, this new designation is intended to further pressure Mr. Maduro to relinquish power.

As U.S. Treasury Secretary Steven Mnuchin stated, this designation "will help prevent further diverting of Venezuela's assets by Maduro and preserve these assets for the people of Venezuela. The path to sanctions relief for PdVSA is through the expeditious transfer of control to the Interim President or a subsequent, democratically elected government."

Along with this designation, OFAC concurrently amended previously issued General License (GL) 3 and issued several new GLs authorizing certain maintenance, wind down, and other activities, including, but not limited to, the following:

- General License 3A, which supersedes GL 3 in its entirety, authorizes all transactions related to and the provision of financing for, and other dealings in specified bonds as well as bonds issued both prior to August 25, 2017 and by U.S. entities owned or controlled, directly or indirectly, by the Venezuelan

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government, other than Nynas AB, PDV Holding, Inc. (PDVH), CITGO Holding, Inc. (CITGO), and any of their subsidiaries.

- General License 7 authorizes:
 - through July 27, 2019, U.S. persons to engage in transactions and activities with respect to PDVH, CITGO, and any of their subsidiaries, where the only PdVSA entities involved are PDVH, CITGO, or any of their subsidiaries;
 - through April 28, 2019, PDVH, CITGO, and any of their subsidiaries to engage in transactions and activities ordinarily incident and necessary to the purchase and importation of petroleum and petroleum products from PdVSA and its subsidiaries.
- General License 8 authorizes, through July 27, 2019, Chevron Corporation, Halliburton, Schlumberger Limited, Baker Hughes, and Weatherford International to continue operations in Venezuela involving PdVSA or its subsidiaries.
- General License 9 authorizes all transactions and activities ordinarily incident and necessary to dealings in any debt (including specified bonds, promissory notes, and other receivables) of PdVSA or its subsidiaries, issued prior to August 25, 2017, provided that any divestment or transfer of, or facilitation of divestment or transfer of, any holdings in such debt must be to a non-U.S. person. GL 9 also authorizes all transactions and activities ordinarily incident and necessary to dealings in any bonds issued prior to August 25, 2017 by PDVH, CITGO, Nynas AB, or any of their subsidiaries.
- General License 10 authorizes U.S. persons in Venezuela to purchase refined petroleum products for personal, commercial, or humanitarian uses from PdVSA or its subsidiaries. Notably, this GL does not authorize any commercial resale, transfer, exportation, or reexportation of refined petroleum products.
- General License 11 authorizes, through March 29, 2019, U.S. person employees and contractors of non-U.S. entities located outside the United States and Venezuela to engage in all transactions and activities ordinarily incident and necessary to the maintenance or wind down of operations, contracts, or other agreements involving PdVSA or its subsidiaries.
- General License 12 authorizes, through April 28, 2019, all transactions and activities ordinarily incident and necessary to the purchase and importation into the United States of petroleum and petroleum products from PdVSA or its subsidiaries. This GL also authorizes, through February 27, 2019, all transactions and activities ordinarily incident and necessary to the wind down of operations, contracts, or other agreements, including the importation into the United States of goods, services, or technology involving PdVSA or its subsidiaries.
- General License 13 authorizes, through July 27, 2019, all transactions and activities where the only PdVSA entities involved are Nynas AB or any of its subsidiaries;
- General License 14 authorizes all transactions that are for the conduct of the official business of the U.S. government by U.S. government employees, grantees, or contractors.

In general, revenues owed to PdVSA or its subsidiaries from the activities authorized in these GLs are to be deposited in blocked accounts, which will be released upon a peaceful transition of power. In addition, on January 25, 2019, President Trump signed an Executive Order that broadens the previous definition of "Government of Venezuela" to now include persons that have acted, or have purported to act, on behalf of the Government of Venezuela, including members of the Maduro regime.

These measures mark a significant expansion of U.S. economic sanctions on Venezuela, and additional measures are not off the table. "The United States is holding accountable those responsible for Venezuela's tragic decline, and will continue to use the full suite of its diplomatic and economic tools to support Interim President Juan Guaidó, the National Assembly, and the Venezuelan people's efforts to restore their democracy," said Secretary Mnuchin.