

## UNITED STATES IMPOSES SANCTIONS ON VENEZUELA STATE-OWNED OIL FIRM PDVSA

On January 28th, 2019 the U.S. Treasury Department's Office of Foreign Assets Control ("**OFAC**") designated Venezuela's state-owned oil and gas conglomerate, Petróleos de Venezuela, S.A. ("**PdVSA**") as a Specially Designated National ("**SDN**") under Executive Order ("**EO**") 13850, "*Blocking Property of Additional Persons Contributing to the Situation in Venezuela.*" As an SDN, all property and interests in property of PdVSA subject to U.S. jurisdiction are blocked. In addition, unless licensed by OFAC, the blocking sanctions prohibit the involvement of U.S. persons or the U.S. financial system in any transactions or dealings involving PDVSA, its majority-owned subsidiaries, or their property interests.

PdVSA is a primary source of Venezuela's income and foreign currency, and the SDN designation appears designed to drastically reduce the Maduro regime's access to new revenue streams and to pressure the recognition of an interim government in Venezuela. In the midst of massive public demonstrations in Venezuela, on January 23, 2019, the President of the National Assembly, Juan Guaidó assumed the title of "Interim President" of Venezuela. The United States, Canada, and several other countries recognized this move, while several others, including Russia and China, maintained their support for President Maduro.

Secretary of the Treasury Steven Mnuchin announced that "*the United States is holding accountable those responsible for Venezuela's tragic decline...[and] today's designation of PdVSA will help prevent further diverting of Venezuela's assets by Maduro and preserve those assets for the people of Venezuela.*" The Treasury Department's press release indicated that U.S. sanctions on Venezuela—including those related to PdVSA—need not be permanent, and relief may be accomplished through a transfer of power to Interim President Juan Guaidó.

In connection with PdVSA's designation, OFAC amended [General License 3](#) "*Authorizing Transactions Related to, Provision of Financing for, and Other*

*Dealings in Certain Bonds,*" so as to authorize (i) transactions related to the provision of financing for, and other dealings in, certain bonds that would otherwise be prohibited under EO 13808; and (ii) transactions related to the provision of financing for, and other dealings in, bonds that were issued (A) prior to August 25, 2017 and (B) by U.S. person entities owned or controlled by the Government of Venezuela, other than Nynas AB, PDV Holding, Inc. ("**PDVH**"), CITGO Holding, Inc., or any of their respective subsidiaries.

OFAC also issued the following eight new Venezuela-related general licenses:

- **General License 7:** "*Authorizing Certain Activities with PDV Holding, Inc. and CITGO Holding, Inc.*"
  - Subject to specified conditions, all transactions and activities prohibited by the blocking sanctions concerning PDVH, CITGO Holding Inc., and any of their subsidiaries are authorized, where the only PdVSA entities involved are PDVH, CITGO Holding, Inc., or any of their subsidiaries. This authorization applies until July 27, 2019.
  - Subject to specified conditions, PDVH, CITGO Holding, Inc., and any of their subsidiaries are authorized to engage in all transactions and activities prohibited by the blocking sanctions that are ordinarily incident and necessary to the purchase and importation of petroleum and petroleum products from PdVSA and any entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest. This authorization applies until April 28, 2019.
- **General License 8:** "*Authorizing Transactions Involving Petróleos de Venezuela, S.A. (PdVSA) Prohibited by Executive Order 13850 for Certain Entities Operating in Venezuela*"
  - Subject to specified conditions, all transactions and activities ordinarily incident and necessary to operations in Venezuela of the following companies and their subsidiaries involving PdVSA or any entity in which PdVSA maintains a 50% or greater interest are authorized:
    - Chevron Corporation
    - Halliburton
    - Schlumberger Limited
    - Baker Hughes, a GE Company
    - Weatherford International, Public Limited Company
  - General License 8 applies until July 27, 2019.
- **General License 9:** "*Authorizing Transactions Related to Dealings in Certain Debt*"
  - Subject to specified conditions, all transactions and activities prohibited by Section I(a)(iii) of EO 13808 or the blocking

sanctions that are ordinarily incident and necessary to dealings in any debt (including the bonds listed in the Annex to General License 9, promissory notes, and other receivables) of PdVSA or any entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest (together, "**PdVSA-related debt**"), issued prior to August 25, 2017 (the effective date of EO 13808), are authorized, 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. Such transactions and activities include facilitating, clearing, and settling transactions to divest to a non-U.S. person PdVSA-related debt, including on behalf of U.S. persons. See EO 13808 [here](#).

- Subject to specified conditions, all transactions and activities prohibited by Section 1(a)(iii) of EO 13808 that are ordinarily incident and necessary to dealings in any bonds that were issued prior to August 25, 2017 by the following entities or any of their subsidiaries are authorized:
  - PDV Holdings, Inc.
  - CITGO Holdings, Inc.
  - Nynas AB
- General License 9 has no expiration date.
- **General License 10:** "*Authorizing the Purchase in Venezuela of Gasoline from Petróleos de Venezuela, S.A. (PdVSA)*"
  - Subject to specified conditions, U.S. persons in Venezuela are authorized to purchase refined petroleum products for personal, commercial, or humanitarian uses from PdVSA or any entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest.
  - General License 10 has no expiration date.
- **General License 11:** "*Authorizing Certain Activities Necessary to Maintenance or Wind Down of Operations or Existing Contracts with Petróleos de Venezuela, S.A. (PdVSA)*"
  - Subject to specified conditions, U.S. person employees and contractors of non-U.S. entities located in a country other than the United States or Venezuela are authorized to engage in all transactions and activities prohibited by EO 13850's blocking sanctions that are ordinarily incident and necessary to the maintenance or wind down of operations, contracts, or other agreements involving PdVSA or any entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest, that were in effect prior to January 28, 2019.
  - Subject to specified conditions, U.S. financial institutions are authorized to reject (rather than block) funds transfers involving both (i) PdVSA or any entity in which PdVSA owns, directly or

indirectly, a 50 percent or greater interest, and (ii) non-U.S. entities located in a country other than the United States or Venezuela, provided that the funds transfers originate and terminate outside the United States and that neither the originator nor the beneficiary is a U.S. person and the funds are not destined for a blocked account on the books of a U.S. person.

- General License 11 applies until March 29, 2019.
- **General License 12:** "*Authorizing Certain Activities Necessary to Wind Down of Operations or Existing Contracts with Petróleos de Venezuela, S.A. (PdVSA)*"
  - Subject to specified conditions, all transactions and activities prohibited by the blocking sanctions that are ordinarily incident and necessary to the purchase and importation into the United States of petroleum and petroleum products from PdVSA or any entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest are authorized until April 28, 2019.
  - Subject to specified conditions, all transactions and activities prohibited by the blocking sanctions that are 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 not authorized above, involving PdVSA or any entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest and that were in effect prior to January 28, 2019 are authorized until February 27, 2019.
- **General License 13:** "*Authorizing Certain Activities Involving Nynas AB*"
  - Subject to specified conditions, all transactions and activities prohibited by the blocking sanctions, where the only PdVSA entities involved are Nynas AB or any of its subsidiaries, are authorized until July 27, 2019.
- **General License 14:** "*Official Business of the United States Government*"
  - Subject to specified conditions, despite the blocking sanctions, all transactions that are for the conduct of the official business of the United States Government by employees, grantees, or contractors thereof are authorized.
  - General License 14 has no expiration date.

OFAC has not yet published any guidance regarding these general licenses but plans to do so shortly.

President Trump also issued a new [Executive Order](#), dated January 25, 2019 "*Taking Additional Steps to Address the National Emergency with Respect To Venezuela.*" As explained in OFAC's [new FAQ 649](#), the new Executive Order broadens the definition of "Government of Venezuela" to include "*persons that have acted, or have purported to act, on behalf of the Government of Venezuela, including members of the Maduro regime.*"

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