

CLIENT ALERT

Trump Administration Sanctions Venezuela's State-Owned Oil Company Petroleos de Venezuela, S.A.

January 31, 2019

AUTHORS

David Mortlock | **Priya R. Aiyar** | **Michael J. Gottlieb** | **Peter Bogard**
Nikki M. Cronin

On January 28, the Department of the Treasury's Office of Foreign Assets Control ("OFAC") [added](#) Petroleos de Venezuela, S.A. ("PdVSA") to the list of Specially Designated Nationals and Blocked Persons ("SDN List"). PdVSA is the state-owned oil and natural gas company of Venezuela, and the country's current primary source of revenue. The designation blocks all property and interests in property of PdVSA subject to U.S. jurisdiction, and generally prohibits U.S. persons from engaging in transactions involving PdVSA or its subsidiaries.

At the same time that it imposed the new sanctions, OFAC issued eight new Venezuela-related General Licenses that authorize certain transactions and activities related to PdVSA and its subsidiaries within specified time frames. In addition, OFAC amended a previously issued general license authorizing transactions related to, the provision of financing for, and other dealings in certain bonds, [General License 3A](#) ("GL3A"). [General License 3](#) authorized transactions related to, the provision of financing for, and other dealings in bonds specifically named in the attached Annex to GL3 that would otherwise be prohibited by the restrictions on dealing in Venezuelan government debt of Executive Order 13808 (August 24, 2017). The updated GL3A clarifies that this authorization applies to dealings in all bonds—not just those listed in the annex to the license—that were issued prior to August 24, 2017 by U.S. person entities owned or controlled, directly or indirectly, by the Government of Venezuela other than Nynas AB, PDV Holding, Inc. ("PDVH"), CITGO Holding, Inc. ("CITGO"), and any of their subsidiaries.

Trump Administration Sanctions Venezuela's State-Owned Oil Company Petroleos de Venezuela, S.A.

The new general licenses are described below. Except where noted, the licenses do not excuse U.S. persons from complying with the restrictions in E.O. 13808 unless otherwise licensed.

- [General License 7](#) – **Authorizes activities and transactions involving only PDVH, CITGO, and their subsidiaries.** This provision expires at 12:01 a.m. Eastern Daylight Time on July 27, 2019. PDVH, CITGO, and their subsidiaries are also permitted to engage in transactions and activities that are ordinarily incident and necessary to the purchase and importation of petroleum and petroleum products from PdVSA until April 28, 2019, at 12:01 a.m. Eastern Daylight Time. Any payment incident to transactions for petroleum and petroleum products that is to or for the benefit of a blocked person other than PDVH, CITGO, or their subsidiaries must be made into a blocked account.
- [General License 8](#) – **Authorizes transactions ordinarily incident and necessary to operations in Venezuela involving PdVSA for certain entities operating in Venezuela.** Those entities are: Chevron Corporation; Halliburton; Schlumberger Limited; Baker Hughes, a GE Company; and Weatherford International, PLC. This provision expires at 12:01 a.m. Eastern Daylight Time on July 27, 2019.
- [General License 9](#) – **Authorizes, under both E.O. 13850 and E.O. 13808, transactions and activities related to dealings in any debt of PdVSA or its subsidiaries issued prior to August 25, 2017** as long as any divestment or transfer of, or facilitation of divestment or transfer of, any holdings in such debt is to a non-U.S. person. General License 9 also authorizes transactions and activities related 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** from PdVSA or PdVSA-owned entities for personal, commercial, or humanitarian uses.
- [General License 11](#) – **Authorizes U.S. person employees and contractors of non-U.S. entities located outside of the United States or Venezuela to engage in all transactions and activities that are ordinarily incident and necessary to the maintenance or wind down of operations**, contracts, or other agreements involving PdVSA or PdVSA-owned entities. This provision is valid through 12:01 a.m. Eastern Daylight Time on March 29, 2019. **U.S. financial institutions are also authorized to reject—as opposed to block—fund transfers involving both PdVSA or a subsidiary and non-U.S. entities** located in a country other than the United States or Venezuela; provided that the fund transfers originate and terminate outside of the United States, 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. This provision expires on March 29, 2019, at 12:01 a.m. Eastern Daylight Time.

Trump Administration Sanctions Venezuela's State-Owned Oil Company Petroleos de Venezuela, S.A.

- [General License 12](#) – **Authorizes transactions and activities that are ordinarily incident and necessary to the purchase and importation into the United States of petroleum and petroleum products from PdVSA or any PdVSA-owned entity through 12:01 a.m. Eastern Daylight Time on April 28, 2019.** Any payment incident to such transactions that is to or for the benefit of a blocked person must be made to a blocked, interest-bearing account located in the United States. The license also authorizes all transactions or activities related to the wind down of operations, contracts, or other agreements, including the importation into the United States of goods, services, or technology not authorized by the previous provision of the license, involving PdVSA or a PdVSA-owned entity that were in effect prior to January 28, 2019. This provision expires at 12:01 a.m. Eastern Daylight Time on February 27, 2019.
- [General License 13](#) – **Authorizes transactions and activities that involve only Nynas AB or any of its subsidiaries** through 12:01 a.m. Eastern Daylight Time on July 27, 2019. Any payment related to such transactions that is to or for the benefit of a blocked person other than Nynas AB or any of its subsidiaries, and that comes into the possession or control of any U.S. person, must be placed into a blocked, interest-bearing account located in the United States.
- [General License 14](#) – **Authorizes, pursuant to all Venezuela sanctions E.Os, transactions that are for the conduct of official business of the U.S. Government** by employees, grantees, or contractors.

Also on January 28, 2019, President Trump issued an [Executive Order](#) to amend the definition of “Government of Venezuela” in all prior Executive Orders for Venezuela. The revised definition makes clear that the sanctions on the Government of Venezuela also apply to members of the regime of Nicolás Maduro.

OFAC [stated](#) that it expects in the near term to publish new Frequently Asked Questions, and to update existing Frequently Asked Questions, in connection with the new sanctions and general license. Parties may seek specific licenses for transactions or activities not covered by the general licenses.

Trump Administration Sanctions Venezuela's State-Owned Oil Company Petroleos de Venezuela, S.A.

If you have any questions regarding this client alert, please contact the following attorneys or the Willkie attorney with whom you regularly work.

David Mortlock

202 303 1136

dmortlock@willkie.com

Priya R. Aiyar

202 303 1189

paiyar@willkie.com

Michael J. Gottlieb

202 303 1442

mgottlieb@willkie.com

Peter Bogard

202 303 1441

pbogard@willkie.com

Nikki M. Cronin

202 303 1203

ncronin@willkie.com

Copyright © 2019 Willkie Farr & Gallagher LLP.

This alert is provided by Willkie Farr & Gallagher LLP and its affiliates for educational and informational purposes only and is not intended and should not be construed as legal advice. This alert may be considered advertising under applicable state laws.

Willkie Farr & Gallagher LLP is an international law firm with offices in New York, Washington, Houston, Palo Alto, Paris, London, Frankfurt, Brussels, Milan and Rome. The firm is headquartered at 787 Seventh Avenue, New York, NY 10019-6099. Our telephone number is (212) 728-8000 and our fax number is (212) 728-8111. Our website is located at www.willkie.com.