

OFAC Imposes Comprehensive Sanctions on Venezuela's State Oil Company, PdVSA

OFAC adds PdVSA to its sanctions list and simultaneously issues general licenses temporarily allowing certain transactions and activities involving PdVSA.

On January 28, the US Treasury Department's Office of Foreign Assets Control (OFAC) [added](#) Petróleos de Venezuela, S.A. (PdVSA), Venezuela's state-owned oil and natural gas company, to the Specially Designated Nationals and Blocked Persons List (SDN List). OFAC added PdVSA pursuant to [Executive Order 13850](#), issued on November 1, 2018.

As a general matter, unless authorized by OFAC, "US Persons" are prohibited from engaging in transactions or dealings with or involving parties on the SDN List, or with any party owned 50% or more by an SDN. The term "US persons" includes US citizens and lawful permanent residents (wherever located or employed), entities organized under US law (including branches outside the United States), and persons physically present in the United States (regardless of nationality). US persons are also required to "block" (*i.e.*, freeze) and report to OFAC within 10 business days any property or interests in property of an SDN, or of any entity owned 50% or more by an SDN, that come into the US person's possession or control.

On the same day that OFAC added PdVSA to the SDN List, OFAC issued eight Venezuela-related general licenses, authorizing certain categories of transactions and dealings with and involving PdVSA. These new general licenses (certain of which expire after one, two, three, or six months) are summarized below.

- **PDVH and CITGO.** Certain transactions and activities involving PDV Holding, Inc. (PDVH), CITGO Holding, Inc., and/or any of their subsidiaries, are authorized until July 27, 2019; these PdVSA entities are also authorized to engage in certain transactions relating to the purchase and import of petroleum and petroleum products from PdVSA or any entity owned 50% or more by PdVSA (PdVSA Entities) until April 28, 2019 ([General License No. 7](#)).
- **Select companies.** Five companies — Chevron Corporation, Halliburton, Schlumberger Limited, Baker Hughes (a GE Company), and Weatherford International, Public Limited Company — are authorized to engage in certain otherwise-prohibited activities involving PdVSA Entities until July 27, 2019 ([General License No. 8](#)).

- **Pre-sanctions debt.** OFAC authorized certain transactions and activities ordinarily incident to pre-sanctions debt (*i.e.*, debt issued prior to August 25, 2017) of PdVSA Entities, provided that divestment or transfer of such debt, or activities to facilitate divestments or transfers of such debt, is to a non-US person ([General License No. 9](#)).
- **Purchases of refined petroleum products.** US persons in Venezuela are authorized to purchase refined petroleum products from PdVSA Entities, provided that such products are for “personal, commercial, or humanitarian use,” and are not for resale, transfer, exportation, or reexportation ([General License No. 10](#)).
- **Maintenance and wind-down for US persons.** US persons who are employees or contractors of non-US entities, and who are not located in the United States or Venezuela, are authorized — until March 29, 2019 — to engage in transactions and activities ordinarily incident and necessary to maintaining or winding down operations, contracts, or other agreements involving PdVSA Entities that were in effect before January 28, 2019 ([General License No. 11](#)).
- **Importation of petroleum and petroleum products.** Transactions ordinarily incident and necessary to purchasing and importing into the United States petroleum and petroleum products from PdVSA Entities are authorized until April 28, 2019, subject to certain conditions and limitations — including that payments to blocked persons generally must be made into a blocked account ([General License No. 12](#), paragraph (a)).
- **Maintenance or wind-down of importation activities.** Transactions ordinarily incident and necessary to winding down operations, contracts, or other agreements involving PdVSA Entities that were in effect before January 28, 2019, including the importation into the US of certain goods, services, or technology, are authorized until February 27, 2019, subject to certain conditions and limitations — including that payments to blocked persons generally must be made into a blocked account ([General License No. 12](#), paragraph (b)).
- **Nynas AB.** Transactions and activities in which the only PdVSA Entity involved is Nynas AB or its subsidiaries are authorized until July 27, 2019, subject to various restrictions and limitations ([General License No. 13](#)).
- **US government business.** Official business of the US government by employees, grantees, or contractors thereof is authorized ([General License No. 14](#)).

OFAC also replaced [General License No. 3](#), issued on August 25, 2017, with [General License No. 3A](#). As discussed in a previous Latham & Watkins [Client Alert](#), General License No. 3 authorized US persons to engage in transactions related to the provision of financing for, and other dealings in, certain bonds issued by the Venezuelan government that otherwise would be off-limits to US persons — namely, those bonds specified in an Annex to the general license, as well as bonds issued before August 25, 2017, by US person entities owned or controlled by the Venezuelan government. General License No. 3A amends this general license in two key ways. First, it updates the list of bonds identified in the Annex. Second, it excludes bonds issued by Nynas AB, PDVH, and CITGO Holding, Inc. (and their subsidiaries) from the general license’s authorization allowing US persons to deal in pre-August 25, 2017 bonds issued by US person entities owned or controlled by the Venezuelan government. However, the newly-issued General License No. 9, discussed above, authorizes transactions and activities ordinarily incident and necessary to dealing in bonds these entities issued before August 25, 2017.

On January 25, 2019, President Trump issued an [executive order](#) amending the definition of the “Government of Venezuela” used in each of the previous executive orders imposing sanctions with respect to the situation in Venezuela (including Executive Order 13850). As OFAC explained in its [Frequently Asked Questions](#) (FAQs), the January 25 executive order broadens the definition of the “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. OFAC has indicated that additional FAQs regarding the designation of PdVSA are forthcoming.

If you have questions about this *Client Alert* or could use assistance managing compliance obligations related to US economic and trade sanctions, please contact one of the authors listed below or the Latham lawyer with whom you normally consult:

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