

Implications for Suppliers - Chevron Ordered to Wind Down Venezuela Business By December 1, 2020 (with Limited Wind-Down Activities)

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On April 22, 2020, President Trump ordered Chevron to "wind down" its business in Venezuela by December 1, 2020. This will have a significant impact on companies that supply Chevron with equipment used for oil and gas projects in Venezuela that were previously licensed.

Effective April 21, 2020, the Department of Treasury's Office of Foreign Assets Control (OFAC) issued General License (GL) 8F, which, significantly limits the activities in which Chevron and other covered entities are authorized to engage while winding down their operations through December 1, 2020.

Chevron is the only covered entity significantly impacted by the new GL 8F as it is the last major U.S. oil company permitted under an OFAC general license to do business in Venezuela. Companies that supply or otherwise do business with Chevron related to Venezuela should immediately review this significantly limited GL 8F carefully to determine whether their existing and planned business would be authorized pursuant to the new GL or whether they may need to alter their plans, review force majeure clauses, apply for a specific OFAC license or other authorization from OFAC, or take other steps.

Specifically, GL 8F authorizes Chevron, and other covered entities, to engage in certain transactions and activities, otherwise prohibited by the Venezuela Sanctions Regulations (VSR), that are ordinarily incident and necessary to the limited maintenance of essential operations, contracts, or other agreements. However, these wind-down transactions/activities must now be for the preservation of assets or safety in Venezuela, involve PdVSA or any entity in which they own 50% or greater interest, and have been in effect prior to July 26, 2019.

Additionally, regarding Chevron and the other covered entities, GL 8F no longer authorizes:

- The drilling, lifting, or processing of, purchase or sale of, or transport, or shipping of any Venezuelan-origin petroleum or petroleum products;
- The provision or receipt of insurance or reinsurance regarding the above activities;
- The design, construction, installation, improvement, or repair of any wells, facilities, or other infrastructure in Venezuela or the purchasing or provision of any goods or services, except as required for safety;

- Contracting for additional services or personnel, except as required for safety;
- The payment of any dividend, including in kind, to PdVSA, or any entity in which PdVSA owns, directly or indirectly, a 50% or greater interest; or
- Any loans to, accrual of additional debt by, or subsidization of PdVSA, or any entity in which PdVSA owns, directly or indirectly, a 50% or greater interest, including in kind, as prohibited by Venezuelan Sanctions Regulations.