

New Sanctions on Venezuela's National Oil Company, PDVSA

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Yesterday, the Office of Foreign Assets Control ("OFAC") listed Petroleos de Venezuela, S.A. ("PdVSA") as a Specially Designated National ("SDN") pursuant to its authority under Executive Order 13850. As a result of the designation, all property and interests in PdVSA property subject to U.S. jurisdiction are blocked, and U.S. persons are generally prohibited from engaging in transactions with the entity and its 50-percent owned subsidiaries.

Concurrent with the designation, OFAC amended one existing and issued eight new General Licenses ("GLs"). These GLs authorize activities that would otherwise be prohibited by Executive Order 13850 or other Venezuela-related sanctions, and fall into one of several categories: 1) authorizations regarding maintenance and wind down activities related to contracts with PdVSA or certain of its subsidiaries existing prior to January 28, 2019 (**GL 11, GL12**). The most significant authorization allows parties to wind down pre-existing contracts with PdVSA until February 27, 2019; 2) authorizations regarding certain PdVSA subsidiaries, including PDV Holding, Inc. ("PDVH"), CITGO Holding, Inc. ("CITGO"), and Nynas AB (**GL 7, GL 13**). These GLs include an authorization for the export of certain U.S. items and services until July 27, 2019; 3) the purchase in Venezuela of gas from PdVSA and its subsidiaries for certain uses (**GL 10**); 4) authorization for certain Venezuela-based operations involving PdVSA (**GL 8**); and 5) transactions related to certain bonds and debts (**GL 3A, GL 9**), among others.

The GLs generally have different scopes, apply to different entities, and have different validity periods. The key aspects of each of the GLs are described below.

- GL 3A – Authorizing Transactions Related to, Provisions of Financing for, and Other Dealings in Certain Bonds: removes bonds issued by PdVSA and certain of its subsidiaries from the list of bonds subject to the previous GL's authorization. The original GL 3 authorized transactions in bonds issued prior to August 25, 2017, and issued by U.S. person entities owned or controlled by the Government of Venezuela. The amended GL 3A removes Nynas AB, PDV Holding ("PDVH"), and CITGO Holding, Inc. ("CITGO"), along with their subsidiaries, from the scope of the amended GL 3A, thereby prohibiting such transactions in those bonds.
- GL 7 – Authorizing Certain Activities with PDV Holding, Inc. and CITGO Holding, Inc.: authorizes activities that would otherwise be prohibited by Executive Order 13850 related to PDVH and CITGO, and any of their subsidiaries, provided that the only PdVSA entities involved in such transactions are PDVH, CITGO, and their subsidiaries. These activities are authorized until 12:01 AM EST on July 27, 2019.[1]GL 7 further authorizes PDVH, CITGO, and any of their subsidiaries to engage in transactions prohibited by the Executive Order that are ordinarily incident and necessary to purchase and import petroleum and petroleum products from PdVSA and any 50-percent owned subsidiary. This authorization is valid until April 28, 2019. Payments to or for the

benefit of a blocked person other than PDVH, CITGO, and their subsidiaries related to transactions authorized under GL 7 must be made into a blocked, interest-bearing account. GL 7 does not authorize the exportation or reexportation of goods, services, or technology by U.S. persons or from the United States to PdVSA or any of its 50-percent owned subsidiaries, except to PDVH, CITGO, and their subsidiaries.

- GL 8 – Authorizing Transactions Involving PdVSA Prohibited by Executive Order 13850 for Certain Entities Operating in Venezuela: authorizes transactions incident to operations in Venezuela involving PdVSA or any 50-percent owned subsidiary, through July 27, 2019, for Chevron, Halliburton, Schlumberger, Baker Hughes, and Weatherford International.
- GL 9 – Authorizing Transactions Related to Dealings in Certain Debt: authorizes transactions ordinarily incident to dealings in debt of PdVSA or any 50-percent owned subsidiary, provided that any divestment or transfer, or facilitation of a divestment or transfer of such debt, must be to a non-U.S. person. This includes facilitating divestiture to a non-U.S. person of PdVSA-related debt, including on behalf of U.S. persons. GL 9 further authorizes transactions ordinarily incident to dealings in bonds issued prior to August 25, 2017 by PDVH, CITGO, Nynas AB, and their subsidiaries. It does not authorize U.S. persons to sell PdVSA debt to, purchase or invest in the debt of, or facilitate such transactions with a person who is blocked pursuant to Executive Order 13850.
- GL 10 – Authorizing the Purchase in Venezuela of Gasoline from PdVSA: authorizes U.S. persons in Venezuela to purchase refined petroleum products for personal, commercial, or humanitarian uses from PdVSA and its 50-percent owned subsidiaries. Commercial resale, transfer, exportation, or reexportation of refined petroleum products are not authorized.
- GL 11 – Authorizing Certain Activities Necessary to Maintenance or Wind Down of Operations or Existing Contracts with PdVSA: authorizes U.S.-person employees and contractors of non-U.S. entities located outside of both the U.S. and Venezuela to engage in otherwise prohibited transactions ordinarily incident to maintain or wind down operations, contracts, or other agreements involving PdVSA or its subsidiaries that were in effect before January 28, 2019. The wind down authorization is valid through March 29, 2019. U.S. financial institutions are further authorized to reject funds transfers that include both of: 1) PdVSA or its subsidiaries; and 2) non-U.S. entities located outside of the U.S. and Venezuela, as long as the fund transfers originate and terminate outside of the U.S., and that neither the originator nor the beneficiary is a U.S. person, and the funds are not intended for a blocked account. This authorization is valid through March 29, 2019.
- GL 12 – Authorizing Certain Activities Necessary to Wind Down of Operations or Existing Contracts with PdVSA: authorizes transactions ordinarily incident to the purchase and importation into the U.S. of petroleum and petroleum products from PdVSA and its subsidiaries, through April 28, 2019. Further, all transactions involving PdVSA and its subsidiaries, which are ordinarily incident to the wind down of operations, contracts, or other agreements, including importing goods and services into the U.S., which were in effect prior to January 28, 2019, are authorized until February 27, 2019. This GL does not authorize: 1) the divestiture or transfer of debt, equity, or other holdings in, to, or for the benefit of blocked persons; 2) the exportation or re-exportation of diluents from the U.S. to Venezuela, or PdVSA or its subsidiaries; 3) transactions with ALBA de Nicaragua (“ALBANISA”) or its subsidiaries.
- GL 13 – Authorizing Certain Activities Involving Nynas AB: authorizes all transactions and

activities where the only PdVSA entities involved are Nynas AB or its subsidiaries, until July 27, 2019. It does not authorize the exportation or reexportation of goods, services, or technology by U.S. persons or from the U.S. to PdVSA or its subsidiaries (other than Nynas AB).

- GL 14 - Official Business of the U.S. Government: authorizes transactions for U.S. government official conduct, including its employees, grantees, and contractors.

OFAC will issue expanded FAQs shortly, which should give parties using these GLs greater clarity. We will update you when OFAC issues those FAQs.

[1] When a date is given for the expiration of the validity of a GL, the activity is authorized up through 12:01 AM EST of the date indicated.