

Venezuela — U.S. sanctions imposed on PdVSA

What has happened regarding PdVSA?

On 28 January 2019, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") added Venezuela's state-owned oil company, Petroleos de Venezuela SA ("PdVSA") to the U.S. Specially Designated National List (SDN List) pursuant to [Executive Order \(E.O.\) 13850](#). A copy of the OFAC press release can be found [here](#).

What is the effect of the designation of PdVSA on U.S. persons?

All property and interests in property of PdVSA subject to U.S. jurisdiction are blocked, and U.S. persons are generally prohibited from engaging in transactions with PdVSA. All trades with a U.S. nexus or touchpoint are impacted, for example transactions involving the U.S. financial system.

OFAC has issued eight general licenses allowing for continued transactions with PdVSA and its subsidiaries, for limited periods of time. The following licenses are of particular interest:

[General License 7](#) – “*Authorising Certain Activities with PDV Holding, Inc. and CITGO Holding, Inc.*”

General License 7 authorises (a) until July 26, 2019, certain transactions involving PDVH, CITGO Holding Inc. or their subsidiaries; (b) until April 27, 2019, PDVH, CITGO Holding Inc. and their subsidiaries to engage in certain transactions ordinarily incident to the purchase and importation of petroleum and petroleum products from PdVSA.

[General License 8](#) - “*Authorising Transactions Involving Petróleos de Venezuela, S.A. (PdVSA) Prohibited by Executive Order 13850 for Certain Entities Operating in Venezuela*”.

General License 8 authorises, until July 27, 2019, all transactions incident to the operations in Venezuela involving PdVSA or its subsidiaries involving: Chevron Corporation, Halliburton, Schlumberger Limited, Baker Hughes, and Weatherford International. The export of diluents to Venezuela is explicitly not authorised.

[General License 11](#) - “*Authorising Certain Activities Necessary to Maintenance or Wind Down of Operations or Existing Contracts with Petróleos de Venezuela, S.A. (PdVSA)*.”

General License 11 authorises, until March 28, 2019, U.S. employees or contractors of non-U.S. entities located outside of the U.S. and Venezuela to engage in all transactions and activities

that are necessary to the maintenance or wind down of operations, contracts, or other agreements involving PdVSA and its subsidiaries.

[General License 12](#) -“Authorising Certain Activities Necessary to Wind Down of Operations or Existing Contracts with Petróleos de Venezuela, S.A. (PdVSA).”

General License 12 authorises, until April 27, 2019, all transactions relating to the purchase and import into the United States of petroleum and petroleum products from PdVSA or its subsidiaries.

[General License 13](#) -“Authorising Certain Activities Involving Nynas AB.”

General License 13 authorises, until July 26, 2019, all transactions involving Nynas AB.

What is the effect of the designation of PdVSA on non-U.S. persons?

The listing of PdVSA by OFAC does not directly impact non-U.S. persons. In other words, it does not have extra-territorial effect.

However, Executive Order 12850 provides for the blocking of all property in the United States of any person (i.e. U.S. or not) who is determined to have “materially assisted sponsored, or provided financial, material, or technological support for, or goods or services to or in support of ...any person whose property and interest in property are blocked pursuant to this order”, which includes PdVSA.

OFAC has provided some clarification of the position in its [FAQs](#), released on 31 January 2019. FAQ 657 deals with the impact on non-U.S. persons and looks at whether they are permitted to purchase petroleum and petroleum products from PdVSA. The content of FAQ 657 indicates that non-U.S. persons are not targeted by these sanctions.

657. I am a non-U.S. entity that purchases petroleum and petroleum products from Petróleos de Venezuela, S.A. (PdVSA) or an entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest. Am I now prohibited from purchasing petroleum and petroleum products from these companies?

Transactions to purchase petroleum and petroleum products from PdVSA or any entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest, and that involve U.S. persons or any other U.S. nexus (e.g., transactions involving the U.S. financial system or U.S. commodity brokers) must be wound down by April 28, 2019 pursuant to Venezuela-related [General License 12](#). In addition, under [General License 11?](#), U.S. person employees and contractors of non-U.S. companies located in a country other the United States or Venezuela are authorized to engage in certain maintenance or wind-down transactions with PdVSA, or any entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest, through 12:01 a.m. eastern daylight time, March 29, 2019. (See [FAQ 654?.](#))

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What might be the wider impact of PdVSA's SDN status and the situation in Venezuela?

The situation in Venezuela is fluid and there is a possibility that further sanctions will be introduced. Members, including non-U.S. persons, should exercise caution and carry out and rely upon their own due diligence, taking advice where appropriate. Practical obstacles may be encountered. For example, banks may harden their stance towards payments, even in non-U.S. dollar currencies.