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## Cross-Border Regulatory & National Security Practice Group Client

### Alert: OFAC Designates Venezuelan State-Owned Oil Company Petróleos de Venezuela, S.A. (PdVSA) as SDN

On January 28, 2019, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") designated Venezuelan state-owned oil company Petróleos de Venezuela, S.A. ("PdVSA") on the Specially Designated Nationals and Blocked Persons List (the "SDN List") pursuant to Executive Order 13850 ("EO 13850"). As a result of this designation, all property and interests in property of PdVSA that are subject to U.S. jurisdiction are "blocked" and U.S. persons are generally prohibited from engaging in dealings with PdVSA, subject to limited exceptions.

Designation of PdVSA on the SDN List marks a substantial escalation in the U.S. sanctions targeting Venezuela's Maduro regime. Implemented in response to the worsening humanitarian crisis and political situation in Venezuela, this designation is intended to cut off the Maduro regime's access to its primary source of income and to pressure the Maduro regime to cede power to the democratically elected National Assembly and the U.S.-recognized "Interim President" of Venezuela, Juan Guaidó. Treasury Secretary Steven T. Mnuchin affirmed in a statement that the only "path to sanctions relief for PdVSA is through the expeditious transfer of control to the Interim President or a subsequent, democratically elected government."

Concurrent with the designation of PdVSA on the SDN List, OFAC issued eight General Licenses authorizing certain transactions and activities involving PdVSA and its subsidiaries. In addition, OFAC amended one existing General License (General License 3), which was issued in connection with Executive Order 13808 ("EO 13808"). A summary of these General Licenses is set forth below.

- **General License 3A** (*Authorizing Transactions Related to, Provision of Financing for, and Other Dealings in Certain Bonds*): Authorizes: (i) transactions related to the provision of financing for, and other dealings in, certain bonds that would otherwise be prohibited under EO 13808; and (ii)

transactions related to the provision of financing for, and other dealings in, bonds that were issued (A) prior to August 25, 2017 and (B) by U.S. person entities owned or controlled by the Government of Venezuela, other than Nynas AB, PDV Holding, Inc. ("PDVH"), CITGO Holding, Inc. or any of their respective subsidiaries.

- **General License 7** (*Authorizing Certain Activities Involving PDV Holding, Inc. and CITGO Holding, Inc.*): Authorizes: (i) through July 26, 2019, transactions and activities prohibited by EO 13850 that involve PDVH, CITGO Holding, Inc. or any of their respective subsidiaries where the only PdVSA entities involved are PDVH, CITGO Holding, Inc. or any of their respective subsidiaries; and (ii) through April 27, 2019, transactions and activities prohibited by EO 13850 that are ordinarily incident and necessary to the purchase and importation of petroleum and petroleum products from PdVSA or its subsidiaries by PDVH, CITGO Holding, Inc. or any of their respective subsidiaries.
- **General License 8** (*Authorizing Transactions Involving Petróleos de Venezuela, S.A. Prohibited by Executive Order 13850 for Certain Entities Operating in Venezuela*): Authorizes, through July 26, 2019, Chevron Corporation, Halliburton, Schlumberger Limited, Baker Hughes and Weatherford International, PLC to engage in transactions and activities ordinarily incident and necessary to operations in Venezuela involving PdVSA or its subsidiaries.
- **General License 9** (*Authorizing Transactions Related to Dealings in Certain Debt*): Authorizes transactions and activities that are ordinarily incident and necessary to dealings in certain debt issued by PdVSA or its subsidiaries, or by PDVH, CITGO Holding, Inc. or Nynas AB, prior to August 25, 2017, provided that, in the case of PdVSA or its subsidiaries, any divestment or transfer of, or facilitation of divestment or transfer of, any holdings in such debt must be to a non-U.S. person.
- **General License 10** (*Authorizing the Purchase in Venezuela of Refined Petroleum Products from Petróleos de Venezuela, S.A.*): Authorizes U.S. persons in Venezuela to purchase refined petroleum products for personal, commercial or humanitarian uses from PdVSA or its subsidiaries.
- **General License 11** (*Authorizing Certain Activities Necessary to Maintenance or Wind Down of Operations or Existing Contracts with Petróleos de Venezuela, S.A.*): Authorizes, through March 28, 2019, U.S. person employees and contractors of non-U.S. entities located in a country other than the United States or Venezuela to engage in transactions and activities prohibited by EO 13850 that are ordinarily incident and necessary to the maintenance or wind down of operations, contracts or other agreements involving PdVSA or its subsidiaries.
- **General License 12** (*Authorizing Certain Activities Necessary to Wind Down of Operations or Existing Contracts with Petróleos de Venezuela, S.A.*): Authorizes: (i) through April 27, 2019, transactions and activities prohibited by EO 13850 that are ordinarily incident and necessary to the purchase and importation into the United States of petroleum and petroleum products from PdVSA or its subsidiaries; and (ii) through February 26, 2019, transactions and

activities prohibited by EO 13850 that are ordinarily incident and necessary to the wind down of operations, contracts or other agreements with or involving PdVSA or its subsidiaries (including the importation into the United States of goods, services or technology).

- **General License 13** (*Authorizing Certain Activities Involving Nynas AB*): Authorizes, through July 26, 2019, transactions and activities prohibited by EO 13850, where the only PdVSA entities involved are Nynas AB or any of its subsidiaries.
- **General License 14** (*Official Business of the United States Government*): Authorizes transactions that are for the conduct of the official business of the United States Government.

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This Client Alert is not comprehensive as to the full scope of the U.S. sanctions targeting Venezuela's Maduro regime or any other U.S. sanctions program or associated laws or regulations.

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