

# U.S. imposes new sanctions targeting state-owned Venezuelan oil company PdVSA in effort to topple Maduro regime

29 January 2019

On 28 January 2019, the Department of Treasury’s Office of Foreign Assets Control (OFAC) designated *Petróleos de Venezuela, S.A. (PdVSA)* as a Specially Designated National (SDN) for operating in the oil sector of the Venezuelan economy pursuant to [Executive Order \(E.O.\) 13850](#). This action follows the United States’ [official recognition](#) of the opposition-led government of interim President Juan Guaido. The designation of PdVSA severely limits permissible transactions with the state-owned oil company and signals a significant escalation of pressure on the Venezuelan government. Embattled President Nicolás Maduro has clung to power despite mounting diplomatic and economic pressure from the United States and other western governments.

In support of the new designation, [Secretary of State Mike Pompeo](#) stated that “Maduro and his cronies have used state-owned PdVSA to control, manipulate, and steal from the Venezuelan people for too long, destroying it in the process.” He further added that “[t]he United States will continue to take concrete and forceful action against those who oppose the peaceful restoration of democracy in Venezuela, and serve their own interests rather than those of the Venezuelan people.” Until now, the United States had refrained from designating PdVSA out of concern for the negative effect on the already fragile Venezuelan economy, which relies heavily on the oil industry.

Concurrent with the designation of PdVSA, OFAC amended the existing [General License 3](#), “Authorizing Transactions Related to, Provisions of Financing for, and Other Dealings in Certain Bonds” and issued eight new licenses related to the designation of PdVSA. These general licenses are designed, according to Secretary Pompeo, to “support U.S. companies, interests, and allies” doing legitimate business in Venezuela.

The relatively short validity period of these general licenses, in some cases, as short as one month, underscores the purpose of this designation—namely, cutting PdVSA off from the U.S. economy, and depriving the Venezuelan government of its key source of hard currency.

To date, the United States has increasingly targeted Venezuelan officials that it accuses of enriching themselves at the expense of the Venezuelan people. Most recently, on [8 January 2019](#),

OFAC designated seven former Government of Venezuela officials and twenty-three companies owned or controlled by these individuals.

A summary of the amended and newly issued general licenses follows:

### **General License 3A (Amended) - Financing for certain bonds**

- Suspends General License 3 issued on 24 August 2017.
- Authorizes certain transactions related to specifically listed bonds otherwise prohibited under [E.O. 13808](#). An annex of included bonds is attached to the general license.
- Authorizes certain transactions related to the provision of financing for and other dealings in bonds that were “issued both (i) prior to 25 August, 2017” and “(ii) by U.S. person entities owned or controlled, directly or indirectly, by the Government of Venezuela, other than Nynas AB, PDV Holding, Inc. (PDVH), CITGO Holding, Inc., and any of their subsidiaries.”

### **General License 7 - Certain activities involving PDV Holding, Inc. and CITGO Holding, Inc.**

- Authorizes activities otherwise prohibited by [E.O. 13850](#) where the only entities involved are PDVH, CITGO Holding, Inc. (CITGO), or any of their subsidiaries through **12:01 a.m. eastern daylight time, 27 July 2019**.
- Authorizes certain activities by PDVH, CITGO, and any of their subsidiaries otherwise prohibited by [E.O. 13850](#) that are “ordinarily incident and necessary to the purchase and importation of petroleum and petroleum products” from PdVSA or certain affiliated entities through **12:01 a.m. eastern daylight time, 28 April 2019**.
- Directs that all payments “made to or for the direct or indirect benefit of a blocked person other than PDVH, CITGO, and any of their subsidiaries” must be made to a blocked, interest-bearing account in the United States.
- Does **NOT** authorize any “exportation or reexportation of any goods, services, or technology, directly or indirectly by U.S. persons” to PdVSA or certain affiliated entities other than those noted above.

### **General License 8 - Certain transactions involving PdVSA**

- Authorizes transactions and activities “ordinarily incident and necessary to operations in Venezuela” involving PdVSA or certain affiliated entities through **12:01 a.m. eastern daylight time, 27 July 2019**, for the following entities and their subsidiaries: Chevron Corporation; Halliburton; Schlumberger Limited; Baker Hughes, a GE Company; and Weatherford International, Public Limited Company.
- Does **NOT** authorize the exportation or exportation of diluents from the United States to Venezuela.

### **General License 9 - Transactions related to dealings in certain debt**

- Authorizes otherwise prohibited transactions and activities “incident and necessary to dealings in any debt” of PdVSA or certain affiliated entities issued before 25 August 2017, so long as any divestment is made to a non-U.S. person. An annex of included bonds is attached to the General License.

- Authorizes certain transactions “ordinarily incident and necessary to dealings in any bonds that were issued prior to 25 August 2017” for the following entities and their subsidiaries: PDVH, CITGO and Nynas AB.
- Does **NOT** authorize U.S. persons to sell PdVSA-related debt to, or to facilitate such transactions to “any person whose property and interests in property are blocked pursuant to [E.O. 13850](#).”

### **General License 10 - Purchase of refined petroleum products**

- Authorizes U.S. persons in Venezuela to purchase “refined petroleum products for personal, commercial, or humanitarian uses” from PdVSA or certain affiliated entities.
- Does **NOT** authorize the “commercial resale, transfer, exportation or reexportation of refined petroleum products.”

### **General License 11 - Wind down of certain operations with PdVSA**

- Authorizes certain transactions by U.S. person employees and contractors of non-U.S. entities located in a country other than the United States or Venezuela that are “ordinarily incident and necessary to the maintenance or wind down of operations, contracts, or other agreements” involving PdVSA or certain affiliated entities in effect prior to 28 January 2019. This authorization is valid through **12:01 a.m. eastern daylight time, 29 March 2019**.
- Authorizes U.S. financial institutions to reject funds transfers involving both (1) PdVSA or certain affiliated entities and (2) non-U.S. entities located outside of the United States or Venezuela under certain conditions. Authorization is valid through **12:01 a.m. eastern daylight time, 29 March 2019**.
- Does **NOT** authorize any transactions or dealings with ALBA de Nicaragua (ALBANISA) or certain affiliated entities.

### **General License 12 - Wind down of certain operations with PdVSA**

- Authorizes transactions and activities “ordinarily incident and necessary to the purchase and importation into the United States of petroleum and petroleum products” from PdVSA or certain affiliated entities until **12:01 a.m. eastern daylight time, 28 April 2019**.
- Authorizes through **12:01 a.m. eastern standard time, 27 February 2019**, certain transactions and activities prohibited by [E.O. 13850](#) that are “ordinarily incident and necessary to the wind down of operations, contracts, or other agreements” involving PdVSA or certain affiliated entities, as long as such transaction or activities were in effect prior to 28 January 2019.
- Directs related payments be made to a blocked, interest-bearing account in the United States.
- Does **NOT** authorize the following:
  - divestiture or transfer of certain financial holdings for the benefit of blocked persons;

- exportation or reexportation of any diluents from the United States to Venezuela or to PdVSA or certain affiliated entities;
- transaction or dealings with ALBANISA or certain affiliated entities.

### **General License 13 - Certain activities involving Nynas AB**

- Authorizes certain transactions and activities where Nynas AB, or one of its subsidiaries, is the only PdVSA entity involved through **12:01 a.m. eastern daylight time, 27 July 2019**.
- Directs certain payments be made to a blocked, interest-bearing account in the United States.
- Does **NOT** authorize the “exportation or reexportation of any goods, services, or technology, directly or indirectly, by U.S. persons” to any other PdVSA entity other than Nynas AB or any of its subsidiaries.

### **General License 14 - Official business of the U.S. Government**

- Authorizes all transactions that are “for the conduct of the official business of the United States Government by employees, grantees, or contractors.”

None of the above General Licenses authorizes transactions otherwise prohibited by E.O.s 13850, 13835, 13827, 13808, 13692, any of OFAC’s other sanctions programs, or any transactions or dealing with any blocked person other than those specifically described.

OFAC expects to publish new FAQs in the near future and to update [existing FAQs](#) as they relate to these recent actions.

Please contact any member of our global sanctions team if you have any questions about this new designation or the recently issued General Licenses.

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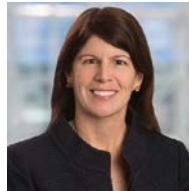
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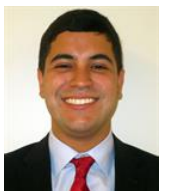
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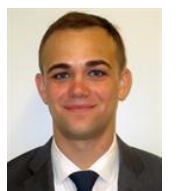
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