

No.13 2023/24 - United States temporarily authorises transactions involving oil, gas and gold in Venezuela



Tony Paulson
Head of Asia & Corporate Director

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The US Department of the Treasury's Office of Foreign Assets Control ("OFAC") recently issued four general licenses suspending certain sanctions in relation to transactions involving oil, gas, and gold in Venezuela. This includes a six-month General License No. 44 ("GL 44") Authorising Transactions Relating to Oil or Gas Sector Operations in Venezuela (available [here](#)), which will only be renewed if Venezuela meets its commitments under the electoral roadmap as well as other commitments.

General License 44: Oil And Gas

According to the GL in question, all transactions prohibited by the Venezuela Sanctions Regulations, 31 CFR part 591 (the VSR), including transactions involving Petroleos de Venezuela, S.A. (PdVSA) or any entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest *that are related to oil or gas sector operations in Venezuela* are authorised through 12:01 a.m. eastern daylight time, April 18, 2024, including:

- Production, lifting, sale, and exportation of oil or gas from Venezuela, and provision of related goods and services;
- Payment of invoices for goods or services related to oil or gas sector operations in Venezuela;
- New investment in oil or gas sector operations in Venezuela; and
- Delivery of oil and gas from Venezuela to creditors of the Government of Venezuela, including creditors of PdVSA Entities, for the purpose of debt repayment.

With respect to the shipping industry, the carriage of oil or gas from Venezuela would fall within the scope of “related goods and services” set forth in section (a)(1) of GL 44, provided such carriage does not violate the prohibitions set forth in section (b) of GL 44, which includes the following:

- **Designated financial institutions.**

Paragraph (b)(1) provides that GL 44 does not authorise any transactions involving any financial institution blocked pursuant to E.O. 13850 other than Banco Central de Venezuela or Banco de Venezuela SA Banco Universal.

- **Russia-related operations.**

Paragraph (b)(2) provides that GL 44 does not authorise the provision of goods or services to, or new investment in, an entity located in Venezuela that is owned or controlled by, or a joint venture with, an entity located in the Russian Federation. Paragraph (b)(3) provides that GL 44 does not authorise any transactions related to new investment in oil or gas sector operations in Venezuela by a person located in the Russian Federation or any entity owned or controlled by a person located in the Russian Federation. See FAQ 1058 ([available here](#)) for more information.

- **Certain financial restrictions in E.O. 13808.**

Paragraph (b)(4) prohibits any transactions prohibited by subsections 1(a)(i) – (iii) or 1(b) of E.O. 13808, other than the transactions described in GL 44 paragraphs (a)(2) (payment of invoices for goods or services related to oil or gas sector operations in Venezuela) and (a)(4) (delivery of oil and gas for the purpose of debt repayment to creditors). Accordingly, new debt transactions, such as the provision of loans to PdVSA, that are not for the payment of invoices or repayment of debt through delivery of oil or gas, are not authorized by GL 44. See FAQ 533 for a definition of “new debt” under E.O. 13808 and FAQ 511 for examples of debt and equity.

- **Transactions prohibited by E.O. 13827 and E.O. 13835.**

Paragraph (b)(5) provides that GL 44 does not authorise any transactions prohibited by E.O. 13827 (relating to certain virtual assets issued by, for, or on behalf of the Government of Venezuela) or E.O. 13835 - 3 - (relating to debt that is owed to the Government of Venezuela, as well as certain transactions involving any equity interest in any entity in which the Government of Venezuela has a 50 percent or greater ownership interest). See FAQs 564, 565, and 566 for more information on E.O. 13827 and FAQs 511, 595, and 596 for more information on E.O. 13835.

- **Blocked property.**

Paragraph (b)(6) provides that GL 44 does not authorize the unblocking of any property blocked pursuant to the VSR. Accordingly, all property blocked pursuant to the VSR in the United States, or in the possession or control of a U.S. person, as of October 18, 2023, will remain blocked unless separately authorized.

- **Blocked persons.**

Transactions involving any person blocked pursuant to a sanction’s authority other than the VSR are not authorised pursuant to GL 44.

General License 43: Gold

Given recent positive steps taken towards competitive elections in Venezuela, OFAC does not intend to target any person solely for operating in the gold sector of the Venezuelan economy. This policy is contingent on continued concrete steps toward a democratic solution in Venezuela. Specifically, based on the GL 43 all transactions involving CVG Compania General de Minería de Venezuela CA (Minerven), or any entity in which Minerven owns, directly or indirectly, a 50 percent or greater interest, that are prohibited by Executive Order (E.O.) 13850, as amended by E.O. 13857, or E.O. 13884, each as incorporated into the Venezuela Sanctions Regulations, 31 CFR part 591 (the VSR), are now authorised.

The said license **does not** authorise though, any transactions otherwise prohibited by the VSR, including any transactions involving any person blocked pursuant to the VSR other than the blocked persons described in paragraph (a) of GL 43, Government of Venezuela persons blocked solely pursuant to E.O. 13884, Banco Central de Venezuela, or Banco de Venezuela SA Banco Universal.

General

The current provisions issued by OFAC provide broad relief to the oil and gas and gold sector operations in Venezuela. Pending any contrary guidance, we consider the provision of P&I cover in respect of the carriage of Venezuelan oil or gas authorised by General License 44 to be a permitted related service. Clubs would however be obliged to review the cover position at the time any claim arises and Venezuela still remains a country of general systemic sanctions risk.

Members considering engaging in such trade should undertake careful due diligence, monitor the regulatory developments and ensure that all such voyages are completed by the expiry of the relevant GL (for transactions falling within the ambit of GL 44 - 12:01am eastern daylight time 18 April 2024). If GL44 is not extended it is currently unclear what steps an insurer will be permitted to take in respect of claims that arose before 18 April 2024 once GL 44 has expired. Furthermore, the U.S. has made it clear that is prepared to amend or revoke authorisations at any time.

Members should also exercise great caution when considering shipments to or from Venezuela, when dealing with Venezuelan entities and individuals, and most importantly, when lifting cargoes of Venezuelan origin. Members should conduct their own enhanced due diligence investigations to avoid any activity (i.e., prohibited cargoes, prohibited activities, or dealing with SDNs) which might expose themselves or the Club to the threat of sanctions.

To find out more on current US program when it comes to Venezuela along with the recent amendments please visit OFAC's website at <https://ofac.treasury.gov/sanctions-programs-and-country-information/venezuela-related-sanctions> and the related FAQ document issued on November 16, 2023 <https://ofac.treasury.gov/media/932241/download?inline>.

All Clubs in the International Group have issued a similarly worded circular.

Yours faithfully

For: West of England Insurance Services (Luxembourg) S.A.
(As Managers)

A Paulson
Head of Asia & Corporate Director

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