

A wide-angle photograph of the New York City skyline, featuring numerous skyscrapers and buildings along the waterfront. The sky is clear and blue, and the water in the foreground is calm.

**CLIENT ALERT: U.S. TURNS UP THE SANCTIONS AGAINST VENEZUELA – ISSUES AN AMENDED, AND MORE RESTRICTIVE, GENERAL LICENSE 8F**

April 22, 2020

On April 21, 2020, the Office of Foreign Assets Control (OFAC) issued amended General License 8F authorizing transactions involving PdVSA necessary for *limited* maintenance of essential operations in Venezuela or the wind-down of operations in Venezuela for certain entities like Chevron. The amended version of this license is different from prior versions in key respects. It generally allows Chevron additional time to wind-down its joint ventures with PdVSA but restricts Chevron’s ability to export oil out of Venezuela. The amended license is a clear ratcheting up of the administration’s sanctions targeting Venezuela.

The prior version of GL 8 (GL 8E) authorized until April 22, 2020, certain transactions and activities that were otherwise prohibited by Executive Orders 13850 and 13884. Among other things, E.O. 13850 permitted sanctions against anyone determined to be operating in the Venezuelan oil sector and other designated sectors. This is the E.O. under which PdVSA was designated to the Specially Designated Nationals (SDN) list and became a blocked entity in January 2019. E.O. 13884 sanctioned the Government of Venezuela and its owned and controlled entities by rendering them blocked too. As a result of these provisions, U.S. persons are essentially prohibited, absent authorization, from engaging in any transactions with PdVSA, any entity owned 50% or more by it, and the “Government of Venezuela” as defined in E.O. 13884. GL 8E was such an authorization. It authorized transactions ordinarily incident and necessary to the maintenance of operations, contracts, or other agreements in Venezuela involving PdVSA or its subsidiaries for a number of U.S.-based companies, namely Chevron, Halliburton, Schlumberger, Baker Hughes and Weatherford International (the “Covered Entities”). It is believed that this license served as the basis for the continued exportation out of Venezuela of certain petroleum products notwithstanding the sanctions targeting PdVSA and the Venezuelan oil sector. The amended license changes this.

The amended version (GL 8F) takes effect on April 22, 2020. It applies to the same Covered Entities and contains the following relevant provisions:

**Paragraph (a)** authorizes until 12:01 a.m. eastern standard time on December 1, 2020, all transactions and activities for the Covered Entities that are ordinarily incident and necessary to the limited maintenance of essential operations, contracts, or other agreements, that: (i) are for safety or the preservation of assets in Venezuela; (ii) involve PdVSA or its owned entities; and (iii) were in effect prior to July 26, 2019. The license elaborates that the transactions covered by this paragraph (a) include: transactions and activities necessary to ensure the safety of personnel, or the integrity of operations and

assets in Venezuela; participation in shareholder and board of directors meetings; making payments on third-party invoices for transactions and activities authorized by paragraph (a) of this general license, or incurred prior to April 21, 2020, provided such activity was authorized at the time it occurred; payment of local taxes and purchase of utility services in Venezuela; and payment of salaries for employees and contractors in Venezuela.

**Paragraph (b)** authorizes until December 1, 2020, all transactions and activities that are ordinarily incident and necessary to the wind down of operations, contracts, or other agreements in Venezuela involving PdVSA or its owned entities that were in effect prior to July 26, 2019. This language is similar to the language that was contained in GL 8E. However, with the addition of paragraph (a) in GL 8F, it is understood that the authorization in GL 8F's paragraph (b) is more limited than what may have existed under the similar language used in GL 8E.

**Paragraph (c)** contains notable exceptions to the authorization contained in paragraph (a). Specifically, paragraph (a)'s authorization does not allow:

- (1) The drilling, lifting, or processing of, purchase or sale of, ***or transport or shipping of any Venezuelan-origin petroleum or petroleum products;***
- (2) The provision or receipt of insurance or reinsurance with respect to the transactions and activities described in paragraph (c)(1) of this general license;
- (3) The design, construction, installation, repair, or improvement of any wells or other facilities or infrastructure in Venezuela or the purchasing or provision of any goods or services, except as required for safety;
- (4) Contracting for additional personnel or services, except as required for safety;  
or
- (5) The payment of any dividend, including in kind, to PdVSA, or any entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest.

(emphasis added.)

**Paragraph (d)** identifies the exceptions to the authorization set forth in paragraph (b). Paragraph (d) makes clear that GL 8F does not authorize:

- (1) Any transactions or dealings related to the exportation or reexportation of diluents, directly or indirectly, to Venezuela;
- (2) Any loans to, accrual of additional debt by, or subsidization of PdVSA or any of its owned entities, including in kind, prohibited by E.O. 13808 of August 24, 2017, as amended by E.O. 13857, and incorporated into the Venezuelan Sanctions Regulations (VSR); or
- (3) Any transactions or activities otherwise prohibited by the VSR, or any other part of 31 C.F.R. chapter V, or any transactions or activities with any blocked person

other than the blocked persons identified in paragraphs (a) and (b) of this general license (i.e., PdVSA and the entities in which it owns, directly or indirectly, 50% or more).

### **Potential Implications for Non-U.S. Shipowners**

Technically speaking, GL 8F directly impacts Chevron and any U.S. persons who had been operating under the prior authorizations in GL 8E. However, by extension, the issuance of this amended license impacts non-U.S. persons as well. The express exclusion from the license for the “transport or shipping of any Venezuelan-origin petroleum or petroleum products” is likely to impact pending charters involving Chevron or its JV partners. To the extent Chevron is no longer authorized to ship product out of Venezuela, the carriage of same would not be protected by the license either.

Further, the changes in the license are indicative, in our view, of the administration’s enhanced focus on Venezuela and international shipping. The license forecasts that Venezuelan-origin petroleum and petroleum products may become a direct focus of the U.S.’s sanctions policy. As such, any voyages involving the carriage of such may present sanction risks.

We continue to monitor developments in this area and are available to assist clients in understanding and examining how these developments may affect their business opportunities. If you have any questions about the contents of this alert or would like further information regarding U.S. sanctions, please feel free to contact the author, Gina Venezia at [venezia@freehill.com](mailto:venezia@freehill.com).

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