

# Cleary Foreign Investment and International Trade Watch

## Recent OFAC Actions Related to the Oil Sector

By Chase D. Kaniecki, Samuel H. Chang, William S. Dawley & Stephanie Gullo on January 6, 2023

In addition to the maritime services ban targeting Russian Federation-origin crude oil, which we wrote about [here](#)<sup>[1]</sup>, the U.S. Department of the Treasury, Office of Foreign Assets Control (“OFAC”) recently has taken actions related to, and having implications for, the international oil sector. Certain of those actions suggest a potential easing of oil sector-related sanctions on Venezuela while others show a continued focus on the Iranian oil sector.

### *OFAC Issues General Licenses Related to Oil Activities in Venezuela*

In recognition that the Maduro regime and the Venezuelan opposition platform had resumed talks, entered into a humanitarian agreement, and agreed to continue talks regarding the 2024 election in Venezuela, on November 26, 2022, OFAC issued two general licenses (one new general license and one extension of a pre-existing general license) related to oil activities in Venezuela.<sup>[2]</sup>

First, **Venezuela-related General License No. 41** authorizes all transactions ordinarily incident and necessary to the following activities for or related to the operation and management of joint ventures between PdVSA or any entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest, and Chevron or its subsidiaries (the “Joint Ventures”):

- Production and lifting of petroleum or petroleum products produced by the Joint Ventures, and any related maintenance, repair, or servicing of the Joint Ventures;
- Sale to, exportation to, or importation into the United States of petroleum or petroleum products produced by the Joint Ventures, provided that the petroleum and petroleum products produced by the Joint Ventures are first sold to Chevron;
- Ensuring the health or safety of personnel or the integrity of operations or assets of the Joint Ventures in Venezuela; and
- Purchase and importation into Venezuela of goods or inputs related to the activities described above, including diluents, condensates, petroleum, or natural gas products.<sup>[3]</sup>

Venezuela-related General License No. 41 clarifies that it does not authorize, among other things, the payment of any taxes or royalties to the Government of Venezuela, the sale of petroleum or petroleum products produced by or through the Joint Ventures for the exportation to any jurisdiction other than the United States, any transaction involving an entity located in Venezuela that is owned or controlled by an entity located in the Russian Federation, or any expansion of the Joint Ventures into new fields in Venezuela beyond what was in place on January 28, 2019.

Second, **Venezuela-related General License No. 8K**, which replaced Venezuela-related General License 8J, authorizes, through 12:01 AM EDT on May 26, 2023, Halliburton, Schlumberger Limited, Baker Hughes Holdings, LLC, Weatherford International, Public Limited Company, and their subsidiaries to engage in all transactions otherwise prohibited by the Venezuela Sanctions Regulations (“VSR”) that are ordinarily incident and necessary to:

- (1) the limited maintenance of essential operations, contracts, or other agreements that (i) are for safety or the preservation of assets in Venezuela, [4] (ii) involve Petróleos de Venezuela, S.A. (“PdVSA”) or any entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest, and (iii) were in effect prior to July 26, 2019; and
- (2) the wind down of operations, contracts, or other agreements in Venezuela involving PdVSA or any entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest, and that were in effect prior to July 26, 2019. [5]

Venezuela-related General License No. 8K states explicitly that a variety of activities, including the drilling, lifting, or processing of, purchase or sale of, or transport or shipping of any Venezuelan-origin petroleum or petroleum products, 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, and any loans to, accrual of additional debt by, or subsidization of PdVSA, or any entity in which PdVSA owns, directly or indirectly, a 50 percent or greater interest, including in kind, prohibited by VSR, are not authorized by Venezuela-related General License No. 8K.

*OFAC Imposes Sanctions Related to Iranian Oil Activities* On December 8, 2022, OFAC designated a prominent Turkish businessman and related persons and entities for facilitating the sale of hundreds of millions of dollars’ worth of Iranian oil for Iran’s Islamic Revolutionary Guard Corps-Qods Force. [6] OFAC previously had designated thirteen companies for facilitating the sale of hundreds of millions of dollars’ worth of Iranian petrochemicals and petroleum products to buyers in East Asia on behalf of sanctioned Iranian petrochemical brokers on November 17, 2022. [7]

---

[1] Cleary Trade Watch, “Recent Developments Regarding the Maritime Services Ban on Russian-Origin Crude Oil and Petroleum Products (with Price Cap “Safe Harbor” or Exemption)” (Jan. 4, 2023), available at <https://www.clearytradewatch.com/2023/01/recent-developments-regarding-the-maritime-services-ban-on-russian-origin-crude-oil-and-petroleum-products-with-price-cap-safe-harbor-or-exemption/>.

[2] U.S. Department of the Treasury, Press Release, “Treasury Issues Venezuela General License 41 Upon Resumption of Mexico City Talks” (Nov. 26, 2022), available at <https://home.treasury.gov/news/press-releases/jy1127>.

[3] OFAC, Venezuela-related General License No. 41, “Authorizing Certain Transactions Related to Chevron Corporation’s Joint Ventures in Venezuela” (Nov. 26, 2022), available at [https://home.treasury.gov/system/files/126/venezuela\\_gl41.pdf](https://home.treasury.gov/system/files/126/venezuela_gl41.pdf).

[4] Venezuela-related General License No. 8K clarifies that transactions and activities necessary for safety or the preservation of assets in Venezuela 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; the payment of third-party invoices for authorized transactions and activities, or that were incurred prior to April 21, 2020, provided such activity was authorized at the time it occurred; the payment of local taxes and the purchase of utility services in Venezuela; and the payment of salaries for employees and contractors in Venezuela.

[5] OFAC, Venezuela-related General License No. 8K, “Authorizing Transactions Involving Petróleos de Venezuela, S.A. (PdVSA) Necessary for the Limited Maintenance of Essential Operations in Venezuela or the Wind Down of Operations in Venezuela for Certain Entities” (Nov. 26, 2022), available at [https://home.treasury.gov/system/files/126/venezuela\\_gl8k.pdf](https://home.treasury.gov/system/files/126/venezuela_gl8k.pdf).

[6] U.S. Department of the Treasury, Press Release, “Treasury Targets Sanctions Evasion Network Generating Hundreds of Millions of Dollars for Qods Force Oil Sales” (Dec. 8, 2022), available at <https://home.treasury.gov/news/press-releases/jy1151>.

[7] U.S. Department of the Treasury, Press Release, “Treasury Targets Network Supporting Iranian Petrochemical and Petroleum Sales” (Nov. 17, 2022), available at <https://home.treasury.gov/news/press-releases/jy1115>.

---

[WSD1]NTD: Add link when posted.

## Cleary Foreign Investment and International Trade **Watch**

Copyright © 2023, Cleary Gottlieb Steen & Hamilton LLP. All Rights Reserved.