



General License for 5 U.S. Companies Transacting with PdVSA Extended to Oct 25; So Far No New Sanctions for Venezuela in July, but “Uptick” Expected

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Currently, five U.S. companies can transact with PdVSA subject to a general license. The general license permitting such transactions was set to expire on July 27, but on July 26 the U.S. Department of Treasury for the Office of Foreign Assets Control extended the authorization through 12:01 AM eastern time, October 25, 2019. For now, it seems that Venezuela’s oil industry has avoided another debilitating hit.

This past month, increases in U.S. sanctions on Venezuela have been limited to adding Venezuelan individuals to the Office of Foreign Assets Control’s new Specially Designated Nationals (SDN) list. Near the end of June, the United States added Nicolás Maduro’s son to the SDN list. On July 19, the United States also added four top officials in Venezuela’s military counterintelligence agency to the SDN list, following the death of a Venezuelan navy captain. The captain was in custody following his arrest and was allegedly tortured. The European Union is also preparing to issue sanctions over the captain’s death.

Although the United States did not yet issue new sanctions programs against Venezuela in July, the Venezuelan government expects an increase in U.S. sanction activity in the near future. A July 16 Bloomberg article reported that the Venezuelan government is considering switching to a “Russian-operated international payments messaging system” in case the United States places new sanctions on Venezuela that would ban the country’s use of SWIFT, a global provider of secure financial messaging services and cross-border payment system operator.

U.S. sanctions have led Venezuela to turn to customers in places such as the United Arab Emirates and Turkey. On July 12, Venezuela defied U.S. sanctions by selling approximately \$40 million worth of gold (around one ton), lowering Venezuela’s dollar reserves “to a near three-decade low of \$8.1 billion.” Since the beginning of April, Venezuela has sold around 24 tons of gold.

U.S. sanctions are also impacting Venezuela’s agriculture: farmers are abandoning their crops because of Venezuela’s fuel shortage, a result of “mismanagement and corruption in the oil industry” that has been aggravated by sanctions on Venezuela’s oil sector. The U.S. sanctions on Venezuela’s oil industry have also forced Venezuela to cease upgrading extra-heavy crude oil into synthetic crude oil since losing access to synthetic-crude export markets. Petróleos de Venezuela, S.A (PdVSA), Venezuela’s state-owned oil company, is now focused on exporting blended light- and heavy-grade crude oil to Asian markets. However, Venezuela’s light crude oil is in short supply, and earlier this year Venezuela had to import light crude oil from Nigeria.

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