



CIRCULAR FOR P&I CLUBS

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GLOBALPANDI, S.A.
P&I CORRESPONDENTS

LATEST DEVELOPMENTS ON VENEZUELAN SANCTIONS BY THE US OFAC

On 17 April 2024, the Department of the Treasury through the Office of Foreign Assets Control (OFAC) issued the General License 44A, replacing content the past General License No. 44, through which it was authorized certain transactions related to Oil or Gas Sector Operation in Venezuela, including Petróleos de Venezuela, S.A. and those companies where it has a 50% or greater interest, until 18 April 2024. According to the U.S. Department of Treasury, this decision is based on the alleged unfulfillment of obligations assumed by the Venezuelan Government regarding the Barbados's Agreement, related to presidential elections.

"Despite this step back from OFAC, the FAQ document issued by it has recommended to U.S. persons interested in engaging in transactions involving Petróleos de Venezuela, S.A. (PDVSA) or any entity owned by it, directly or indirectly, in a 50 percent or greater interest, related to the oil or gas sector in our country, for applying for specific licenses which will be analyzed by OFAC on a case-by-case basis..."

According to letter (a) of the new general license 44A, the OFAC set 12:01 am eastern daylight time, 31 May 2024, as the last date and time to carry out all transactions that are ordinarily incident and necessary to the wind down of any transaction to oil or gas sector operations in Venezuela that were previously authorized. From this moment, according to the FAQ issued on this subject by the OFAC, U.S. and non-U.S. persons unable to wind down such transactions within the aforementioned period, are encouraged to seek guidance from OFAC.

On the other hand, following letter (b) of the license, it is worth to point out certain operations that remains unauthorized: (b) (1) Any transactions involving any financial institution blocked pursuant to Executive Order (E.O) 13850 other than Banco Central de Venezuela or Banco de Venezuela SA Banco Universal; and (b) (4) Any transactions prohibited by subsections 1 (a)(i) – (iii) or 1 (b) of E.O. 13808, other than the payment of invoices for goods or services related to oil or gas sector operations in Venezuela, or delivery of oil or gas from Venezuela to creditors of the Government of Venezuela, including creditors of PDVSA Entities, for the purpose of debt repayment.

Without prejudice to the above, it is important to mention that the General License 44A does not affect other licenses previously issued by OFAC, for which, U.S. persons may continue rely on other authorizations related to Venezuela's oil or gas sector operations in Venezuela, including General License 41 "Authorizing Certain Transactions Related to Chevron Corporation's Joint Ventures in Venezuela" and general license 8M "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".

Building upon General License 8M, General License 8N extends the authorized activities' validity period to November 15, 2024, providing an additional four months for companies to engage in permitted operations. While these updates primarily address the validity period, General License 8N maintains the same authorized activities and restrictions as its predecessor (GL 8M), allowing specific entities to perform limited maintenance on essential operations or wind down existing operations in Venezuela involving PDVSA.

Despite this step back from OFAC, the FAQ document issued by it has recommended to U.S. persons interested in engaging in transactions involving Petróleos de Venezuela, S.A. (PDVSA) or any entity owned by it, directly or indirectly, in a 50 percent or greater

interest, related to the oil or gas sector in our country, for applying for specific licenses which will be analyzed by OFAC on a case-by-case basis. This could represent a door open to new companies interested in investing in both sectors, through the same mechanism that applies to Chevron.

From an economic standpoint, there is no doubt that this decision will have a great impact on the maritime industry related to the oil and gas sector, as well as to the incomes that the Venezuelan Government and PDVSA were expecting before the scenario of a renewal of the General License 44. Nevertheless, internal analysts are confident that Venezuela could still end this year with 5% growth of our economy.

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Disclaimer: This Circular is only intended to provide a general summary of the matter referred to, and so it does not constitute a legal advice as such. Specific legal advice should be taken with respect to particular cases.

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