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VENEZUELA — OIL SECTOR LAW REFORM AND SANCTIONS CHANGES (OFAC GL 46)

Substantial developments have occurred in Venezuela's oil sector following the approval by the National Assembly of a new Hydrocarbons Law on 29 January 2026. At the same time, the U.S. Department of the Treasury, through its Office of Foreign Assets Control (OFAC), issued General License No. 46 (GL 46) which authorizes certain activities related to Venezuelan-origin oil, including its lifting, export, reexport, sale, resale, supply, storage, marketing, purchase, delivery and transportation, as well as refining by established U.S. entities, subject to specific conditions.

The amendment to the Hydrocarbons Law constitutes the most far-reaching reform of Venezuela's oil industry since the 1976 nationalization. For the first time in almost fifty years, private companies, whether domestic or foreign, are permitted to engage directly in exploration, production, transportation, storage and commercialization of hydrocarbons without being required to operate through mixed companies with Petróleos de Venezuela, S.A. (PDVSA). This reform effectively dismantles the State's exclusive operational control and introduces a contractual framework under which private operators may obtain access to hydrocarbon areas through agreements with the State, receive remuneration in

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the form of a share of production, and utilize existing infrastructure and facilities in accordance with terms set by the Executive Branch.

In addition, the new legislation allows private and mixed companies to market hydrocarbons directly on international markets, subject to prior approval from the Ministry responsible for hydrocarbons, while minority shareholders in mixed companies may also be granted authorization to commercialize part or all

of the production and to assume responsibility for technical and operational management. These measures are intended to restore productive capacity and encourage foreign investment. Collectively, they represent a decisive departure from the post-nationalization model consolidated by the 1999 Constitution and the 2001 Hydrocarbons Law, under which the State exercised exclusive authority over primary activities and oil commercialization.

The most significant changes introduced by Venezuela's Hydrocarbons Law approved on 29 January 2026 in relation to royalties and taxes consist of a profound flexibilization and reduction of the fiscal burden on oil activities. Although the royalty rate is formally maintained at a maximum of 30 percent, the Executive is now empowered to reduce it indefinitely on a project-by-project basis whenever this is deemed necessary to ensure economic viability. The former regime of multiple sector-specific taxes —such as surface tax, extraction tax, export registration tax and consumption taxes— has been eliminated and replaced by a new integrated hydrocarbons tax of up to 15 percent of gross income, which may likewise be reduced at the discretion of the Executive. In addition, the income tax rate applicable to oil projects may be lowered below the current statutory level of 50 percent, and companies are exempted from several special contributions and levies, including those related to science and technology, sports, anti-drug programs and large patrimony taxes. The law also repeals the extraordinary contribution regime based on high international oil prices, resulting in an unprecedented reduction of the overall fiscal and royalty burden in order to attract private investment and stimulate production. Taken together, these changes amount to an unprecedented reduction in the fiscal burden on oil activities in Venezuela, aimed at incentivizing private participation and attracting capital.

The legal framework governing contracts has also undergone important modification. Under the new law, disputes arising from hydrocarbon contracts may be resolved through alternative dispute resolution mechanisms, including arbitration, instead of being confined exclusively to Venezuelan courts. Furthermore, approval for the formation of mixed companies and the execution of hydrocarbon contracts now rests with the President of the Republic, with the National Assembly being notified rather than required to grant prior authorization. These provisions raise constitutional issues in light of Articles 150 and 151 of the Venezuelan Constitution concerning public interest contracts and international arbitration. Nevertheless, the legislation explicitly authorizes arbitration clauses and reduces the scope of parliamentary involvement.

Regarding existing operations, the law establishes a 180-day period for the Ministry with competence in hydrocarbons to assess the status of

mixed companies and to implement the adjustments required to bring them into conformity with the new legal regime. Contracts concluded under the Anti-Blockade Law are also subject to revision within this timeframe. During the transition period, the previous tax framework remains in force. The law further stipulates that, upon expiration of contracts, the assets employed in operations must be transferred back to the Republic without compensation, reaffirming State ownership over infrastructure and hydrocarbon resources.

Separately, on 29 January 2026, OFAC issued General License No. 46, which authorizes specific transactions involving Venezuelan-origin oil that would otherwise be prohibited under U.S. sanctions regulations. Under GL 46, established U.S. entities may carry out transactions ordinarily incident and necessary to the lifting, exportation, sale, storage, marketing, purchase, delivery and transportation of Venezuelan-origin oil, including refining activities, provided that the governing law of the contracts is that of the United States and that any dispute resolution proceedings take place within U.S. jurisdiction. Payments to blocked persons must be deposited into accounts designated by the U.S. Treasury, such as the Foreign Government Deposit Funds or other approved accounts.

Of particular importance to shipping interests and insurers, GL 46, unlike earlier licenses related to the oil sector, explicitly authorizes activities connected with maritime transport and logistics. These authorized activities include the chartering of vessels, the organization of shipping and logistics services, the procurement of marine insurance and Protection and Indemnity (P&I) cover, and the arrangement of port and terminal services, including services provided by Venezuelan port authorities or terminal operators. The license also permits commercially reasonable compensation through swaps involving crude oil, diluents or refined petroleum products. This clarification is especially relevant for shipowners, charterers and P&I Clubs, as it confirms that marine insurance and P&I cover may be lawfully obtained for Venezuelan oil shipments carried out in compliance with the license.

Nevertheless, GL 46 contains significant restrictions. It does not authorize transactions involving individuals or entities located in or organized under the laws of the Russian Federation, Iran, North Korea or Cuba, nor does it permit dealings with entities owned or controlled by such persons. Transactions involving Chinese-controlled entities in Venezuela or the United States are also excluded, as are dealings with blocked vessels and any form of payment using gold, digital currencies or debt swap arrangements. The license does not allow for the unfreezing of assets previously blocked under sanctions. Furthermore, any export, resale or supply of Venezuelan-origin oil to destinations other than the United States must be reported in detail to U.S. authorities, including information on the parties involved, volumes, values,

destination countries and any taxes or fees paid to the Venezuelan government. Such reports must be filed within ten days of the first transaction and subsequently every ninety days while the transactions continue.

It is also important to point out that, on 29 January 2026, President Donald Trump announced the opening of Venezuela's airspace, which had been subject to an indefinite flight suspension since 2019 as ordered by the Department of Homeland Security. As a matter of fact, American Airlines is planning to resume services in the coming weeks. No doubt, this should improve the connectivity that has affected the country in recent years.

In practical terms, the combined effect of the new Hydrocarbons Law and GL 46 will reshape the operational environment for Venezuela's oil sector and for international maritime participants. Venezuela has transitioned away from a State-controlled monopoly and introduced wide-ranging private sector participation supported by significant fiscal incentives, while GL 46 enables a limited yet important reopening of legitimate trade routes for Venezuelan oil involving U.S. entities, including specific authorization for maritime transport, port services and P&I insurance. Furthermore, the reopening of Venezuelan airspace is anticipated to expand flight availability, thereby facilitating crew change operations.

Shipowners, charterers, operators and insurers are therefore advised to exercise caution and ensure that any operations involving Venezuelan-origin oil strictly comply with the conditions set out in GL 46, that vessels and counterparties are not designated or restricted, and that contractual arrangements and reporting obligations are fully complied with, contacting local Correspondents for regular updates and developments when calling at domestic ports and terminals.

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Correspondents for:
Alandia Marine, Aurora, Britannia, British Marine, Charterers P&I Club, China P&I Club, EF Marine, GARD, Hydor, ITIC, Korea P&I Club, MS Amlin, NNPC, NorthStandard P&I Club, Shipowners P&I Club, Skuld, Steamship Mutual, The American Club, The London P&I Club, Through Transport Club (TTC), Turk P&I and West of England

CONTACT

Should you need any assistance or further information regarding the topic stated above, please feel free to contact us:

Phones & Fax:
+58-242-3618159/3614453
+58-414-4071412/4071422
E-mail: mail@globalpandi.com
Webpage: www.globalpandi.com

AOH:
Mr.José Alfredo Sabatino Pizzolante
+58-412-4210036 & +507 6469 1784
Mr. Oswaldo Guerreiro
+58-412-4445715