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VENEZUELAN BUSINESS AND INVESTMENT CONTEXT

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Scope and Limitations

This analysis examines the Venezuelan business and investment environment as of January 23, 2026, with particular attention to: (i) U.S. sanctions policy and oil revenue control mechanisms; (ii) multilateral financing pathways; (iii) domestic legal codification and legislative reforms approved or presented to the National Assembly in January 2026; and (iv) sectoral regulatory reforms necessary for sustained foreign investment. It does not purport to be exhaustive regarding developments that remain in flux but instead seeks to provide foundational tools for understanding key aspects of the current investment landscape in Venezuela. This analysis does not engage in political forecasting or macroeconomic projections beyond published industry estimates, and it reflects only publicly available information and legislative texts as of January 23, 2026. Readers are strongly encouraged to seek specialized legal and financial advice before making investment decisions, as underlying conditions may evolve and risk assessments are subject to revision as new information emerges. This represents the first installment of analysis, with updates anticipated as legislative implementation frameworks and regulatory guidance become available.

I. U.S. Sanctions Framework, Oil Revenue Management, and Strategic Oversight

1.1 Three-Phase U.S. Strategic Framework

On January 7, 2026, U.S. Secretary of State Marco Rubio presented to the United States Congress a three-phase strategic framework for Venezuela: *Phase I* (Stabilization) aims to prevent economic and institutional collapse through U.S. control and marketing of 30 to 50 million barrels of Venezuelan crude oil, with all proceeds maintained under U.S.

Treasury oversight for an indefinite period. *Phase II* (Recovery), scheduled for 2026-2027, focuses on economic reconstruction, restoration of oil production and infrastructure, reopening of key sectors to foreign companies, and a parallel national reconciliation process including amnesty measures. *Phase III* (Transition) seeks to rebuild civil society and advance toward democratic governance through institutional reconstruction, with elections to be held "when feasible." *(Sources: Reuters, January 8, 2026; BBC News, January 7, 2026; Office of the Spokesperson, U.S. Department of State, January 7, 2026; La Paz Peace Institute, January 20, 2026).*

1.2 Revenue Control and Executive Authority

Executive Order No. 14373, issued on January 9, 2026, and titled *"Safeguarding Venezuelan Oil Revenue for the Good of the American and Venezuelan People"* declares a national emergency and establishes comprehensive protections over Venezuelan oil revenues held in U.S. Treasury accounts. The Order covers all proceeds derived from U.S.-directed sales of Venezuelan crude and related diluents, deposited in designated U.S. Treasury or other government-controlled accounts on behalf of Venezuela or its instrumentalities. It nullifies any judicial process -such as attachment, garnishment, lien, or execution- against these funds, thereby preventing private creditors from accessing them. Exclusive authorization for any transfer or disbursement resides with the U.S. Secretary of the Treasury, acting in coordination with the Departments of State, Energy, and Justice. The Order expressly excludes Venezuela's pre-existing commercial bank accounts in the United States. In practice, it establishes a comprehensive legal shield protecting U.S.-held Venezuelan oil revenues from creditor claims and enforcement actions while preserving full U.S. discretion over their use. *(Sources: Federal Register, Executive Order 14373, January 9, 2026; The White House Press Release, January 9, 2026; Politico, January 22, 2026).*

Operational details indicate that revenues from initial Venezuelan crude oil sales are deposited into U.S.-controlled accounts, including at least one account domiciled in Qatar, designed as a neutral jurisdiction to channel funds with reduced risk of attachment by creditors or external judicial interference. According to official statements and coverage from reputable international press outlets, the first shipment -valued at approximately $500 million- has been partially transferred to Venezuela through foreign exchange auctions via the national banking system, while the remainder stays under U.S. Treasury oversight abroad. This mechanism aligns with Executive Order No. 14373's framework for shielding and managing oil proceeds, ensuring U.S. discretion over disbursements while facilitating limited inflows to stabilize Venezuela's economy.

1.3 Current Sanctions Structure

As of January 2026, comprehensive U.S. sanctions against Venezuela remain formally in effect, with only selective sectoral relief authorized under a controlled licensing regime. In the oil and energy sector, the framework permits the transport and sale of Venezuelan crude and limited oil products through channels coordinated by the

Departments of Energy, State, and OFAC. It also allows for the importation of U.S. diluent and specific oilfield equipment to stabilize production, limited infrastructure rehabilitation essential to energy operations, and case-by-case OFAC licensing for diluent-related services. In other sectors, PDVSA and its affiliates, the Central Bank of Venezuela, state-owned enterprises, and most financial and commercial entities continue under full sanctions. U.S. persons remain prohibited from engaging in transactions with these entities absent a specific OFAC license. All sectoral relief measures are conditional and granted exclusively through targeted OFAC authorizations, not general licenses, thereby preserving U.S. discretion over the scope of permitted activity. The Secretary of the Treasury retains sole authority to issue, amend, or revoke such licenses *(Sources: U.S. Department of the Treasury, Office of Foreign Assets Control (OFAC), Venezuela Sanctions Overview, January 2026; Federal Register, Sanctions Program Updates, 2026).*

II. Multilateral Re-engagement and Financing Pathways

The U.S. Treasury has initiated discussions with the International Monetary Fund (IMF) and the World Bank to explore Venezuela's reintegration into major multilateral financial institutions, marking the first step toward reversing nearly two decades of isolation. *(Sources: Reuters, "U.S. Reopens Venezuela Talks with IMF, World Bank," January 20, 2026; U.S. Department of the Treasury, Statement on Venezuela Re-engagement, January 15, 2026).*

2.1 IMF Framework and Sequencing

Venezuela holds approximately USD 5 billion in IMF Special Drawing Rights (SDRs) that remain frozen pending resolution of arrears, completion of an Article IV consultation and staff-monitored program, and implementation of reforms in fiscal transparency, central bank autonomy, and macroeconomic management. In the near term, IMF engagement is expected to emphasize technical assistance and policy dialogue rather than new disbursements. Access to rapid disbursement instruments such as the Rapid Financing Instrument (RFI) will depend on measurable progress in these areas and continued U.S. support, which remains decisive in the IMF's governance framework.

2.2 World Bank and Inter-American Development Bank (IDB)

Both the World Bank and the IDB face ongoing issues of payment arrears and governance deficiencies that currently preclude new lending to Venezuela. Normalization will require clearing arrears, adopting credible governance and anti-corruption reforms, and securing political support from key shareholders, notably the United States. Historically, the IDB has served as a principal financier for Venezuela's transportation, energy, and water infrastructure projects.

2.3 CAF as Near-Term Financier

The CAF -Development Bank of Latin America and the Caribbean has maintained limited but continuous engagement with Venezuela and operates under a more flexible governance framework than global multilaterals. As a result, CAF financing is expected to resume sooner, particularly for cross-border and infrastructure-related initiatives.

The projected sequence of engagement is as follows: IMF technical cooperation during 2026, CAF-led project financing in 2026--2027, and the gradual return of the World Bank and IDB in 2027--2028 as Venezuela settles arrears and meets governance benchmarks. *(Sources: International Monetary Fund, Statement on Venezuela, January 18, 2026; World Bank Press Release, "Venezuela Re-engagement Initiative," January 16, 2026; CAF Official Communications, January 2026; Reuters, "Multilateral Banks Chart Path for Venezuela Return," January 19, 2026).*

III. Domestic Legal Codification and Legislative Framework

The National Assembly has announced a broad codification initiative aimed at consolidating Venezuela's legal framework into eight principal codes encompassing: *(i)* criminal law, *(ii)* civil law, *(iii)* social protection, *(iv)* economic and commercial activity, *(v)* electoral law, *(vi)* citizen participation, *(vii)* environmental regulation, and *(viii)* protection of vulnerable groups. The 2026-2027 Basic Legislative Agenda includes a total of 29 laws and eight comprehensive codes, scheduled for phased implementation over this period.

Under the 1999 Venezuelan Constitution, legislative proposals are required to undergo public consultation. However, recent legislative practice suggests that such consultations often involve limited stakeholder participation, primarily engaging select institutional or political actors rather than broader representation from civil society, academia, or the private sector. This approach raises concerns regarding the depth and inclusivity of public input incorporated into finalized statutes. (*Sources: Asamblea Nacional, "Agenda Legislativa 2026 contempla 29 leyes y ocho códigos," January 19, 2026; "Comisión Consultiva establece plan básico legislativo 2026," January 19, 2026*).

Beyond statutory enactment, these reforms will require coordinated updates to secondary regulations, administrative procedures, and internal protocols across the public administration. The design, timing, and implementation of these instruments—ranging from executive decrees and ministerial resolutions to binding regulatory guidance—will be as determinative as the primary legislation in shaping legal certainty and investor confidence.

IV. Legislative Reforms and Sectoral Initiatives (January 2026)

4.1 Partial Reform of the Organic Hydrocarbons Law

On January 22, 2026, the National Assembly approved in first reading the Partial Reform of the Organic Hydrocarbons Law, following its presentation by Interim President Delcy Rodríguez during her annual address on January 15, 2026. The reform integrates production models from the 2020 Anti-Blockade Law and introduces new contractual mechanisms designed to attract private and foreign investment in Venezuela's undeveloped oil and gas fields *(Sources: Asamblea Nacional de Venezuela, Official Session Record, January 22, 2026; Reuters, "Venezuela's Proposed Oil Reform to Give Autonomy to Companies," January 22, 2026; Prensa Latina, January 21, 2026; S&P Global Energy, "Venezuela Oil and Gas Regulatory Framework Update," January 14, 2026).*The principal amendments introduced under the proposed reform are as follows:

(i) *Private Company Contracting* (Article 40): Authorizes PDVSA and its subsidiaries to enter contracts with private companies for primary hydrocarbon activities. Operators assume full management, financing, and technical responsibility, with revenue-sharing agreements negotiated individually.

(ii) *Direct Commercialization Rights* (Article 36): Grants minority shareholders in joint ventures the right to market their share of production directly, provided sale prices exceed those obtained by state entities. Allows for greater flexibility in foreign currency management and engagement of international service providers.

(iii) *Royalty Adjustment Mechanism* (Article 52): Provides the Executive with authority to reduce royalty rates to a minimum of 15% (down from 30%) for projects that are not economically viable under existing terms, with the possibility of restoring standard rates once conditions improve.

(iv) *Dispute Resolution Mechanisms* (Article 8): Introduces independent arbitration and alternative dispute resolution (ADR) as enforceable options that supplement Venezuelan court jurisdiction, aligning with investor expectations for neutral venues.

(v) *Operator Model for Undeveloped Fields* (Articles 40-45): Establishes a framework permitting private operators to assume full technical and commercial control of undeveloped or virgin fields. Revenue participation is negotiated on a case-by-case basis, with asset reversion provisions at contract termination while state ownership of reserves remains intact.

It is important to note that preliminary analyses from academic and political sectors have raised concerns that the reform may potentially conflict with constitutional provisions. These concerns center on three main areas: *(i)* the compatibility of private sector participation in reserved activities with Article 302 of the Constitution; *(ii)* the incorporation of international arbitration mechanisms in relation to the requirement set forth in Article 151 of the Constitution that public interest contracts be subject to Venezuelan jurisdiction; and *(iii)* the reduction of parliamentary oversight in the approval of public interest contracts as mandated by Article 150 of the Constitution.

Executive Decree Context: Tax Exoneration Framework

This reform follows Executive Decree No. 5,207, issued on January 9, 2026, which exonerated hydrocarbon fuels and certain production inputs from VAT, import tax, customs duties, and applicable financial transactions tax for a maximum term of one year (*January 12, 2027) (Official Gazette of the Bolivarian Republic of Venezuela, No. 43,292, January 12, 2026; Venezuelan Ministry of Oil, Official Communication, January 9, 2026).* The decree urges authorities to extend exonerations to municipal and state taxes and establishes that the exoneration will be evaluated every six months. This temporary tax framework provides essential cost relief supporting the investment thesis underlying the Hydrocarbon Law reform.

4.2 Organic Law for the Protection of Socioeconomic Rights

On January 22, 2026, the National Assembly approved in first reading the Organic Law for the Protection of Socioeconomic Rights, which replaces the Organic Law of Fair Prices.

The principal amendments introduced under the reform are as follows:

(i) Establishment of a consumer rights framework guaranteeing access to quality goods and services, accurate information, freedom of choice, and protection against misleading advertising and coercive sales practices.

(ii) Creation of a National System for Price Observation to monitor production and distribution chains, with authority to set prices only in extraordinary circumstances and an emphasis on administrative oversight rather than generalized price controls.

(iii) Decriminalization of a broad range of pricing violations, converting them into administrative infractions and introducing proportional sanctioning mechanisms.

(iv) Detailed provider obligations relating to product quality, information disclosure, warranties, and fair treatment of consumers.

(v) Reinforcement of alternative dispute resolution, granting the Superintendency for the Protection of Socioeconomic Rights authority to handle consumer complaints through conciliation without recourse to the courts.

For investors, the proposed law would dismantle the prior repressive price-control framework and reduces criminal exposure by shifting to administrative enforcement, while still preserving residual executive authority to impose price controls "in extraordinary circumstances," a factor that warrants careful contractual risk allocation.

4.3 Organic Law for the Acceleration of Administrative Procedures

As part of the 2026 legislative agenda announced by National Assembly President Jorge Rodríguez on January 20, 2026, the Government introduced the Organic Law for the Acceleration and Optimization of Administrative Procedures in the Public Administration.

The principal provisions include:

(i) Broad executive delegation, granting the President authority to suspend, reduce, suppress, or modify administrative procedures, permits, and requirements across government entities.

(ii) Mandatory digitalization of administrative processes to mitigate bureaucratic delay.

(iii) Authorization to establish unified service centers (*ventanillas únicas*) as single points of interaction for users.

(iv) Regulatory suspension mechanisms allowing presidential decrees to temporarily suspend legal provisions until the National Assembly enacts corresponding amendments.

(v) Creation of a Presidential Commission tasked with identifying and addressing procedural bottlenecks.

From an investor perspective, the law is intended to expedite licensing, permitting, and regulatory approvals, but the breadth of presidential discretion in determining which requirements are altered or eliminated introduces uncertainty regarding the stability and predictability of future regulatory conditions. (*Legal reference: Proyecto de Ley Orgánica para la Aceleración y Optimización de los Trámites y Procedimientos Administrativos, 2026*).

V. Bilateral Investment Treaty (BIT) Framework and Investor-State Dispute Settlement:

Venezuela's withdrawal from the ICSID Convention in 2012 eliminated access to the primary international arbitration forum for new investor claims. However, approximately 42 investor-state cases against Venezuela remain active through alternative mechanisms (ICSID Additional Facility, UNCITRAL ad hoc arbitration, and bilateral dispute resolution clauses). Venezuela's recent BITs with China and other jurisdictions expressly provide for UNCITRAL arbitration, ensuring continued investor protection through non-ICSID channels. For prospective investors, the availability and enforceability of contractual dispute resolution mechanisms outside ICSID remains critical for securing international arbitration access. (*Sources: JD Supra, "Foreign Investment in Venezuela: Assessing*

Gaps," January 14, 2026; ISDS Platform, bilaterals.org, "Venezuela | ISDS Platform"; ICSID Case Database, World Bank).

VI. Debt Restructuring Environment

Venezuela has remained in sovereign default since 2017 without a formal debt restructuring, with a diversified creditor base mostly comprising of: (i) private bondholders (sovereign and PDVSA bonds); (ii) bilateral creditors, principally China and Russia; (iii) investor state arbitration claimants estimated at USD 15--20 billion; and (iv) arrears to multilateral institutions including the World Bank, Inter-American Development Bank, CAF, and IMF (*Reuters, "Venezuela's billions in distressed debt: Who is in line to collect," January 4, 2026*).

Chinese exposure is estimated at USD 10--12 billion and was historically serviced through oil-for-loan mechanisms that have been effectively interrupted by recent U.S. controls on Venezuelan crude exports, prompting concern among Chinese authorities regarding the impact of U.S. intervention on Chinese creditor interests (*Sources: Reuters, "China Concerned Over U.S. Control of Venezuelan Oil Revenue," January 18, 2026; South China Morning Post, "Beijing's Venezuela Gambit Under Pressure," January 7, 2026; Xinhua News Agency, Statement on Venezuela, January 10, 2026*).

Russian claims are estimated at approximately USD 9 billion, following a 2017 restructuring of USD 3.5 billion that extended payment schedules but left overall exposure contingent on exchange rate movements and compliance with agreed terms (*Sources: Venezuela Analysis, "Venezuela, Russia Agree to Restructure Debt as China Maintains Position," September 2, 2023*).

No formal sovereign or PDVSA debt restructuring negotiations are currently active; creditor groups have resumed exploratory contacts as of January 2026, but no official negotiation framework has been established, while Executive Order 14373 (January 9, 2026) shields Venezuelan oil revenues held in U.S. Treasury accounts from attachment, effectively prioritizing U.S. policy objectives over creditor claims to these proceeds (*Sources: Federal Register, Executive Order 14373, January 9, 2026; Reuters, "U.S. Oil Revenue Controls Complicate Venezuela Debt Restructuring," January 15, 2026)*. For investors, the overlapping nature of bond, bilateral, arbitration, and multilateral claims - combined with asset-protection mechanisms and ongoing litigation in multiple fora- creates a complex legal landscape for assessing cash flow predictability, recovery prospects, and the risk of asset seizure in external jurisdictions.

VII. Investment Contingency Framework

Given the layered regulatory, political, and financial risks, any investment strategy in Venezuela should be accompanied by comprehensive contingency analysis. These risks can be structured into a scenario-based framework:

Scenario	Potential Impact on Investment	Possible Mitigation Measures
Changes in sanctions policy or U.S. oversight	Loss of authorized access to markets, foreign currency, or essential imports	Include exit clauses, establish parallel supply chains, maintain international arbitration in neutral jurisdictions
Creditor conflicts and litigation	Potential delays in external asset access; creditor claims on cash flows	Establish escrow arrangements; prioritize co-financing with U.S. institutions for political protection; structure payment waterfalls clearly
Political or governance transitions	Potential reversal of market-oriented policies or sectoral licenses	Stage capital deployment contingent upon verifiable regulatory milestones; include stabilization clauses with defined trigger events
Regulatory framework reversals	Reimposition of price controls, foreign exchange restrictions, labor regulations, or contract modification authority	Include contractual stabilization provisions guaranteeing regulatory treatment for specified periods; require supermajority legislative approval for material contract modifications; establish dispute resolution in neutral forums
Monetary or currency policy shifts	Devaluation affecting import costs and repatriation of profits	Ensure contractual access to foreign exchange at defined rates; index payment obligations to objective benchmarks; establish hard-currency payment mechanisms

VIII. Final Considerations

a. Regulatory normalization in Venezuela is expected to unfold over a three- to five-year horizon, contingent on several mutually reinforcing factors: sustained recovery of the oil sector, implementation of the codification agenda, tangible progress in sovereign debt restructuring, and consolidation of a stable and predictable political framework. The interaction among these elements will ultimately determine the credibility of the reform process and the degree of confidence it inspires among international investors.

b. Externally, the regulatory and financial environment will be shaped by three main vectors.

(i) The U.S. framework, marked by selective sanctions relief tied to oil sector cooperation and oversight of revenue management, will remain under strict political scrutiny. Meaningful changes will depend on administrative transitions or shifts in Washington's policy priorities.

(ii) Multilateral engagement will likely evolve in phases: initial technical re-engagement by the IMF beginning in 2026; renewed project financing by the Development Bank of Latin America (CAF) between 2026 and 2027; and a gradual re-entry of the World Bank and the Inter-American Development Bank between 2027 and 2028.

(iii) Debt negotiations are expected to continue through informal creditor dialogues in the absence of a formal restructuring framework, while emerging Chinese and Russian positions regarding claim treatment and repayment schedules may introduce additional complexity.

c. Domestically, the success of the codification agenda and targeted reforms in the areas of investment law, labor regulation, banking, public-private partnerships, tax policy, public procurement, and price controls will determine whether Venezuela becomes a more predictable and legally coherent investment destination. The technical quality, internal consistency, and enforceability of these reforms will distinguish a genuine regulatory transition from a merely declarative agenda.

d. From an investment structuring perspective, new projects should incorporate the highest possible level of contractual protection, supported by transparent and verifiable risk mitigation mechanisms. Priority clauses include:

(i) International arbitration, designating neutral forums (UNCITRAL, ICC) and pre-defined procedural rules.

(ii) Foreign currency guarantees, ensuring contractual access to foreign exchange at agreed rates for imports, profit repatriation, and debt service.

(iii) Stabilization clauses, preserving defined regulatory treatment for specific periods and setting procedures to address material legal changes.

(iv) Regulatory milestone conditions, linking capital deployment to measurable legislative, regulatory, or operational progress.

(v) Sanctions provisions, anticipating the potential impact of changes in sanctions regimes on project viability and defining procedures for revision or termination.

(vi) Escalation mechanisms, establishing stepwise procedures for dispute resolution, including mediation, expert determination, and arbitration.

(vii) Ultimately, robust sector-specific due diligence—supported by specialized legal and financial counsel—will be essential to balance early-entry opportunities against the magnitude and asymmetry of risks inherent in Venezuela's evolving economic and regulatory transition.

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