

Panel 8: Venezuela: From Upheaval to Economic Reintegration?

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What Remains of Venezuela's Bilateral Investment Treaty Network—What Prospective Investors Should Know

June 17, 2026

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Following recent developments in Venezuela, the United States government has moved aggressively to reopen the country to foreign investment.

The January 9, 2026 Executive Order, which creates protected deposit accounts for Venezuelan oil revenues (the Executive Order), is the most concrete step of several that the Trump administration has taken aimed at protecting Venezuelan oil proceeds and promoting such investment. The United States Government has also eased sanctions on doing business with Venezuela through a series of OFAC General Licenses[1], facilitated negotiations between the Interim Venezuelan Government and prospective investors, removed interim President Delcy Rodriguez from the SDN list, authorized the Venezuelan Government to hire advisors to consider a possible debt restructuring,[2] and generally encouraged U.S. and other investors and strategics to invest in Venezuela.

However, some investors remain wary given Venezuela's prior expropriations and other actions by the Chavez and Maduro Governments. From 2007-2012 Venezuelan nationalizations in the oil and gold industries produced over \$20 billion in arbitral awards that remain largely unsatisfied, and Venezuela's 2012 denunciation of the ICSID Convention raised further doubts about whether credible investment dispute resolution remains available.

So how cautious should prospective investors in today's Venezuela be? While the durability of new investment in Venezuela is a complicated subject and will be influenced by many factors, Venezuela's current investment landscape does include an extensive network of bilateral investment treaties which remain in force, many with dispute resolution pathways that survive Venezuela's ICSID exit. With strategic structuring, these treaties can still provide enforceable protections for new capital.

ICSID Awards Against Venezuela

In 2007, President Chavez announced the nationalization of foreign-owned oil projects, resulting in Petrol os de Venezuela (PdVSA) seizing majority ownership and operational control of projects owned by ConocoPhillips, ExxonMobil, and Chevron, among others.[3] Similarly, President Chavez began to seize foreign-owned gold mining projects in 2008, culminating in the nationalization of Venezuela's gold industry in 2011. Following the expropriation of foreign-owned oil and gold projects, Venezuela became subject to a number of investment treaty disputes, largely stemming from bilateral investment treaties (BITs) in arbitrations convened under the auspices of the International Centre for Settlement of Investment Disputes (ICSID).

The largest and most consequential investment dispute arising from these nationalization efforts is the *ConocoPhillips* case concerning the Hamaca, Petrozuata, and Corocoro/Gulf of Paria projects. Following the nationalization wave in 2007, Conoco initiated ICSID proceedings under the Netherlands-Venezuela BIT. In March 2019, the tribunal awarded Conoco approximately \$8.7 billion plus interest for unlawful expropriation, and on January 22, 2025, an ad hoc committee dismissed Venezuela's annulment application, leaving the award intact. In parallel, Conoco secured a separate, multibillion-dollar ICC award on contractual claims against PdVSA. Conoco has secured U.S. court judgments recognizing both awards, which remain unsatisfied.

ExxonMobil's *Mobil/Cerro Negro* arbitration likewise stems from Chavez's 2007 nationalization measures. In October 2014, an ICSID tribunal awarded Exxon roughly \$1.6 billion, although this award was later partially annulled. In July 2023, a resubmission tribunal issued a further award, and U.S. courts have entered judgment recognizing portions of Exxon's ICSID award, which remains unpaid.

Enforcement efforts on these awards to date have primarily focused on CITGO, the so-called "crown jewel" of PdVSA's holdings. These enforcement efforts originated with Crystallex, a Canadian gold mining and exploration company that struck a deal with President Chavez in 2002 to develop a gold project in the Las Cristinas region. In 2008, however, Venezuela denied environmental permits, rescinded Crystallex's contract, and seized the Las Cristinas project. The losses stemming from the Las Cristinas project forced Crystallex into

bankruptcy and led the company to proceed with arbitration under the ICSID Additional Facility Rules. In 2016, the tribunal found that Venezuela had breached the Canada–Venezuela BIT and awarded Crystallex approximately \$1.2 billion plus interest. When Venezuela refused to pay, Crystallex pursued enforcement in U.S. courts and, in 2018, became the first creditor of Venezuela to obtain a ruling that PdVSA is Venezuela’s alter ego. This ruling enabled attachment of PdVSA’s shares in PDV Holding, the U.S. parent of CITGO. After Crystallex’s success in attaching the PDV Holding shares, numerous other creditors followed suit, resulting in a court-supervised sale process that is expected to satisfy some of the outstanding arbitral awards, including Crystallex’s, through the forced sale of CITGO.

Other consequential awards and judgments have followed the same trajectory. Rusoro Mining obtained an ICSID Additional Facility award approaching \$1 billion plus interest over gold nationalizations, and Gold Reserve secured an approximately \$713 million ICSID Additional Facility award. Other claimants have also prevailed on expropriation and related treaty claims.[4] Venezuela has largely resisted or delayed payment, and creditors have turned to enforcement efforts in the U.S. and other courts, including the court-supervised sale of CITGO, as well as attachment efforts focused on certain Venezuelan accounts held by European banks.

Venezuela Leaves ICSID

Following these and other high-profile investment arbitrations, Venezuela denounced the ICSID Convention on January 24, 2012. The denunciation took effect six months later, on July 25, 2012. Proceedings initiated before the effective date — *i.e.*, when consent to ICSID arbitration was perfected — continued under the ICSID Convention. Disputes that arose after the denunciation’s effective date, however, could not be brought in arbitration proceedings under the ICSID Convention.

New investors in Venezuela, however, are not without recourse to protect their investments. Many Venezuela BITs include fallbacks to ICSID’s Additional Facility or to ad hoc UNCITRAL arbitration. In 2022, ICSID modernized and expanded its Additional Facility Rules, now expressly permitting arbitration even when one or both parties are not ICSID Contracting States. For investors, this means that viable international arbitration fora remain available notwithstanding Venezuela’s ICSID exit.

The Modern Picture

Venezuela’s treaty network still provides meaningful protections for new investments, but investors must understand the contemporary landscape, tread carefully, and remain cognizant of the risk of Venezuela’s nonpayment or resistance. Venezuela still maintains BITs with capital-exporting States, which

auto-renew on multi-year cycles, and include standard survival clauses that extend protections for a period even after termination.[5] As a result, protections will largely remain available for qualifying investors and investments and can be accessed through proper investment structuring. Investors, however, must proceed with an eye to enforcement of any future awards, given Venezuela's history of contesting and delaying payment of large awards.

Substantively, modern Venezuela BITs commonly provide crucial protections that establish enforceable legal rights and remedies against host state conduct, including the following:

- Fair and equitable treatment (FET) obligates the State to act transparently, non-arbitrarily, and consistently with the investor's legitimate expectations. FET is often the most litigated standard and protects against sudden regulatory changes that undermine the economic basis of an investment.
- Full protection and security requires the State to exercise due diligence to protect the physical safety of investments and prevent damage.
- Protection against unlawful expropriation (both direct seizures and indirect measures tantamount to expropriation) guarantees that if the State takes an investor's property, it must do so for a public purpose, in a non-discriminatory manner, with due process, and against prompt, adequate, and effective compensation at fair market value — permitting investors to recover the full economic value of what was taken.
- National treatment and most-favored-nation treatment requiring the State to treat foreign investors no less favorably than it treats its own nationals or investors from third countries, whichever standard is more favorable.
- Free transfer of capital and returns protects against currency controls by guaranteeing investors can repatriate profits, dividends, and proceeds without delay.
- Umbrella clauses, where included, elevate contractual commitments into treaty obligations, meaning that a State's breach of an investment contract can become a treaty violation subject to international arbitration, giving investors an additional layer of protection beyond domestic contract law.

Procedurally, dispute resolution options typically include ICSID for legacy disputes where consent was perfected before Venezuela's denunciation took effect, ICSID Additional Facility where ICSID is not available, and ad hoc UNCITRAL arbitration. The choice among these fora carries significant enforcement consequences. An award rendered under the ICSID Convention is

directly enforceable in any Contracting State as if it were a final judgment of that State's own courts, and is not subject to the grounds for refusing recognition available under the New York Convention. An ICSID Additional Facility or UNCITRAL award, by contrast, is not an ICSID Convention award; it must be recognized and enforced through the ordinary channels under the New York Convention, like any other international arbitral award.

As a result, investors should structure their investments carefully to ensure coverage under favorable BITs, particularly those that require only valid incorporation in a treaty party State without additional business activity requirements. Strategic nationality planning typically involves establishing holding companies in jurisdictions with investor-friendly BIT networks, such as Spain or the Belgium-Luxembourg Economic Union.[6] Pre-investment structuring is critical because tribunals have generally rejected post-dispute restructuring as impermissible treaty shopping, meaning investors should establish their treaty-protected structure before disputes arise or become foreseeable.

In recent weeks, Venezuela has demonstrated its desire to provide renewed protections for foreign investors. Emerging hydrocarbons reform legislation signals a potential reopening to neutral dispute resolution and bankable project mechanics. Draft legislation indicates openness to alternative dispute resolution, including independent international arbitration, while leaving the seat, procedural rules, and institutional framework to be defined by regulation or contract — customization options that beckon to investors. Beyond dispute resolution, the hydrocarbons legislation points toward a broader package of investor protections while signaling renewed openness to investor-state dispute resolution mechanisms that resemble ICSID. In substance, this potential model for future legislation is preventative in that it reduces expropriation risk and improves bankability with finance-friendly features such as economic-equilibrium protections, more flexible commercialization and banking options, and clearer contract durations, renewal rights, and termination procedures. If the hydrocarbons legislation is to serve as any indication, Venezuela may be endeavoring to mitigate risks by giving investors credible, pre-dispute tools so investment projects are less likely to devolve into disputes. Combined with promises of ICSID-modeled investor-state dispute resolution, this could signal additional security to foreign investors.

While opportunities for investors in the Venezuela of January 2026 are promising, they must be considered against Venezuela's historical non-payment risk. Investors can still access meaningful treaty protections through ICSID Additional Facility and UNCITRAL pathways, and emerging legislation points towards reinforcement of time-tested dispute resolution mechanisms attractive to investors. That risk should not be understated: Venezuela consistently ranks among the world's least compliant States in satisfying investment-treaty awards — recent surveys of compliance with investment-treaty awards have placed it at

or near the top of the global rankings of unpaid awards, alongside States such as Spain, Russia, and Argentina — and it remains, after Argentina, the second-most frequent respondent in the history of ICSID. Investors must therefore weigh carefully whether Venezuela will follow through by honoring its commitments to investors both before and after disputes arise.

Venezuela's recent legislative proposals suggest an effort to address the underlying causes that generated decades of investment disputes rather than simply offering new forums to adjudicate similar claims. The Chavez-era expropriations stemmed from regulatory instability, uncompensated takings, discriminatory treatment, and restrictive currency controls that transformed operational investments into multi-billion dollar arbitration claims. The emerging hydrocarbons legislation attempts to mitigate these risks through structural protections. Economic equilibrium provisions are designed to prevent the arbitrary regulatory changes that formed the basis of fair and equitable treatment violations in cases like *ConocoPhillips*. Flexible commercialization and banking mechanisms respond to the currency control restrictions that amplified investor losses during the nationalization period. Clearer contract durations, renewal rights, and termination procedures address the ambiguities in prior agreements that allowed Venezuela to force renegotiation or seize foreign-owned projects without predetermined compensation terms. These preventative safeguards, if implemented as drafted, would complement rather than replace dispute resolution mechanisms by reducing the likelihood that disputes arise in the first instance.

Whether Venezuela will maintain these commitments beyond the current effort to attract foreign capital remains uncertain. The country's history includes prior periods of investor-friendly reforms that were later scaled back when political circumstances changed. Investors must therefore approach opportunities with clear-eyed assessment of both the potential protections and the enforcement challenges, structuring for treaty coverage while maintaining readiness to pursue collection efforts if disputes nonetheless materialize.

* Cleary associates Miranda Herzog and and Taylor Lee also contributed to this alert.

[1] Although comprehensive blocking sanctions are still in place against the Government of Venezuela and PdVSA, OFAC has issued a series of general licenses ("GL") easing sanctions across Venezuela's oil, gas, electricity, petrochemical, mining, and financial sectors, including GL 46C (authorizing certain downstream activities involving Venezuelan-origin oil and petrochemical products), GL 47A (authorizing the sale of U.S.-origin diluents), GL 48B (authorizing the supply of certain goods and services for the exploration, development, or production of oil, gas, or petrochemical products in Venezuela, or for the generation, transmission, storage, or distribution of electricity in Venezuela), GL 50B (authorizing operations by named historic

investors), and GL 49A (authorizing negotiation of and entry into contingent contracts relating to new investment in oil, gas, petrochemical products, or electricity sector operations in Venezuela), GL 56 (authorizing transactions incident and necessary to engaging in commercial negotiations of contingent contracts with the Government of Venezuela), GL 52A (authorizing transactions with PdVSA), and GL 58 (authorizing certain professional services related to potential debt restructuring).. Many of these GLs require contract terms to be construed and interpreted in accordance with the laws of a state or other jurisdiction within the United States and require dispute resolution proceedings to occur in the United States, United Kingdom, France, or Singapore. Each GL carries additional compliance obligations, which should be reviewed in full before entering into transactions. For more details, see Cleary Foreign Investment and International Trade Watch.

[2] See GL 58, Authorizing Certain Services to the Government of Venezuela in Connection with Potential Debt Restructuring, issued May 5, 2026.

[3] As of 2026, Chevron is the only U.S. petrochemical company still operating within Venezuela's oil industry, under a joint venture structure in which PdVSA maintains majority control of each project.

[4] Other claimants include Tenaris/Talta, Koch, and OI European Group. The ICSID awards that these claimants won against Venezuela total over \$1.1 billion.

[5] This includes, for example, Spain (1997, auto-renewing every two years with six-months' notice), the United Kingdom (1996, one-year termination notice), Portugal (1995, auto-renewing every five years with one-year notice), Switzerland (1995, one-year notice), Canada (1998, one-year notice), Belgium-Luxembourg (2004, auto-renewing every ten years since 2014 with six-months' notice), Russia (2009, auto-renewing every five years since 2019 with one-year notice), and China (2025, initial ten-year term, then one-year notice), among others.

[6] In many instances, the Netherlands has been viewed as offering particularly attractive treaty protections; Venezuela, however, withdrew from its bilateral investment treaty with the Netherlands in 2008.

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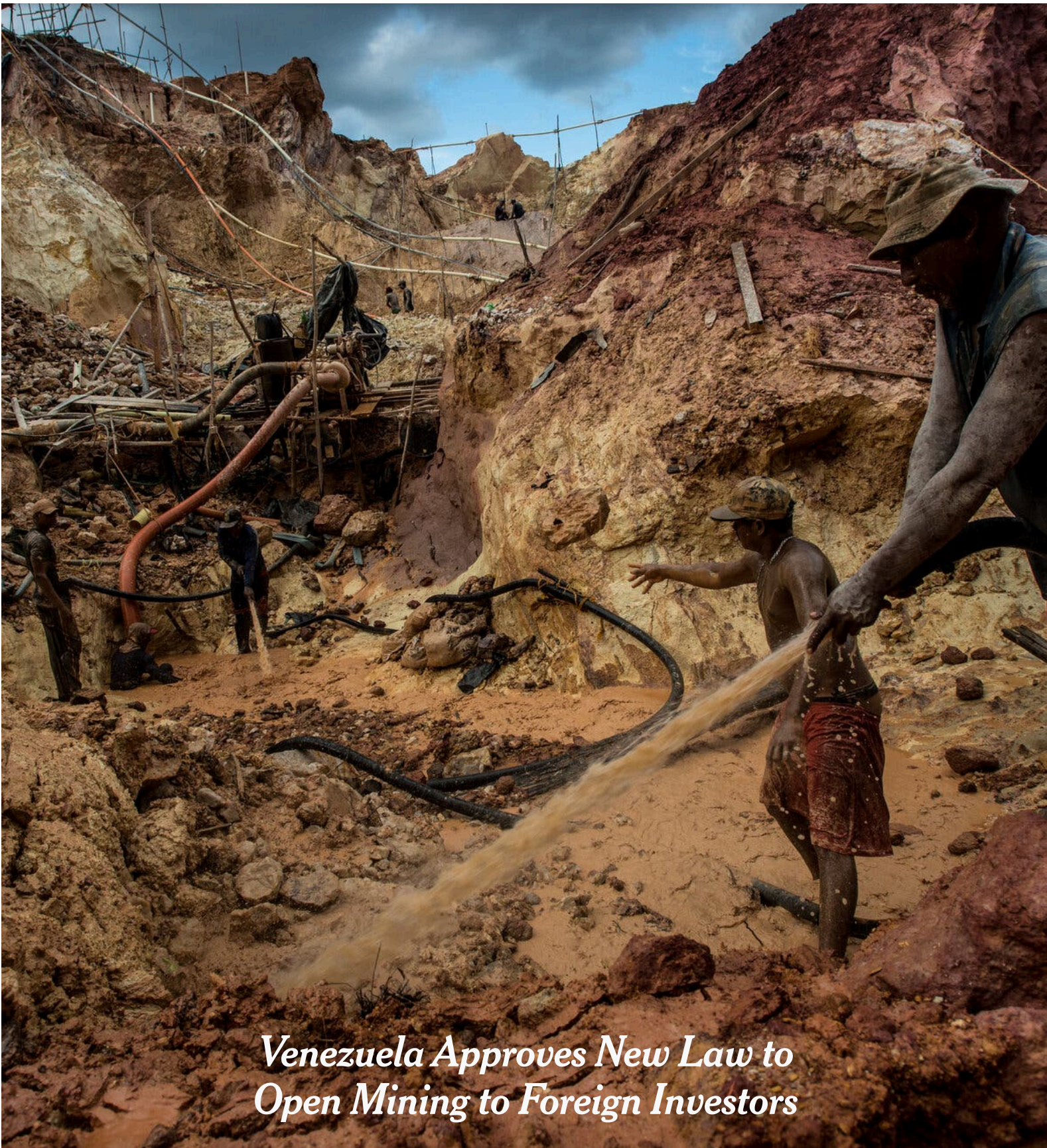
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Venezuela Approves New Law to Open Mining to Foreign Investors

An illegal gold mine in Las Claritas, Venezuela, in 2016. Meridith Kohut for The New York Times

The move opens the country's coveted mineral fortune up to foreign investors, the latest move that Venezuela's leadership has taken to satisfy the Trump administration.



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**By Luis Ferré-Sadurní**

Reporting from Bogotá, Colombia

April 9, 2026

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The Venezuelan National Assembly on Thursday approved a new law meant to modernize the country's decrepit mining industry and lure private companies to excavate Venezuela's untapped riches of gold and critical minerals.

The sweeping changes, in a Socialist-led country that had long exerted state control over its mines, are the latest example of the Venezuelan government's compliance with the Trump administration since the United States [captured](#) the country's leader, Nicolás Maduro, in January.

The Venezuelan Legislature, controlled by Mr. Maduro's ruling Socialist Party, passed the new law one month after the U.S. interior minister, Doug Burgum, brought dozens of American mining executives [to meet](#) with the country's acting president, Delcy Rodríguez. Both officials vowed to open Venezuela's coveted deposits to American investment.

The proposal passed by a unanimous vote. The measure next goes to Ms. Rodríguez for final approval.

Venezuela sits on a mineral fortune that remains largely untapped. The country [is believed](#) to have one of the largest gold reserves in the world. It is also thought to hold rare earths and vast reserves of bauxite, iron and coal, plus copper, nickel and [coltan](#), a black ore used in the manufacturing of such items as smartphones and satellites.

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Venezuelan and American officials welcomed the new legislation, saying it would help diversify the economy's reliance on oil and improve conditions for foreign companies to invest. It is similar to a law passed in late January [to overhaul the oil sector](#).

Ms. Rodríguez [told](#) about 50 investors who [visited the capital, Caracas, last month](#) that the new oil and mining laws were meant to ensure investors “had guarantees, had judicial security, had political security, stability and tranquillity so your investments could grow widely.”

But the ambitions to attract investors are bound to clash with the perilous reality in Venezuela's mining regions. Entrenched gangs, guerrilla groups and corrupt military officials control many mining operations. The stranglehold is often maintained with the forced labor of Indigenous people and kickbacks to Venezuelan officials, according to experts.

Illegal mining flourished under Mr. Maduro in the southeastern state of Bolívar and in large areas of the Amazon rainforest, where mining is prohibited but has boomed illegally, leading to deforestation and contamination. Most of Venezuela's deposits are in an expansive jungle territory known as the Orinoco Mining Arc, an area larger than Cuba, making it hard to police.



The leader of an armed group known as “the Union” showed off his brass knuckles made of gold, in Las Claritas, Venezuela, in 2016. Meridith Kohut for The New York Times

So far, Venezuelan officials have not detailed how they plan to secure mineral-rich regions where armed groups — most notably the National Liberation Army, Colombia’s largest remaining guerrilla group — effectively act as a shadow government.

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“Caracas is not the de facto authority in these mining regions,” said Bram Ebus, a consultant who has spent years [researching](#) illegal mining in Venezuela for Amazon Underworld, an investigative journalism project. “So they can write up a nice mining legislation, but when you go to these mining districts, there’s other armed authorities you need to deal with.”

Despite the challenges, the new law is meant to formalize Venezuela’s mining industry, which [some market researchers](#) project could generate at least \$8 billion in annual revenue by 2036.

For one, the law appears intended to provide companies that obtain mining licenses, which can last up to 30 years, with remedies and safeguards against the Venezuelan government’s unilateral seizure of their assets.

Mining conglomerates are still scarred from [a wave of nationalizations](#) under Venezuela’s former Socialist president, Hugo Chávez, who took control of the country’s gold industry [in 2011](#). Mr. Chávez expropriated the assets of American and Canadian companies operating in Venezuelan gold mines, leading to continuing legal fights over billions of dollars that the companies say they are owed.

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The new law will allow investors to resolve contract disputes with the Venezuelan government through mediation and arbitration,

rather than solely through Venezuela's courts. But some experts cautioned that the language around arbitration was vague, leaving it unclear if disputes could be settled in international venues.

The law will also create four new oversight entities, including a specialized unit within Venezuela's National Guard to police mining areas.

The statute overturns previous mining laws that banned such arbitration, required all gold sales to be made to Venezuela's central bank rather than directly to international markets, and required private companies to partner with state entities.



An illegal gold mine in Bolívar State. Meridith Kohut for The New York Times

Mónica Martíz, the leader of Venezuela's largest civil organization of mining engineers, said that mining engineers were dismayed

that Venezuelan lawmakers had crafted the legislation without their input.

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She also expressed some concerns about the law, such as the requirement that some private companies partnering with the state give the Venezuelan government a majority stake in the venture. But she said that overall, the law was a step in the right direction toward rescuing Venezuela's mining sector from collapse.

"The mining industry is ready to follow the law," she said. "We want good mining, responsible mining, mining with all the best technological mining practices."

A group of 15 nonprofit organizations in Venezuela [warned](#) that the law presented "a grave threat" for the environment and could exacerbate continuing deforestation in Venezuela and lead to the continued human rights abuses of Indigenous mining workers.

The Venezuelan government is still poised to retain some control over its deposits.

The country will be allowed to claim control over certain minerals that it deems "strategic" for national defense or the economy. It also gives Venezuela's national bank a preferential right to buy gold produced in the country and still allows state-owned enterprises to mine minerals.

In 2019, during Mr. Trump's first term, the United States [imposed sanctions](#) on Venezuela's mining industry, which the Treasury Department described as a "lucrative financial scheme" used by

Mr. Maduro to enrich himself and bypass U.S. oil sanctions. The United States froze the assets of Venezuela's state-owned mining company, known as Minerven, and barred U.S. banks and citizens from engaging financially with the company.

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But on March 6, after Mr. Burgum's visit to Venezuela, the Treasury Department [issued a license](#) to allow U.S. entities to [engage](#) with Minerven, as the United States seeks to grow its control over Venezuela's natural resources. Mr. Trump has made obtaining access to minerals a major plank of his foreign policy.

Experts said that the mining companies most likely to first invest in Venezuela may be those that had a presence in the country before they were kicked out.

Gold Reserve, a gold mining company listed on the Canadian stock exchange, has been embroiled in an 18-year legal fight with Venezuela after Mr. Chavez in 2008 revoked its permits to mine large gold and copper deposits and took control of the company's mining project without compensation.

The company applauded Mr. Maduro's capture in [a news release](#) in January. Gold Reserve's executives also accompanied Mr. Burgum during his visit last month and welcomed the new mining changes, with the company saying [last month](#) that it had submitted its input on the law as it was drafted.

The company did not respond to a request for comment about its plans in Venezuela.

“The United States can’t force mining companies to go to Venezuela, it has to convince them, persuade them, create the capacity and support system,” said Diego Area, the president and chief executive of Global Americans, a nonpartisan think tank focused on U.S.-Latin America relations.

Mr. Area, who is Venezuelan, said putting the law in place would be “complex” but he struck an optimistic chord, saying it was “chaos finally beginning to have order.”

Isayen Herrera contributed reporting from Venezuela.

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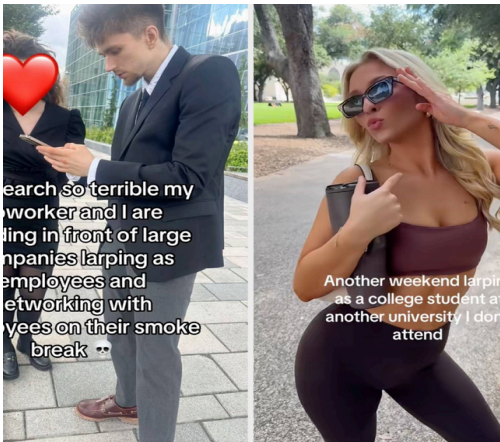
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Venezuela Reforms Hydrocarbons Law: A Potential Sea Change for Foreign Investment in the Oil Sector?

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Introduction

On January 29, 2026, Venezuela's National Assembly (the "National Assembly") approved—after a second reading—a bill partially reforming the Organic Law on Hydrocarbons (the "LOH Reform"). An initial draft bill was approved on January 22, 2026. This legislative development comes just weeks after the U.S. military operation that removed President Nicolás Maduro from power on January 3, 2026, and marks a potentially historic shift in Venezuela's approach to foreign investment in its oil and gas sector. For U.S. companies—many of which were forced out of the country during the Chávez-era nationalizations—the LOH Reform signals a possible reopening of what remains the world's largest proven oil reserve.

This alert summarizes the key provisions of the LOH Reform, contextualizes them against the current political and legal landscape, and analyzes their implications for foreign investors, particularly U.S. oil companies considering a return to Venezuela. The LOH Reform was published in the Official Gazette and is immediately effective, with certain tax related provisions becoming effective 60 days after publication. The LOH Reform was approved after extensive debate and numerous proposals submitted nationwide.

Background: A New Chapter for Venezuela

The ouster of Nicolás Maduro on January 3, 2026, following a U.S. special operations raid, has fundamentally altered Venezuela's political landscape. Vice President Delcy Rodríguez was sworn in as interim president of the Bolivarian Republic of Venezuela (the "Republic") on January 6, 2026, and while her government has publicly condemned Maduro's removal, reports indicate ongoing negotiations with U.S. officials regarding the country's future direction. Secretary of State Marco Rubio has also stated that the U.S. seeks to influence Venezuela's direction rather than govern directly.

The Trump Administration has signaled its intent to rebuild Venezuela's oil industry, meeting with major U.S. oil executives and announcing plans and beginning to selectively roll back sanctions to enable oil production and exports. Against this backdrop, the LOH Reform is designed to create a legal framework attractive to the foreign capital and expertise Venezuela desperately needs to revive its moribund oil sector, which has seen production collapse from approximately 3.5 million barrels per day in the 1990s to roughly 860,000 barrels per day today.

Key Provisions of the LOH Reform

The LOH Reform represents a potentially significant liberalization of Venezuela's hydrocarbons legal framework while maintaining the state's foundational role in the sector. The following are the most consequential changes:

Upstream Activity Framework

Under the LOH Reform, upstream hydrocarbon activities (exploration, production, and initial transportation and storage of oil and associated gas) may be conducted by: (i) the National Executive, Venezuelan wholly state-owned entities, including Petróleos de Venezuela, S.A. ("PDVSA"), or their affiliates; (ii) joint venture companies (*empresas mixtas*) in which the Republic or a state entity directly or indirectly holds an ownership interest greater than 50% providing them shareholder control; and (iii) private companies domiciled in Venezuela, acting under contractual arrangements with state-owned companies or their affiliates.

The initial draft bill waived the explicit requirement for state ownership exceeding fifty percent in joint ventures, which introduced flexibility that could have allowed for creative structuring with greater economic participation by foreign partners. However, the final LOH Reform reinstates the requirement that the state hold an ownership interest greater than 50% in joint ventures. While this reduces some of the structuring flexibility contemplated by the initial draft bill, the LOH Reform still offers meaningful opportunities for foreign participation through enhanced minority shareholder rights and the new contractual framework described below.

Joint Venture Governance and Terms

Joint ventures under the LOH Reform are authorized by Presidential Decree, which establishes the conditions for their upstream activities. The Ministry of Hydrocarbons (the "Ministry") must notify the National Assembly for parliamentary oversight and submit a report on each joint venture's formation, principal terms, and any special advantages granted to the Republic.

Joint ventures are governed by their authorizing Presidential Decree, articles of incorporation, and bylaws. The Venezuelan Code of Commerce and other laws apply on a supplementary basis. While exempt from the Public Procurement Law, joint ventures must implement transparent procurement mechanisms based on principles like honesty, efficiency, and publicity.

The initial term for a joint venture is up to 25 years, with a possible renewal for up to 15 years. Renewal must be requested after half the original term has passed and at least five years before it expires. The majority shareholder has a preferential right to purchase the minority shareholder's shares in a sale or transfer.

All assets used in upstream activities revert to the Republic free of charge upon termination of the joint venture's rights. The assets must be maintained in good condition to ensure operational continuity or an orderly shutdown with minimal impact. The joint venture's management must preserve its economic and financial equilibrium to allow for investment recovery.

Expanded Rights for Minority Shareholders in Joint Ventures

Subject to Ministry authorization, the LOH Reform grants important operational rights to minority shareholders in joint ventures. The Ministry may authorize them to: directly market some or all of the joint venture's production under the Hydrocarbons Law; open and operate bank accounts in any currency or jurisdiction to manage funds; and manage the venture's technical and operational aspects, either directly or through an affiliate.

If a minority shareholder manages technical and operational aspects, service costs must be reasonable and the production cost per barrel must be at or below that of Venezuela's state-owned entity. When any of these rights are granted, the shareholders must update their agreements to ensure the joint venture's financial stability and investment recovery.

These provisions address longstanding investor concerns about controlling cash flows, making operational decisions, and accessing international markets—issues that affected prior joint venture arrangements. However, minority shareholders must still evaluate the potential execution risk associated with the discretionary nature of the authorization process.

New Contractual Framework for Private Companies

The LOH Reform introduces an alternative upstream business model allowing full private-sector participation. Under this model, Venezuelan state-owned entities or their affiliates may sign agreements (*contratos de participación productiva*) ("New CPPs") with private companies domiciled in Venezuela ("Contractors") for upstream activities. Contractors must demonstrate their technical and financial capacity through a business plan approved by the Ministry and will assume full management, responsibility, cost, and risk. The Republic retains ownership of all hydrocarbon reservoirs.

Contractor compensation may include: (i) a percentage of produced hydrocarbons, which the Contractor can market directly after fulfilling government obligations under the Hydrocarbons Law; and/or (ii) another form of profit sharing determined by the Ministry. Although not traditional production-sharing agreements, New CPPs link compensation to production volumes and sales. This represents a meaningful departure from the more restrictive regime that prevailed under Maduro and creates a contractual model familiar to international oil companies operating elsewhere in the world.

New CPPs statutorily replace certain economic features implemented through existing CPPs signed under the Constitutional Anti-Blockade Law for National Development and the Guarantee of Human Rights (the "Anti-Blockade Law"), while expressly situating those features within the general hydrocarbons legal framework. New CPPs may grant Contractors the right to lease State-owned assets and use the operational and delimited areas authorized by the Ministry. Contractors must pay rent specified in the New CPP to the state-owned entities. All such rights terminate automatically upon termination of the New CPP.

Upon termination, Contractors must return leased assets and transfer any assets built or acquired during the New CPP's term to the State, free of any liens and without compensation. Contractors are subject to the tax regime under the Hydrocarbons Law, with state-owned entities acting as agents for collecting and remitting royalties and taxes. New CPPs may include an economic-financial equilibrium clause to allow for investment recovery.

Marketing Rights Liberalization

Under the LOH Reform, state-owned operating companies generally retain the right to market natural hydrocarbons and derivative products designated by the National Executive. However, the Ministry may authorize joint ventures or Contractors to directly market all or a portion of the volumes produced in the assigned area.

Direct marketing does not imply (i) transfer of ownership of reservoirs, or (ii) authorization to grant security interests over reservoirs or on sovereign rights. Joint ventures or Contractors authorized to directly market hydrocarbons must comply with the marketing plan approved by the Ministry, market the hydrocarbons within market prices so that there is no significant difference between the realized sales prices and market prices, satisfy applicable tax and environmental obligations, and meet domestic supply requirements established by the Minister of Hydrocarbons.

This represents a potentially significant revenue enhancement for foreign partners, though the discretionary nature of such authorizations entails some execution risk.

Revised Royalty Structure

The LOH Reform provides that royalties of up to 30% apply to volumes extracted from any reservoir. The applicable royalty rate for each project will be determined by the Ministry, with the opinion of the Ministry of Finance, considering the nature of the project, required capital investments, economic feasibility, and the need to ensure international competitiveness. The Ministry may adjust the royalty rate within the 30% cap where necessary to preserve the project's economic equilibrium.

This approach differs from the initial draft bill, which set the base royalty at 30% and provided for tiered reductions based on the type of activity: to 20% for primary activities carried out by private companies under contract, and to 15% for activities conducted by joint ventures, in cases of proven economic unviability. The revised framework provides greater flexibility by allowing project-by-project determination of rates within the 30% cap.

New Integrated Hydrocarbons Tax

The LOH Reform creates a new integrated hydrocarbons tax (*impuesto integrado de hidrocarburos*) (the "Hydrocarbons Tax") of up to 15% on gross annual revenues. This tax is calculated based on monthly gross revenues, with deductions only for returns, unconditional discounts, and documented invoicing errors. The Ministry, using criteria similar to those for royalties, will set and may adjust the rate for each project to maintain its economic equilibrium. The Hydrocarbons Tax is calculated monthly and paid annually.

This new tax, which was not in the initial draft bill, significantly changes the fiscal framework. Foreign investors should evaluate how this tax will affect project economics, but should note that the flexible rate and economic equilibrium provisions may offer relief in certain cases.

Income Tax Flexibility

The Ministry, with the opinion of the Ministry of Finance, may reduce the applicable income tax rate (currently 50%) where necessary to preserve the economic equilibrium of the project, applying the same criteria used for royalties. This provides additional fiscal flexibility not explicitly contemplated in the initial draft bill.

Tax Exemptions

The LOH Reform exempts public or private entities conducting activities under the Hydrocarbons Law from the following taxes: (i) large wealth tax (*impuesto a los grandes patrimonios*); (ii) the special contribution under the Organic Law on Science, Technology, and Innovation; (iii) the special contribution under the Organic Law on Sports, Physical Activity, and Physical Education; (iv) the special contribution under the Organic Law on Drugs;

and (v) the contribution under the Law for the Protection of Social Security Pensions Against the Imperialist Blockade.

These activities are also exempt from the social responsibility commitment under the Public Procurement Law and all state or municipal taxes, offering potentially significant cost savings for companies operating in the sector.

Alternative Dispute Resolution

In a provision of particular importance to foreign investors, the LOH Reform explicitly provides that disputes may be resolved through alternative dispute resolution methods, including mediation and arbitration. The specific parameters of such alternative dispute resolution mechanisms—including venue, applicable rules, and availability of administering institutions—will require clarification through implementing regulations or contractual provisions. The Ministry, in consultation with the Attorney General's Office (*Procuraduría General de la República*), will issue such guidelines. Clauses adopted pursuant to such guidelines will not require separate authorization under the Attorney General's Office Law or the Commercial Arbitration Law. Once implemented, this could provide foreign investors with greater confidence regarding the enforceability of their contractual rights.

Transitional Provisions

The LOH Reform includes several transitional provisions relevant to existing investments and prior legal frameworks. The Ministry is empowered to evaluate and conform existing joint ventures to the new framework within 180 days of the effectiveness of the LOH Reform. Similarly, PDVSA must adjust existing CPPs and other contracts signed under the Anti-Blockade Law within 180 days of the effectiveness of the new law. The tax regime in effect prior to the enactment of the LOH Reform will continue to apply during this transition period.

Repeal of Prior Oil-Related Laws

The LOH Reform repeals the 2006 law reserving upstream activities to the Republic, the 2009 law reserving hydrocarbon-related assets and services to the Republic, the 2013 windfall tax law, the 2007 Presidential Decree 5,200 relating to migration of Orinoco Belt association agreements to joint venture companies, the 2006 National Assembly resolution approving the terms and conditions of the joint ventures and joint venture model contract (and 2009 amendment), and any other legal provisions inconsistent with the LOH Reform. The Law on the Regularization of Private Participation in Primary Activities will also be partially repealed.

Easing of U.S. Sanctions in the Oil and Gas Sector

The U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") has issued a number of licenses to facilitate oil and gas transactions in Venezuela. On January 29, 2026, OFAC issued [General License No. 46](#), authorizing certain activities for U.S. companies seeking to engage in "downstream-related" transactions involving Venezuelan-origin oil. Please refer to our alert "

U.S. Government Issues General License Authorizing Transactions Involving Venezuelan Oil" for more additional sanctions information and implications for companies as they assess potential transactions in this space.

Subsequently, on February 10, 2026, OFAC issued [General License No. 48](#) ("GL 48"), which authorizes U.S. persons to engage in transactions related to the exploration and production of crude oil in Venezuela. However, GL 48 expressly prohibits the formation of joint ventures or other entities in Venezuela to explore or produce oil or gas.

On February 13, 2026, OFAC issued [General License No. 49](#) ("GL 49"), which significantly expands the scope of authorized oil and gas activities in Venezuela. GL 49 authorizes U.S. persons to engage in transactions related to new investments in Venezuela's oil and gas activities in Venezuela, including the formation of new joint ventures and other entities – a marked departure from the prohibition under GL 48. This development more closely aligns U.S. sanctions policy with the LOH Reform's joint venture requirements for upstream activities.

Prior to GL 49, the GL 48 prohibition on forming joint ventures or entities created significant tension with the LOH reform, which (as discussed above) requires that upstream hydrocarbon activities be conducted through one of two structures: (i) joint venture companies in which the Venezuelan state holds an ownership interest greater than 50%, or (ii) contractual arrangements, i.e., New CPPs, between private companies domiciled in Venezuela and state-owned entities. GL 49 now largely resolves this tension by authorizing the formation of new joint ventures and entities necessary to participate in Venezuela's upstream sector under the LOH Reform framework, provided that the execution of any such contract relating to the creation of new joint ventures or other entities be made expressly contingent upon separate authorization from OFAC. Please refer to our alert

["OFAC Issues New Venezuela General License Expanding Authorization For Oil and Gas Activities"](#) for additional information regarding this development, as well as other recent general licenses issued by OFAC.

The practical implications following GL 49 are as follows:

- **Existing Joint Ventures:** U.S. companies that already hold interests in existing Venezuelan joint ventures would appear to be permitted to continue operating under GL 48, as the prohibition applies only to "new" joint ventures or entities. Such companies may also be able to make additional investments into their existing joint venture interests.
- **New Joint Venture Formation:** With the issuance of GL 49, U.S. companies without existing Venezuelan joint venture interests may now pursue new joint venture opportunities under the LOH Reform framework, subject to further authorization from OFAC.
- **New CPP Contractual Framework:** The alternative New CPP contractual model under the LOH Reform remains a viable path for U.S. companies seeking new upstream opportunities. As required under GL 49, the execution of these New CCPs would require OFAC approval.

U.S. companies evaluating new upstream opportunities in Venezuela should carefully assess the structure that best satisfies their commercial objectives. Companies should continue to monitor for any additional OFAC guidance clarifying the scope of GL 49 and any conditions or limitations that may apply to specific transaction types.

Despite these developments and the LOH Reform, substantial U.S. sanctions remain in effect against Venezuela. Executive Order [13884](#), issued in 2019, blocks all property and interests of the Government of Venezuela—defined broadly to include state oil company PDVSA and its subsidiaries—that are in the United States or controlled by U.S. persons. Significantly, Acting President Delcy Rodríguez herself remains a Specially Designated National (as well as other senior government officials), meaning U.S. persons are generally prohibited from engaging in dealings with her absent OFAC authorization.

The recent sanctions relief provided by the U.S. government comes with a number of restrictions and conditions which we have discussed in detail in the above-referenced alerts. Companies should conduct rigorous sanctions due diligence before pursuing any Venezuelan opportunity and may need to seek specific OFAC licenses for contemplated activities absent a general license(s) authorizing the same. Additional information can be found in our alert [Venezuela Business Risks and Regulations - King & Spalding](#).

Outstanding Claims and Historical Grievances

Major U.S. oil companies hold billions of dollars in outstanding arbitration awards against Venezuela stemming from the Chávez-era [expropriations](#). How these historical claims will factor into new investment opportunities remains an open question. Industry executives have [indicated](#) that significant new investments would likely require resolution of these legacy issues, along with fundamental regulatory changes and robust assurances of contract sanctity.

Investment Scale and Timeline

Revitalizing Venezuela's oil sector will require substantial capital over an extended timeframe. Industry estimates suggest that initial improvements yielding approximately 500,000 additional barrels per day would require ten to twenty billion dollars in capital expenditure over two to four years. Achieving a more substantial production increase of approximately one million additional barrels per day could demand seventy to eighty billion dollars and considerably longer timeframes. These realities counsel patience and careful planning rather than immediate market entry.

Looking Ahead

The LOH Reform represents a meaningful step toward creating a legal framework conducive to foreign investment in Venezuela's oil sector. However, significant uncertainties remain, including with respect to U.S. sanctions relief. The political situation in Caracas remains fluid, with questions persisting about the interim government's durability and its willingness or ability to cooperate with U.S. policy objectives.

For companies evaluating Venezuelan opportunities, we recommend monitoring developments in U.S. sanctions policy and preparing to act when the appropriate authorizations are available. It will be important to conduct thorough due diligence on potential partners, recognizing that many Venezuelan entities and individuals may be subject to sanctions or reputational risks. Companies should engage experienced counsel to help navigate the complex intersection of Venezuelan law, U.S. sanctions, and international arbitration frameworks.

We are continuously monitoring developments in Venezuela, including implications of additional reforms and sanctions relief. Please contact any member of our team to discuss how these developments may affect your business.

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