

Locke Lord QuickStudy: OFAC Revokes Venezuela Gold Mining ?General License and Threatens to Reimpose Oil and Gas ??Sanctions

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On January 29, 2024, the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC") revoked General License ("GL") 43 and issued GL 43A ("Authorizing the Wind Down of Transactions Involving CVG Compania General de Minería de Venezuela CA") related to Venezuela Sanctions Regulations, 31 CFR part 591 (the "VSR"). Subsequently, on February 2, 2024, OFAC amended FAQ 629 and published an updated document entitled "Frequently Asked Questions Related to the Suspension of Certain U.S. Sanctions with Respect to Venezuela on October 18, 2023" to reflect the amended GL and FAQ.

GLs

GL 43A, which replaces GL 43, now requires U.S. persons to wind down by February 13, 2024, all transactions involving Venezuelan state-owned gold mining company CVG Compania General de Minería de Venezuela CA ("Minerven") or any entity that Minerven owns, directly or indirectly, 50% or greater interest. GL 43 previously authorized transactions with Minerven without expiration, based upon the premise the Maduro government would implement democratic reform.

FAQs

FAQ 629 – In light of the revocation of GL 43, OFAC's previous guidance, indicating that it did not intend to target any person solely for operating in the gold sector of the Venezuelan economic, is no longer available. Now, OFAC expects to use its discretion to sanction those who operate corruptly in the gold or other identified sectors of the Venezuela economy. As a reminder, wind-down means that U.S. persons must curtail and diminish activity with Minerven during the wind-down period. U.S. persons cannot "stock up" or otherwise increase activity with Minerven during the wind-down period.

The United States government had clearly stated that any sanctions relief for Venezuela was contingent upon continued progress in democratic reforms brought by the Maduro government. However, Venezuela's Supreme Court recently upheld a ban blocking the leading opposition presidential candidate from holding office. Absent progress between Maduro government and the opposition Unitary Platform, particularly on allowing all presidential candidates to compete in this year's election, OFAC has stated it will not renew GL 44, which temporarily authorizes through April 18, 2024 all transactions prohibited by the VSR related to oil and gas sector operations in Venezuela, including transactions with Petróleos de Venezuela, S.A. OFAC's recent actions reflect the U.S.

governments dissatisfaction with the Maduro government and is likely to reimpose sanctions against Venezuela if democratic reforms are not made, including against the oil and gas sector of Venezuela's economy.

Conclusion

This paper is intended as a guide only and is not a substitute for specific legal or tax advice. Please reach out to the authors for any specific questions. We expect to continue to monitor the topics addressed in this paper and provide future client updates when useful.

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