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BRIEFING NOTE

Venezuela: risk and opportunity in an emerging status quo

Changes to Venezuela's oil law and the scope of U.S. licensing measures are reshaping the legal framework for foreign investment, with important implications for governing law, dispute resolution mechanisms and potential treaty-based claims.

Less than a month after the capture of President Nicolas Maduro by the U.S. military, Venezuelan lawmakers have reportedly approved a wide-ranging reform of its main hydrocarbons law aimed at lowering taxes, strengthening the oil ministry's decision-making authority, granting autonomy for private producers, and permitting asset transfers and outsourcing.

This reform breaks the state monopoly established over the oil industry in Venezuela in 1976, with a further significant wave of nationalisation occurring in 2006-2007.

The new law removes the previous requirement for approval by the National Assembly in relation to oil contracts and instead centralises management and major decision-making powers in the petroleum ministry and the President.

The evident objective appears to be to streamline decision-making and reduce bureaucratic constraints that have historically affected the sector.

Importantly, the new petroleum law permits private operators to market crude independently, a development likely to be crucial to maintaining project-level cash flow and improving commercial viability.

Among other changes, the law appears to permit arbitration for contractual disputes, although there remains ambiguity as to whether and how any right to arbitration may be exercised.

Although the new law empowers the government to determine the applicable rates of taxes and royalties, it reportedly sets only ceiling rates, with the authorities' discretion operating in practice to reduce those rates rather than increase them. This may be viewed as a positive signal for prospective investors.

This reform appears to have been undertaken in close coordination with the United States, and coincides with (and may be complemented by) the U.S. government's easing of sanctions on Venezuela's oil industry through General License No. 46 Authorizing Certain Activities Involving Venezuelan-Origin Oil, issued on 29 January 2026.

These measures are widely understood to form part of a broader U.S.-led recalibration of the legal and commercial framework governing the flow of goods and investment into Venezuela.

General License No. 46 specifically excludes transactions involving persons located or incorporated in Russia, Iran, North Korea, and Cuba, as well as those involving U.S. or Venezuelan entities that are owned or controlled (including indirectly), or in a joint venture with Chinese persons.

The licence also does not extend to the production of Venezuelan crude oil — which fell from 3 million barrels per day in January 2008 to under 1 million barrels per day in December 2025 — although further easing is anticipated. It is widely reported that a further General License addressing upstream production activities is under consideration.

For a start, it appears that General License No. 46 would allow the "unblocking" of crude that has been held on tankers as a result of the December 2025 blockade. It further requires that contracts for transactions with the government of Venezuela or its state-owned oil company, *Petróleos de Venezuela, S.A. ("PdVSA")* and its majority-owned direct or indirect subsidiaries, involving Venezuelan-origin oil, shall be governed by U.S. law (or the law of any jurisdiction within the U.S.) and must provide for dispute resolution under the contract to take place in the U.S.

According to recent OFAC interpretation, this governing-law requirement applies specifically to trading arrangements between U.S. entities and Venezuelan government-owned entities, and does not extend to related or incidental activities such as shipping, banking, insurance, refining, or subsequent onward trading.

With Chinese and Russian entities estimated to produce about 22% of Venezuelan oil, their exclusion from General License No. 46 has raised questions about whether it de facto imposes new restrictions on the feasibility of Venezuelan state-owned oil company *PdVSA* operating or marketing oil from those ventures.

It also raises questions more generally of the impact of the Venezuelan law reform and General License No. 46 on investors from these jurisdictions, considering especially the interplay of various jurisdictions' sanctions regimes. The resulting landscape is therefore one of marked geopolitical division.

Investor protection and avenues for dispute resolution

It is a challenging environment for Venezuela's existing international investors and contractors. To the extent that their financial and other interests are, or will be, disrupted by changes in law and policy they will need to carefully consider their legal and practical options.

The potential to seek compensation under their existing contracts will be framed by the terms of those contracts and their governing law, and will likely be strongly impacted by the effectiveness of the dispute resolution provisions. Moreover, the identity and financial standing of the counterparties will often be critical to the prospects of pursuing such claims.

Aggrieved investors in situations such as these will often turn to their rights under investor protection treaties, and Venezuela has been no stranger to such claims in recent years. Notably, Venezuela has bilateral investment treaties ("BITs") in force with China (2024) and Russia (2008), among others. Both these BITs fall within the new generation of Chinese BITs, which permit arbitration of all investor-state disputes under the subject treaty, and not just disputes regarding questions of quantum of compensation for expropriation (as would be the case under "Soviet era" BITs concluded in prior decades).

This means investors may commence arbitration (with certain specific limitations) for claims relating to fair and equitable treatment, full protection and security, national and most-favoured-nation treatment, and expropriation.

In short, these BITs and others in similar vein may provide a baseline of sorts to counter the potential for preferential treatment of investors of other nationalities, including those that would benefit under General License No. 46.

In the near term at least, the liberalisation of Venezuela's oil industry may thus present greater investor opportunities, even in a more competitive investment landscape.

It remains to be seen whether these recent measures establish a new status quo enabling economic revival, and whether there will be further shocks to the system. Another potential issue, which necessarily will be heavily fact-dependent, is the extent to which U.S. intervention in Venezuela could be legally relevant in a putative BIT claim.

Other sanctions implications

The UK and EU regimes, which are unchanged so far, are generally limited to targeting financial sanctions and asset freezes against individuals connected to the Maduro regime (including President Maduro himself and the interim President Delcy Rodriguez) and trade sanctions in relation to military goods and equipment used for repression and interception and monitoring of telecommunications.

The US sanctions regime still has in place a broad Venezuela oil embargo. Even if US persons stand to benefit from the recent licensing, non-US persons are, prima facie, generally limited to do so and may still, theoretically, be exposed to US secondary sanctions risk by dealing with entities such as PdVSA.

Although such risk has quite likely receded from a political perspective, depending on the administration's view of the relevant counterparty and their jurisdiction, the fact that such risk is still hanging gives rise to the scope for conflicts of laws arguments in disputes. This is particularly so where the governing law of a relevant contract is not US law, and especially where non-US parties have a desire to follow US laws – for example to avoid secondary sanctions risk.

These dynamics may prove central to the evolving framework through which the United States seeks to influence – and in practical terms structure – Venezuela's economic reopening, notwithstanding the formal retention of domestic political leadership.

Conclusion

A great deal has changed in Venezuela in a short period of time. As the situation continues to evolve, the interaction between legal and economic reform, sanctions, and any applicable investment treaty protections will be crucial for foreign investors seeking to understand and enforce their rights.

A further issue to monitor will be whether Venezuela re-engages with ICSID, which would materially strengthen institutional protections for foreign investors and may influence the strategic calculus of prospective claimants.

Seladore Legal continues to closely monitor developments in Venezuela and would be pleased to advise on their implications, drawing on its experience across English-law litigation and international arbitration, together with US-qualified expertise on relevant aspects of US law.

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