



Venezuela energy sector 2026

Re-entering Venezuela: legal and tax reforms





The Venezuelan reforms introduce greater contractual flexibility, expanded private operational roles, tax simplification, and dispute resolution flexibility

The January 2026 events have turned the attention of the global energy industry to Venezuela, presenting numerous opportunities in a country rich in oil and gas reserves.

Venezuela holds the largest proven crude oil reserves globally—with heavy and extra-heavy resources concentrated in the Orinoco Belt—as well as substantial gas reserves. Despite this, production declined sharply over the past decade due to underinvestment, operational degradation, and progressively tighter US sanctions that restricted access to capital, technology, markets, and diluents.

The partial reform of the Venezuelan hydrocarbons law, enacted on Jan. 29, 2026, coupled with a suite of US Treasury Office of Foreign Assets Control (OFAC) general licenses, has begun to reshape this landscape. The Venezuelan reforms introduce greater contractual flexibility, expanded private operational roles, tax simplification, and dispute resolution flexibility. In parallel, OFAC's new licensing framework creates structured, compliance-intensive channels for trading, services, diluent supply, infrastructure activity, and—in specified cases—upstream operations.

However, this is not a full normalization of the sector. The Venezuelan reopening is best understood as a calibrated, policy-managed re-entry environment rather than a liberalized energy market.

For investors, traders, refiners, oilfield service providers, and financial institutions, the opportunity is real—but sequenced. Near-term upside is concentrated in trading, logistics, services, and brownfield rehabilitation. Longer-cycle upstream capital deployment will depend among other things on sustained regulatory consistency and sanctions durability.

Brief history of Venezuela's energy industry

Venezuela's oil and gas industry developed rapidly in the early 20th century under foreign operators, became fully state-owned with the 1976 nationalization and creation of Petroleos de Venezuela, S.A. (PDVSA), and initially functioned as one of the world's most capable national oil companies. Then a sharp policy shift after 1999 increased state control, fiscal burdens, and culminated in a second wave of nationalization in the mid-2000s that forced several international operators to exit and triggered long-running investor disputes. Only a few international entities decided to maintain their operations in Venezuela under the new rules imposed by the 2006 hydrocarbons law. From the 2010s onward, underinvestment, loss of technical capacity and deteriorating infrastructure drove a steep production decline. This was further compounded by progressively tighter US sanctions that restricted access to capital, technology, markets, and diluents, leading to reliance on nontraditional counterparties and alternative commercial structures.

Key Venezuelan oil and gas indicators (previously and into early 2026)

Category	Indicator	Current status / estimate
Resource base	Proven crude oil reserves	~303 billion barrels (largest globally; ~17–18% of world reserves)
	Crude type	Predominantly heavy / extra-heavy (Orinoco Belt)
	Proven crude oil reserves	Among largest non-associated gas resources globally (eighth place)
Production	Proven crude oil reserves	~0.9–1.1 million bpd (late-2025 / early-2026)
	Proven crude oil reserves	~3.5 million bpd (1970s); ~2.4 million bpd (2015)

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In late January 2026, Venezuela initiated a partial reform to its hydrocarbons framework that included tax-associated changes aimed at restoring investment incentives and operational flexibility, while the US Department of Treasury, Office of Foreign Assets Control (OFAC) issued a series of general licenses permitting limited exploration, production, exports, services, and contracting under strict conditions, including US governance, controlled payment mechanisms, and constrained counterparties. Previously, OFAC had been issuing licenses (either public or private) to certain oil entities under a limited framework of operations.



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01

**Hydrocarbon law
and domestic
legal framework**

1. Hydrocarbon law and domestic legal framework

Venezuela's National Assembly approved sweeping reforms to the hydrocarbons law, reversing key elements of the prior 2006 law, creating a more investor-oriented legal framework. The reforms explicitly aim to increase operational autonomy for private foreign companies, reduce fiscal rigidity, allow greater flexibility in contractual and commercial structures, and introduce independent arbitration mechanisms for dispute resolution. While the hydrocarbons sector remains formally state-owned, the revised framework materially departs from the post-2006 model by seeking to stabilize contracts, improve tax competitiveness, and restore capital inflows.

The amendment is largely limited to upstream oil activities and related trading and does not materially alter the legal framework for non-associated gas, refining or downstream operations, which remains in force. As a result, opportunities created by the reform are concentrated in upstream and ancillary activities rather than across the full value chain.

Below are key nontax items of the reform:

Expansion of private participation models in upstream activities

The amended law reopens upstream oil exploration and production to broader private participation, moving beyond the rigid, PDVSA-controlled joint venture model that dominated under the 2006 law. It expressly authorizes alternative contractual structures, including production-based participation contracts and other agreements previously implemented only through exceptional or emergency legal mechanisms. State ownership of subsoil resources is preserved, but private parties may now assume greater operational roles under contract.

Recognition and grandfathering of anti-blockade law contracts

The reform explicitly recognizes the validity and continued effectiveness of contracts executed under the 2020 Anti-Blockade Constitutional Law, including Production Sharing Agreements (CPPs) and similar arrangements. These contracts are preserved and may be subject to review to align with the amended hydrocarbons law, provided that previously agreed economic conditions are not worsened, reducing legal uncertainty for existing investors.



Conditions governing the formation and operation of joint ventures are relaxed relative to the prior framework.



Greater operational autonomy for private and joint venture mixed companies

While PDVSA and other state-owned companies retain a central role, the amended law allows private operators (minority shareholders) to assume operational control, including field development, production management, treasury, and certain commercialization activities, subject to government approval. Conditions governing the formation and operation of joint ventures are relaxed relative to the prior framework.

Introduction of arbitration and dispute resolution flexibility

The reform introduces a relevant flexibilization of the dispute resolution framework by expressly allowing, alongside the jurisdiction of the Venezuelan courts, the use of alternative mechanisms such as mediation and arbitration. These mechanisms are to be implemented in accordance with guidelines jointly issued by the ministry with authority over hydrocarbons and the Office of the Attorney General of the Republic, thereby embedding their use within an institutional and regulatory structure. The effectiveness and scope of dispute resolution mechanisms will be determined by the contractual arrangements agreed to pursuant to those guidelines.

Transitional mechanisms for existing projects and joint ventures

Existing joint ventures and CPPs contracts are subject to a 180-day review and adjustment period to align with the amended law, including the tax changes discussed below.

Observations:

- Despite the opening to private capital, the reform retains significant state and executive control, including approval of contracts, business plans, operational parameters, and commercialization arrangements without requiring Venezuelan National Assembly approval. The executive branch continues to exercise broad discretion over sector governance.
- The state maintains more than 50% of the legal control of joint ventures. However, greater operational flexibility is now introduced for minority shareholders. The reform also proposes new provisions governing primary activities contracts between state-owned entities (or their subsidiaries) where operators (sharing operating contracts) can act at their own cost and expenses.
- While the partial reform states that disputes can be resolved before Venezuela courts or through alternative mechanisms such as mediation or independent arbitration, it does not appear to provide a clear path to final and binding international arbitration.
- US entities and individuals doing business in Venezuela or seeking to enter the oil and gas sector should assess the impact of the OFAC licenses terms and conditions.
- The amended hydrocarbon law is limited to oil activities. Venezuela possesses a considerable amount of non-associated gas reserves and investment opportunities. Non-associated gas activities are still governed by a separate law that operates under a license-based model granted by the executive branch. A reform might be warranted.

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OFAC licenses and sanctions architecture

2. OFAC licenses and sanctions architecture

While the core sanctions on Venezuela and PDVSA remain in place under a 2019 executive order issued by President Trump (E.O. 13884), OFAC materially changed the sanctions landscape by issuing multiple general licenses in 2026 that carve out explicit, lawful pathways for oil- and gas-related activities that were previously broadly prohibited.

In parallel with domestic legal reforms, these licenses authorize certain exploration, production, export, transport, storage, services, and equipment imports, and allow selected international operators to re-engage under tightly defined conditions. Key features include US law governance and dispute resolution in US courts, clauses in contracts, restrictions on counterparties, and controlled payment mechanisms to blocked persons (as defined in the Venezuelan Sanctions Regulations 31 CFR Part 591), including payment of oil and gas taxes and royalties. While these licenses represent the most significant easing of sanctions since 2019, they remain conditional and compliance-intensive—the risk of sanctions continues to be a central investment constraint.

Blocking sanctions on PDVSA and the government of Venezuela remain in force. General licenses exclude certain counterparties and countries of concern and impose stringent compliance, diligence, and reporting obligations. Below are the general licenses issued by the US after the approval of the new hydrocarbons law by Venezuela. (Note: PwC US and PwC Venezuela do not provide legal advice or opinion in the United States.)



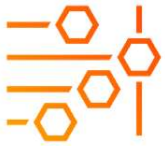
Authorization of Venezuelan-origin oil trading and activity

- [General License 46](#) (Jan. 29, 2026) authorizes qualifying “established US entities” to engage in transactions ordinarily incident to the lifting, export, sale, transport, storage, refining, and marketing of Venezuelan-origin oil, including transactions involving PDVSA and the government of Venezuela.
- [General License 46A](#) (Feb. 10, 2026) superseded GL 46 and expanded operational practicality by clarifying that local taxes, permits, and fees may be paid directly to the Government of Venezuela, while other monetary flows remain subject to strict controls.
- This license basically authorizes trading activities of Venezuelan-origin oil that has already been extracted. It does not authorize exploration or production activities in Venezuela. In addition, this license marks the first obligation to deposit any monetary payment into the Foreign Government Deposit Funds as specified in the Jan. 9, 2026, executive order issued by President Trump (E.O. 14373).

Authorization of US-origin diluents critical to heavy-oil production

- [General License 47](#) (Feb. 2, 2026) authorizes the export of US-origin diluents (e.g., naphtha, light crude) to Venezuela. This change is operationally significant because Venezuela’s extra-heavy crude cannot be produced or transported at scale without diluents, making this license a de facto production enabler rather than a marginal concession.





Oil field services companies may benefit from these licenses as many production areas and infrastructure in Venezuela may require technology and know-how to increase production in mature fields.



Expansion beyond oil into logistics and enabling infrastructure

- General License 30B (Feb. 10, 2026) authorizes transactions related to the operation and use of ports and airports in Venezuela, including payment of port fees and custom duties (for activities under GLs 46A, 47 and 48), addressing a critical bottleneck for oil exports, imports of equipment, and personnel movement.

Authorization of goods, services, technology, and software from the US or by US persons

- General License 48 (Feb. 10, 2026) authorizes US persons to provide equipment, technology, software, and services for the exploration, development or production of oil and gas operations in Venezuela under these conditions:
 - The laws of the US or any jurisdiction within the US govern the contract with the government of Venezuela or PDVSA and its subsidiaries, and any dispute resolution under such contract will occur in the US.
 - Any monetary payment to a blocked person, excluding payments for local taxes, permits, or fees, is made into the Foreign Government Deposit Funds, as specified in E.O. 14373.
 - This represents a material easing relative to prior sanctions, which had effectively barred oilfield services activity, and opens the door to infrastructure rehabilitation and production recovery work.

Conditional authorization to negotiate and enter into energy investment contracts

- General License 49 (Feb. 13, 2026) authorizes companies to negotiate and enter into contingent contracts for investment in Venezuelan oil and gas projects subject to future OFAC approval or additional licensing. This introduces a two-step investment pathway—contractual positioning first, capital deployment later—reflecting OFAC’s intent to retain policy leverage while enabling market re-entry.

Broad operational authorizations for specified oil companies

- General License 50 (Feb. 13, 2026) and 50A (Feb. 18, 2026) authorizes certain named oil companies and their subsidiaries may engage broadly in oil and gas sector operations in Venezuela under these conditions:
 - Any contract with the government of Venezuela or PDVSA and its subsidiaries (blocked persons) are required to specify that the laws of the US or any jurisdiction within the US govern the contract and that any dispute resolution under the contract occur in the US.
 - Any monetary payment to a blocked person, including oil and gas taxes and royalties is made into the Foreign Government Deposit Funds.
 - Payments for local taxes, permits, or fees to blocked persons are not required to be deposited into the Foreign Government Deposit Funds.
 - This company-specific authorization signals selective normalization, rather than sector-wide liberalization, reinforcing that relief from sanctions remains targeted and discretionary.

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Key changes to oil tax regime

3. Key changes to oil tax regime



Unlike the prior rigid framework, the reform allows the specific royalty rate to be set by the executive branch for each project, enabling fiscal tailoring to field economics, crude quality, and investment requirements.

The reform of Venezuela's hydrocarbons law represents a structural reset of the sector's fiscal framework, replacing a fragmented and costly tax system with a more streamlined and flexible model. The amendments simplify and consolidate sector-specific levies while introducing mechanisms intended to help improve transparency, economic flexibility, and project viability. Although executive branch discretion remains, as discussed later, the reform signals a clear policy shift toward restoring investment incentives.

Below are some of the key aspects of the changes:

Simplification and consolidation of sector-specific taxes

The reform dismantles Venezuela's historically fragmented hydrocarbons tax system by repealing multiple industry-specific levies that previously layered on top of income tax and royalties. Explicitly repealed taxes include the surface tax, own-consumption tax, extraction tax, export registration tax, windfall tax, and "shadow" tax, significantly reducing cumulative fiscal friction and volatility for upstream projects.

Introduction of an integrated hydrocarbons tax

The law introduces a new integrated hydrocarbons tax, calculated on monthly gross revenues, with a rate of up to 15%, adjustable on a project-by-project basis by the executive branch. This replaces multiple legacy levies with a single, more transparent charge, intended to improve predictability of taxation and facilitate economic modeling.

Royalty regime retained but made flexible

Royalties remain a core component of taxation, with a maximum rate of up to 30% on extracted and non-reinjected hydrocarbons. Unlike the prior rigid framework, the reform allows the specific royalty rate to be set by the executive branch for each project, enabling fiscal tailoring to field economics, crude quality, and investment requirements.



Expanded tax exemptions and contribution relief

To reduce non-core fiscal burdens, the reform grants broad exemptions from several parafiscal contributions, including the net worth tax and special contributions related to science and technology, sports, anti-drug programs, and social responsibility obligations under the public procurement law. These exemptions materially lower effective tax rates and simplify compliance.

Executive authority to preserve project economics

A central feature of the reform is the explicit authority granted to the executive branch to reduce income tax rates, royalty rates, and the integrated hydrocarbons tax when appropriate to preserve the economic balance of a project, subject to review by the ministry responsible for hydrocarbons. This introduces a statutory mechanism for fiscal stabilization absent from prior tax regimes.

Centralized withholding and collection mechanics

State-owned entities and their subsidiaries are designated as withholding and collection agents for royalties and the integrated hydrocarbons tax. This centralizes fiscal enforcement and clarifies payment responsibility, while also reinforcing the role of PDVSA-related entities in cash-flow control.

Transitional timing and applicability

While many provisions went into force upon publication of the new hydrocarbon law on January 29, articles specifically governing royalties and taxes are subject to a delayed effective date (60 days post-publication), requiring investors to account for transitional structuring and compliance considerations during the implementation phase.



From a tax-risk perspective, discretionary adjustment replaces statutory rigidity, making negotiated outcomes as important as black-letter law and elevating political process risk within tax planning.

Observations:

- Taken together, the tax changes are best understood as investment-enabling rather than fully liberalizing. They help reduce fiscal friction enough to justify phased re-entry and short-cycle capital, but they stop short of offering the predictability and rule-based stability typically required for long-cycle megaprojects. Tax outcomes are expected to remain negotiated, monitored, and subject to revision, rather than fixed at entry.
- The explicit authority granted to the executive branch to adjust income tax, royalties, and the integrated hydrocarbons tax rates within the range set in the law, to preserve project economic balance introduces a de facto fiscal-stabilization mechanism that did not exist under prior law. This is a positive signal for bankability, but it is administrative rather than contractual, meaning that investors can still seek hard-wired economic equilibrium clauses.
- The introduction of flexible royalty rates (up to 30%) and an integrated hydrocarbons tax (up to 15%), both adjustable on a project-by-project basis, signals an explicit policy shift toward economic tailoring. However, it is not clear how the adjustment may be applied or the duration of such adjustments. Thus, taxpayers may consider approaching the appropriate authorities to obtain more certainty regarding the tax rates. For marginal, heavy-oil, or brownfield assets, this flexibility is a prerequisite for reinvestment. However, from a tax-risk perspective, discretionary adjustment replaces statutory rigidity, making negotiated outcomes as important as black-letter law and elevating political process risk within tax planning.
- The integrated hydrocarbons tax is calculated on gross revenues rather than net income, shifting tax exposure earlier in the project life cycle. While the rate cap is lower than cumulative legacy levies, this design front-loads fiscal pressure, particularly for capital-intensive heavy-oil projects with long ramp-up periods.
- As a result, cash-flow timing, not just headline tax rates, becomes a central structuring issue for investors.
- These changes in the tax regime are only applicable to the oil sector. Non-associated gas, mining, refining and oil field services activities continue to be subject to the tax regime included in the Venezuela tax code and their respective sector laws and regulations.

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**Other material
changes affecting
investment decisions**

4. Other material changes affecting investment decisions

Beyond legal and associated tax reforms, and evolution of the OFAC general licenses, the new environment has been characterized by a broader re-orientation of the sector toward reconstruction and external capital, including stated plans to modernize infrastructure, restore production capacity, and re-integrate Venezuela into global oil and gas markets. US authorities publicly linked sanctions relief to sector reform and compliance, while international energy companies began reassessing Venezuela exposure under a re-risking framework rather than a full normalization scenario. At the same time, legacy challenges—including degraded assets, unresolved investor claims, fiscal enforcement risks, and institutional fragility—remain unresolved, meaning that capital allocation decisions continue to favor phased, low-regret investments over long-cycle commitments.

Observations:

One consideration, given past experience and uncertainty, is the use of investor protection agreements. These are treaty-based or contractual mechanisms that protect investors against adverse sovereign actions, including expropriation, discriminatory treatment, and retroactive tax or regulatory changes, typically through stabilization clauses and access to international arbitration. Recent Venezuelan reforms allow the executive branch to adjust fiscal terms to preserve project economics. Tax assessments relating to prior periods require careful review given the structural reset introduced by the hydrocarbons and tax reforms adopted after that date.

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**Venezuela
2026 momentum**

5. Venezuela 2026 momentum

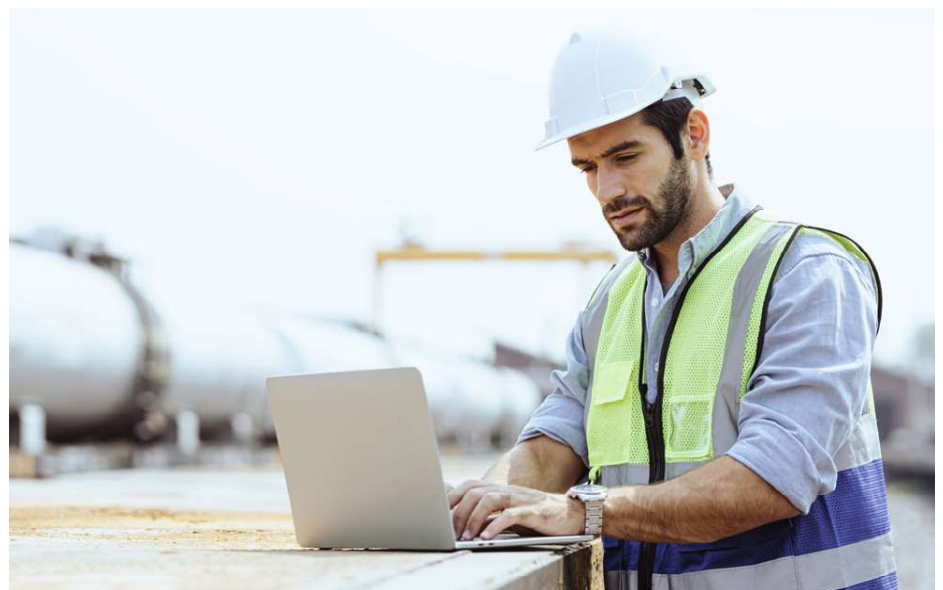


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Venezuela's oil industry has entered a new phase characterized by reopened export routes, partial sanctions relief, renewed US market access, and improved commercial visibility. While not yet a full production recovery, these developments constitute a clear positive path relative to the prior blockade and sanctions-constrained environment, laying the groundwork for deeper structural recovery if regulatory and investment conditions continue to stabilize. While long-term recovery challenges remain, several clear indicators of positive momentum have emerged:

- Reopening of export channels and rapid export rebound
- Sanctions relief through licenses given to western companies by the US
- Return of the United States as a primary destination
- Re-engagement of global traders, improving market transparency and price discovery
- Venezuelan policy signaling toward foreign investment

However, there are still risks on the horizon including the possibility that sanctions could be reversed, and renewed policy volatility, including that all current relief flows from revocable US general licenses.





Let's talk

For a deeper discussion of how Venezuela's changes might affect your business, please contact:

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