

# First Quarter 2021 Report –Venezuela–

April 2021

## I. NEWS

This section highlights excerpts of relevant press releases and brief comments on our views regarding such.

### "Rosneft denies the information from Energy News Today"

Rosneft denied the information published by the news portal 'Energy News Today', which alleged Rosneft and Repsol had resumed crude exchanges with Venezuela. On 28 March 2020, Rosneft terminated its businesses with Venezuela, including the sale of their assets.

<https://www.elnacional.com/economia/energy-news-today-repsol-y-rosneft-retomaron-intercambio-de-crudo-por-productos-con-pdvsa/>

### "A New York Court denied the appeal on the PDVSA 2020 Bonds"

On 25 January 2021 the Court of Appeals of the Second District of New York denied the request from the CITGO bondholders to expedite the appeal. The decision allows PDVSA's ad hoc Board of Directors to continue the process under standard procedural terms as provided by law.

These Bonds were not duly authorized by the National Assembly chaired by Juan Guaido, since such jeopardized 50,1% of the shares of CITGO.

<https://www.elnacional.com/economia/petroleo/corte-de-nueva-york-nego-solicitud-de-apelacion-en-caso-bonos-de-pdvsa-2020/>

### "Chevron and Reliance asked the United States to ease sanctions against PDVSA"

The US oil company Chevron, and the Indian Reliance Industries, requested the government of the US to ease some of the sanctions imposed to Venezuela for them to be able to resume exchanges of Venezuelan crude, oil and diesel. Chevron is under a General License by OFAC for certain specific activities in regards to PDVSA - which is set to expire on June 2021. Reliance, on the other hand, is not a US entity and is not covered by a General License. Therefore, it is concerned about consequences for contravention of US Sanctions.

<https://www.elnacional.com/economia/chevron-y-reliance-solicitan-a-estados-unidos-flexibilizar-sanciones-a-pdvsa/>

### "Venezuela's PDVSA boosts oil exports in January due to new clients"

PDVSA's new clients have helped the State-owned oil company to increase their exports since January. However, the upturn has not been sufficient to reverse the impact of US Sanctions. Most of the exports of crude and refined products are for China and other Asian destinations. It is calculated that the amounts shipped are approximately 544.290 barrels per day.

<https://www.reuters.com/article/venezuela-oil-exports/venezuelas-pdvsa-boosts-oil-exports-in-jan-due-to-new-clients-data-idINKBN2A2187>

### "Doctored and Rebranded Oil Blacklisted by U.S. Winds Up in China"

Millions of barrels of Venezuela's heavy oil have been shipped to China over the last months, with new strategies to try to avoid sanctions. Some operations include ship-to-ship transfers, shell companies or vessel's turning off the satellite signals. Another recurring practice involves fixing or "doping" the crude with different chemical additives, in order to change their denomination, so it can be sold as from a different origin, without it being able to be traced back to Venezuela.

<https://www.bloomberg.com/news/articles/2021-01-22/china-imports-oil-doctored-to-skirt-u-s-sanctions-on-venezuela>

### "In 2020, Repsol increased their equity exposure in Venezuela up to \$390 million dollars"

According to its financial records, Repsol's equity exposure in Venezuela increased by 34% compared to the 239 million Euros registered during the 2019 financial year. The company is currently involved in two main projects, Cardón IV and Petroquiriquire. It has been analyzing the prospects of recovering the investments, as well as its accounts receivables from PDVSA.

<https://www.eluniversal.com/economia/90826/repsol-elevo-su-exposicion-patrimonial-a-venezuela-a-390-millones-de-dolares-en-2020>

### "PDVSA imports catalysts from Iran to boost their fuel production"

The Venezuelan airline, Conviasa, is expected to carry out several flights from Tehran, Iran to the Peninsula de Paraguana Airport, Venezuela, in order to transport the necessary catalysts to boost the fuel production in the refineries of the State of Falcon. At least 20 flights are expected to be performed, including Iranian technicians on board. This operation, was also done in 2020.

<https://www.eluniversal.com/economia/90934/pdvsa-importa-catalizadores-desde-iran-para-impulsar-la-produccion-de-combustible-en-el-pais>

### "The increase in Bolipuertos' tariffs will affect national exports"

The Venezuelan Association of Exporters warned that the significant increase in Bolipuertos' tariffs will affect national exports. These sums are already above average within the region. The numbers for 2020 are still not available, but are definitely expected lower than 2019.

<https://www.elnacional.com/economia/advertien-que-el-incremento-de-las-tarifas-de-bolipuertos-afecta-la-exportacion-nacional/>

### "Oil companies lobby to participate in the opening offered by the regime"

Representatives of some oil companies and other executives have met with the government of Nicolas Maduro relying on his promises of privatization and wider autonomy to exploit the significant oil reserves of Venezuela. Maduro stated that the new hydrocarbons Law will allow for independent oil companies to take control of some Venezuelan assets. Nevertheless, larger oil companies such as Chevron, ENI and Total will probably be more reluctant to the idea, considering US sanctions. It is expected that some smaller to medium corporations might be willing to embark in such venture.

<https://www.elnacional.com/economia/bloomberg-petroleras-cabildean-para-ingresar-a-apertura-ofrecida-por-el-regimen/>

### "PDVSA's subsidiary in Bonaire files for bankruptcy"

Bonaire Petroleum Corporation (BOPEC), owned by PDVSA, filed for bankruptcy before the First Instance Bonaire Court. The company reported that they were no longer able to pay their debts as a result of the sanctions imposed by the United States, which limited its access to standard international trade and regular flow in their bank accounts.

On December, the agreement that allowed PDVSA to operate the Island's refinery expired, therefore the authorities ordered them to remove all stored oil, considering any risk of leakage given the lack of maintenance.

<https://www.elnacional.com/economia/filial-de-pdvsa-en-bonaire-se-declara-en-bancarota/>

## II. CASE LAW

This section comments on relevant case law during the corresponding quarter and our brief comments to it.

### Decision of the Plenary Chamber of the Supreme Court dated 5 February 2021.

The Members of the Board of Directors of the Supreme Court of Justice were appointed as follows:

#### BOARD OF DIRECTORS

President	Maikel Jose Moreno Perez
First Vicepresident	Lourdes Benicia Suarez Anderson

## PRESIDENTS AND VICEPRESIDENTS OF CHAMBERS

Constitutional Chamber	President: Lourdes Benicia Suarez Anderson. Vicepresident: Arcadio Delgado Gonzalez
Criminal Chamber	President: Maikel Jose Moreno Perez. Vicepresident: Elsa Janeth Gomez Moreno
Political Administrative Chamber	President: Maria Carolina Ameliach Villaruel. Vicepresident: Barbara Gabriela Cesar Siero.

## PRESIDENTS AND VICEPRESIDENTS OF CHAMBERS (continued)

Civil Chamber	President: Yvan Dario Bastardo Flores. Vicepresident: Guillermo Blanco Vazquez
Social Chamber	President: Edgar Gavidia Rodriguez. Vicepresident: Jesus Manuel Jimenez Alfonso
Electoral Chamber	President: Indira Maira Alfonso Izaguirre. Vicepresident: Malaquias Gil Rodriguez

## III. LEGISLATION

This section expands on National and International Legislation adopted in the country and relevant to the industry.

### National Decree No. 4.443 dated 24 February 2021

The National Executive exempted for 5 years payment of Value Added Tax, or payment of any other tax, tariff or custom duties for any passenger luggage coming from the Free Zone of the Peninsula of Paraguana or the State of Nueva Esparta, as long as these do not exceed as a whole the value in national currency equivalent to three thousand (3.000) times the exchange rate of the currency with the highest value as published by the Central bank of Venezuela.

### National Decree No. 4.445 dated 24 February 2021

All metal, ferrous, aluminium, copper, iron, bronze, steel, nickel or other metal scrap, naval, aeronautical, electrical and/or electronic scrap, wastes or residues were formally declared strategic to the national economy, despite their condition.

Including without limitation non-metallic solid wastes, optic fiber and secondary fiber; any product as a result of recycling paper or cardboard, which will be referred to as "strategic material susceptible of recycling".

The sale and purchase of "strategic material susceptible of recycling", produced by the national public sector will be strictly reserved for the National Executive, particularly the Ecosocialist Corporation Ezequiel Zamora (CORPOEZ). The Executive VicePresident must authorize the export of any "strategic material susceptible of recycling."

### National Decree No. 4.436 dated 19 February 2021

The Declaration of Emergency on the Energy Sector and Oil Industry was extended for 12 more months. The purpose of this Declaration, is to provide full powers to the Executive to restructure, nominate and promote projects freely without ordinary limitations. The aim of this Decree, is to "protect and defend" the oil industry, production and commercialization in Venezuela.

### National Decree No. 4.426 dated 29 January 2021

The Decree which established a special and transitory regime for the operational and administrative management of the national iron, steel and aluminum industry, is extended until 31 December 2021.

### Order by the Venezuelan Central Bank dated 9 October 2020

The Venezuelan Central Bank ordered all banks and financial institutions to immediately cease the offer of any product or services to users or clients, in which there is payment in foreign currency involved within Venezuelan borders.

### National Decree No. 4.420 dated 18 January 2021

Only those individuals whose income exceeds five thousand (5.000 U.T) that reside in the country must pay Income Tax. Taxpayers who have already declared and paid their income tax corresponding to the 2020 fiscal year before this provision entered into force, will have a tax credit in their favor, which may be assigned or applied to subsequent fiscal years.

### National Decree No. 4.415 dated 13 January 2021

The Decree creates the "Territory for the Development of the Atlantic Front", which was designed to provide protection and defense to the rights and interests of Venezuela in such sovereign and jurisdictional spaces. The Territory for the Development of the Atlantic Front includes the marine areas that form the submarine, base and continental shelf that projects from the Orinoco Delta's towards the Atlantic Ocean, beyond 200 nautical miles from the territorial baselines from which the territorial sea is measured.

### National Decree No. 4.416 dated 7 January 2021

Irwin José Ascanio Escalona was appointed as President of Bolivariana de Puertos (Bolipuertos).

### Resolution No. 001-21 dated 5 January 2021 from the Ministry of the Popular Power of Industries and National Production.

José Rafael Hernández Marcano was appointed as President of CVG Naviera del Orinoco, C.A.

### Agreement of the National Assembly dated 7 January 2021

The National Assembly rejected the decision by the International Court of Justice (ICJ) of December 18, 2020, by which it declared itself competent to resolve the territorial claim by Guyana, ruling on the validity of the arbitration award of 1899 (Guyana v. Venezuela) which established the borders between the two countries.

The Deputies of the Venezuelan National Assembly approved a document ratifying the validity of the 1966 Geneva Agreement that favors friendly negotiations between Guyana and Venezuela, insisting that the conflict must be solved bilaterally since the government never provided their consent for the matter to be resolved before the ICJ, nor about Guyana's unilateral claim. Therefore, they called on the UN Secretary General to reinstate direct negotiation mechanisms.

### Official statement from the Superintendence of Financial and Bank Institutions

A recent official statement of the Superintendence of Financial and Bank Institutions (SUDEBAN for its acronym in Spanish) prohibited banks from granting loans in foreign currency. For such purposes, the following will be considered credits: financial discounts, invoice discounts, letters of credit, general discounts, advances, guarantees and any other form of financing or operations. In consequence, these must be performed in Bolívares at all times.

## IV. BILLS

This section lists draft regulations/bills being proposed to and/or discussed in Congress.

### Law reform bills for 2021

The newly elected National Assembly will have among its legislative agenda for 2021 the reform of several laws, among which are the Civil Procedural Code, the Criminal Code, the Criminal Procedural Code and the Special Economic Zones Law, such projects have been already submitted to the corresponding Commissions.

The Special Economic Zones Law might include regulations related to the oil and energy sectors, to basic industries and to foreign investment.

Another important project is the Law of Communal Cities, which intends to transform and completely modify the structure of disaggregated to the States and Municipalities. It seeks to disaggregate the competences of these powers in some uncertain bodies within these communities, to exercise direct tasks, fulfill public duties and services and administer public funds and assets.

### National Assembly approved Agreement for the Review and Evaluation of Conventions signed with ILO

The agreement that allows the review and evaluation of the Conventions signed by Venezuela and the International Labor Organization was unanimously approved by the National Assembly. The Parliament will study these International Conventions and decide whether to ratify or not.

Clyde & Co Caracas