



Current Legal and Institutional Developments in Venezuela

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In recent weeks, Venezuela has seen significant regulatory developments in the energy sector as well as the general regulatory framework for economic activity. Some of these initiatives have already been enacted while others are under parliamentary debate, with potential implications for companies and investors with interests in the country.

On January 29, 2026, the law reforming the Organic Hydrocarbons Law was published. This reform introduces significant changes to the private participation regime and the contractual and tax structure of the sector. Among its most relevant aspects, the law stipulates that primary activities – exploration, extraction and associated phases – can be carried out not only by state-owned enterprises and joint ventures (with minority private participation) but also by private companies domiciled in Venezuela through contracts signed with state-owned enterprises. This formalizes contracts for the development of primary activities, expanding the possible schemes for private participation in Venezuela's hydrocarbons sector.

The law enshrines the principle of maintaining the economic and financial equilibrium originally agreed upon in the contracts, providing for adjustments when legal, fiscal or contractual changes negatively affect the project's economics. Restitution may be implemented through adjustments to royalties, taxes, deadlines or other contractual mechanisms.

In operational and commercial matters, the law contemplates the possibility of authorizing the minority shareholder of a joint venture to directly market production and exercise technical and operational management of the activity. For their part, in contracts signed by state-owned enterprises with private companies for carrying out so-called primary activities, the compensation may consist of a share of hydrocarbon volumes or other forms of profit sharing as determined by the National Executive.

From a fiscal perspective, an integrated tax of up to 15 percent on gross income and a maximum royalty of up to 30 percent are established, both adjustable according to the project. Possible reductions in income tax are also anticipated, and exemptions are established for state and municipal taxes and certain special contributions. The tax on extraordinary prices – the so-called "shadow tax" – is eliminated, and alternative dispute resolution mechanisms, including international arbitration, are permitted.

On the other hand, in the general regulatory sphere, the Organic Law for the Protection of Socioeconomic Rights was approved in its first reading. This law would repeal the Organic Law of Fair Prices and eliminate the current maximum profit margin of 30 percent on the cost structure, which would imply a substantial change in the price-setting regime.



Likewise, the Organic Law for the Acceleration and Optimization of Administrative Procedures was approved in its first reading. This law would empower Venezuela's president to suspend or reduce permits and administrative requirements in order to facilitate economic activity.

Finally, on February 5, 2026, the National Assembly approved, in its first reading, the Amnesty Bill for Democratic Coexistence, currently open for public comment. Its purpose is to extinguish criminal proceedings and sanctions related to certain political acts, with the stated goal of reconciling Venezuelan society.

Together, these developments reflect a process of regulatory adjustment in strategic sectors and within the general regulatory framework, which requires close monitoring by local and international actors.

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