



New Hydrocarbons Law in Venezuela

By Holland & Knight

The partial reform of the Organic Hydrocarbons Law approved by the National Assembly on January 29, 2026, constitutes an effort to revitalize Venezuela's energy sector through regulatory adjustments that substantially modify private participation mechanisms without altering state ownership of hydrocarbon deposits, expressly reaffirming the sovereignty of the Venezuelan state and the public domain status of petroleum resources.

One of the most significant changes lies in the redefinition of the operatorship regime. The new model establishes a three-tier scheme whereby exploration, extraction, collection, transportation and storage activities may be carried out: 1) directly by the state, 2) by mixed companies with majority state participation or 3) by Venezuelan private companies acting as operators under contracts entered into with state entities. This structure allows the private operator to assume comprehensive project management, including operational risks and costs, always under state supervision and subject to ministerial approval, without implying privatization of the resources.

From a contractual and dispute resolution perspective, the law introduces elements aimed at reinforcing legal predictability by expressly authorizing the inclusion of mediation and arbitration clauses in sector contracts and eliminating the need for additional prior authorizations. Furthermore, it incorporates the principle of economic and financial equilibrium, which binds the state to restore contractual conditions when regulatory changes adversely affect the profitability of the project.

From a fiscal standpoint, the reform introduces a scheme designed to enhance the competitiveness of projects through a combination of flexibility and tax relief. While a royalty of up to 30 percent is maintained and a new Integrated Hydrocarbons Tax with a rate of up to 15 percent on monthly gross revenues is introduced, both are subject to case-by-case determination by the executive. This discretionary framework allows fiscal adjustments to preserve the economic balance of each project.

In addition, the reform excludes structural issues related to Petróleos de Venezuela S.A. (PDVSA), such as historical liabilities, unpaid obligations or environmental contingencies, thereby placing such risks outside the renewed legal framework. As a result, although the law improves the regulatory environment for future projects and sends positive signals regarding fiscal flexibility and dispute resolution mechanisms, the perception of legal certainty for investors will remain closely tied to the institutional and political context beyond the law itself.

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