Venezuela Updates Oil Regulatory Framework

By Holland & Knight

On July 8, 2026, Venezuela's acting president, Delcy Rodríguez, issued the Regulation Under the Organic Hydrocarbons Law (the Regulation) through Decree No. 5,381, published in the *Extraordinary Official Gazette* No. 7,052. The Regulation implements legislative amendments approved by the National Assembly on January 29, 2026, and establishes the technical, operational, tax and oversight rules governing private-sector participation in Venezuela's oil and gas industry.

This is the first comprehensive regulation governing the sector in 83 years. The previous regulatory framework dated back to 1943, when oil concessions operated under a technical, commercial and regulatory reality substantially different from today's environment.

The Regulation defines three categories of operating companies: 1) companies wholly owned by the Republic, 2) mixed companies in which the state holds more than 50 percent of the equity, and 3) private companies domiciled in Venezuela that enter into contracts with state-owned entities to carry out primary activities.

Article 107 of the Regulation introduces one of its most significant changes by incorporating arbitration as a dispute resolution mechanism. It provides that disputes arising from the performance of contracts may be submitted to mediation, conciliation, negotiation or arbitration in accordance with guidelines to be jointly issued by the Ministry of Hydrocarbons and the Office of the Attorney General of the Republic. This provision represents a significant legal certainty safeguard for foreign investors.

In addition, Article 5 of the Regulation sets forth the principle of economic and financial equilibrium, pursuant to which any administrative action must seek to preserve the equilibrium of contracts and avoid disrupting it. Accordingly, when legal, tax, regulatory or contractual changes adversely affect a project's economic conditions, the necessary adjustments must be adopted to restore such equilibrium. Article 46 complements this principle by allowing operating companies to request rate reductions when changes to the regulatory framework compromise the project’s economic viability.

With respect to commercialization, the Regulation authorizes operating companies to export natural or upgraded hydrocarbons, subject to the Ministry of Hydrocarbons' prior approval of an annual commercialization plan, which must be submitted for approval 90 days before the start of each fiscal year and reviewed monthly. Companies exporting diluted heavy or extra-heavy crude oil must procure the diluent directly and enter into the relevant agreements for the use of the corresponding infrastructure. The Ministry retains the authority to intervene in commercialization plans for reasons of national interest without prejudice to any compensation that may be applicable.

These reforms, together with other relevant provisions of the Regulation, are being implemented within the framework of general licenses issued by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC). General Licenses 46, 48, 49, 56 and 57 authorize – among other activities related to the production and commercialization of oil and gas in Venezuela – the negotiation of contingent contracts with the Venezuelan government, formation of joint ventures and provision of certain financial services. In all cases, however, restrictions and conditions remain in force, requiring a case-by-case analysis before commencing operations.

In conclusion, the Regulation under the Hydrocarbons Law constitutes the most significant transformation of Venezuela's oil regulatory framework since the 1976 nationalization. It offers international investors a project-based graduated fiscal system, access to arbitration, contractual stability protections and the ability to manage operations and commercialize production directly.

However, the realization of these opportunities will continue to depend on the evolution of the U.S. sanctions regime, institutional capacity of the venezuelan state and degree of confidence generated by the effective fulfillment of the commitments undertaken under this new regulatory framework.

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