Legal and Institutional Updates in Venezuela

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Over the past few weeks, the implementation of reforms in the hydrocarbons and electricity sectors has continued. Progress has also been made on institutional matters through the launch of a new political dialogue process, and extraordinary measures have been adopted to address the emergency caused by the earthquakes that occurred on June 24, 2026.

Development of New Legal and Fiscal Framework for the Hydrocarbons Sector

The National Executive published the Regulation of the Organic Hydrocarbons Law (the Regulation) and the resolutions implementing the fiscal framework established by the law, thereby establishing the main regulatory and fiscal aspects applicable to the sector's activities.

Among the main changes is the establishment of aggregate rates of state participation (royalty plus integrated hydrocarbon tax), which are set at:

- 20 percent for projects in undeveloped fields (greenfield)
- 25 percent for extra-heavy oil projects
- 30 percent for developed fields (brownfield) without production
- 35 percent for developed fields (brownfield) with production

The Regulation also stipulates that offshore projects, as well as projects that incorporate processing, upgrading or refining plants, may benefit from a reduction of up to five percentage points on these rates. Furthermore, the Regulation establishes that greenfield projects will have an income tax rate of 34 percent, with the possibility of applying accelerated depreciation for up to seven years.

Finally, the Ministry of Hydrocarbons issued two resolutions that develop the tax regime established in the law: one applicable to primary activities, which regulates the determination, declaration and payment of the royalty tax and integrated hydrocarbon tax; and another applicable to upgrading, refining, industrialization, marketing and specialized oil services activities, which regulates the corresponding integrated hydrocarbon tax.

New Projects to Support Recovery of the National Electricity System

The National Executive announced the signing of a memorandum of understanding between Corporación Eléctrica Nacional (Corpoelec) and a U.S. based energy equipment and services company for the repair, modernization and stabilization of the national electricity system, with the objective of recovering approximately 1,000 megawatts (MW) during the first two years and more than 5,000 MW over four to five years.

The National Executive also announced the contracting of an Argentine engineering firm to complete construction of the Manuel Piar Hydroelectric Power Plant (Tocoma), which had remained unfinished for several years.

Agreement to Establish Government-Opposition Dialogue Mechanism

The National Assembly reported that its president, Jorge Rodríguez, who was designated to lead the political dialogue process, held an initial working meeting with Dinorah Figuera, representing the opposition elected for the 2015-2020 term.

At the meeting, it was agreed to establish a joint technical and political working group, with an agenda that includes specific milestones and implementation timelines aimed at strengthening democracy, consolidating peace and seeking agreements on matters of national interest.

State of Emergency Declared Following the June 24 Earthquakes

Through Decree No. 5,364, the National Executive declared a state of emergency throughout the national territory to address the effects of the earthquakes that occurred on June 24, 2026.

The decree establishes a general staff for emergency response to coordinate relief efforts and mandates the development of an Action Plan for the rehabilitation and reconstruction of the affected areas. It also empowers the competent authorities to adopt extraordinary measures to guarantee the continuity of public services, including, when necessary, the temporary occupation of property and establishments and the requisition of goods and services essential to address the emergency.

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