The Gap Between the Contract Execution and the Start of Operations

By Holland & Knight

The Venezuelan oil sector is undergoing a partial reactivation during the second half of 2026, characterized by increased export flows to the United States, new regulatory authorizations and the execution of contracts between Petróleos de Venezuela S.A. (PDVSA) and various international companies. However, such contractual activity has not, in all cases, translated into effective operations. A material distinction exists between executed contracts and barrels actually mobilized, indicating that although the licensing framework has created operational opportunities, the implementation of new projects remains contingent upon specific authorizations, logistical constraints and compliance requirements that must be assessed on a case-by-case basis.

The recent increase in shipments to the U.S. is attributable in part to the general license framework updated on June 10, 2026, by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC). This framework includes authorizations relating to petroleum of Venezuelan origin, services for energy operations and activities of certain companies in the hydrocarbon sector, subject to contractual and compliance conditions established by the U.S. regulatory authority. Notwithstanding, such framework does not constitute a complete liberalization of the sector, as the licenses maintain material limitations on authorized counterparties, the way contracts may be structured and payments involving blocked persons.

The extension of the Jones Act waiver – a statute requiring that merchandise transported between U.S. ports be carried on vessels built, registered and operated under certain U.S. requirements – has also contributed to the reduction of certain logistical constraints by permitting foreign-flagged tankers to participate in movements of Venezuelan crude between U.S. ports. This may reduce transportation costs and facilitate the delivery of heavy crude to refineries with the capacity to process such grades.

In this context, the execution of contracts that have not yet commenced their performance illustrates the gap that may exist between authorization to negotiate and authorization to operate. Certain instruments permit the execution of contingent agreements for new investments but condition their performance on additional specific OFAC permits. Accordingly, the execution of a contract does not, in and of itself, eliminate regulatory risk, as the ability to commence activities will depend on the applicable license, nature of the contemplated operation, payment structure and participation or exclusion of certain counterparties.

The gap between contract execution and performance may constitute a specific legal risk but does not necessarily represent a definitive impossibility, as companies may incur negotiation, structuring and due diligence costs prior to obtaining certainty regarding the timing and conditions under which they may commence operations.

Accordingly, the Venezuelan oil sector reactivation in 2026 reflects concrete progress, including the export of barrels, executed contracts, updated licenses and specific logistical accommodations. However, it does not yet constitute a full normalization of the sector, as each operation must reconcile Venezuelan law, U.S. sanctions, payment restrictions and controls on counterparties and destinations.

In this context, the gap between contract execution and the effective start of operations serves as a reasonable measure of regulatory risk. This may be understood to mean that investment opportunities in this sector in Venezuela are contingent upon a proper and precise interpretation of the licensing framework and appropriate structuring of contracts.

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