

## Legal update

### Venezuela national oil company PDVSA to review company contracts

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**December 2017**

#### **Energy**

The Ministry of the People's Power of Petroleum published Resolution N° 164 whereby it established a "Regime to Review and Validate National and/or International Contracts Entered Into by PDVSA, its Affiliates and Mixed Companies Where PDVSA Holds Shares" (the Resolution), which was published in Official Gazette N° 41,294 of December 6, 2017, and targets executed contracts currently in force and contracts to be executed.

Regarding national and international contracts already executed by Petróleos de Venezuela, S.A. (PDVSA), its affiliates and mixed companies where PDVSA holds shares that are currently in force:

- Such contracts are subject to review and validation by the office of the PDVSA president within 30 calendar days;
- Such review and validation will determine if the corresponding legal, financial, budgetary and technical requirements were complied with in order to reach an opinion on the existence and validity of the contract and its benefit to the company; and
- In the event it is presumed that a contract may be invalid and/or that the company's equity is affected, the necessary corrective measures will be taken in accordance with applicable rules.

Regarding national and international contracts to be executed by PDVSA, its affiliates and mixed companies where PDVSA holds shares:

- Such contracts shall be subject to the above-mentioned review and validation by the office of the PDVSA president to evaluate compliance with the legal, budgetary, financial and technical requirements to determine their existence and validity, as well as their benefit to the company;
- Absence of such review and validation by the office of the PDVSA president shall affect the existence and/or validity of the contract and, therefore, compliance with the obligations under the same; and
- No administrative and/or financial authorities of PDVSA, an affiliate or a mixed company where PDVSA holds shares may validly give their consent to agreements subject to the Resolution.

Additionally, we highlight that the legal framework on internal delegation of PDVSA, its affiliates and mixed companies shall no longer be legally effective, with the office of the PDVSA president now being entitled to issue new rules on authority level on administrative and financial matters.

Finally, labour contracts, public service contracts with public or private companies, and contracts signed with the Venezuelan public sector are excluded from the scope of the Resolution.

Luis E. Andueza  
Sergio Casinelli  
Daniela Jaimes  
Natalija Vojvodic

For further information, please contact one of the following lawyers:

> <b>Luis E. Andueza</b>	Caracas	+58 212.276.0007	<a href="mailto:luis.andueza@nortonrosefulbright.com">luis.andueza@nortonrosefulbright.com</a>
> <b>Sergio Casinelli</b>	Caracas	+58 212.276.0021	<a href="mailto:sergio.casinelli@nortonrosefulbright.com">sergio.casinelli@nortonrosefulbright.com</a>
> <b>Daniela Jaimes</b>	Caracas	+58 212.276.0023	<a href="mailto:daniela.jaimes@nortonrosefulbright.com">daniela.jaimes@nortonrosefulbright.com</a>
> <b>Natalija Vojvodic</b>	Caracas	+58 212.276.0020	<a href="mailto:natalija.vojvodic@nortonrosefulbright.com">natalija.vojvodic@nortonrosefulbright.com</a>

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