DECREE NO. 5,381 · RESOLUTIONS 002 & 024 OF 2026

July 28 and the Venezuelan Oil Contracts

Three legal deadlines fall on July 28 for the old oil contracts — yet their expiration carries no automatic consequence. This note explains what actually changes, and what does not.

PUBLISHED

July 28, 2026
joseignaciohernandezg.com

SUBJECT

The July 28 deadlines to review and adjust the pre-reform oil contracts

U.S. NEXUS

E.O. 14,373 · OFAC General License 52A

AUTHOR

José Ignacio Hernández G.
Universidad Católica Andrés Bello · Boston College · American University

Recent reports have suggested that July 28, 2026, is the last day that the Government of Venezuela has to review the oil contracts signed prior to the approval of the Organic Hydrocarbons Law reform. The reports suggest that once that day passes, the deadline will expire, creating a potential obstacle to reviewing or signing new contracts.

The reality is more nuanced. There are, in fact, three deadlines that fall on July 28: (i) the deadline to modify the existing joint venture; (ii) the deadline to adjust the oil contracts signed prior to the reform (the "old contracts"); and (iii) the deadline to define the government take applicable to those oil contracts. As explained below, however, the expiration of these deadlines does not, in itself, carry any specific legal consequences.

What the Reform Establishes

On July 28, two deadlines set out in the second and third transitory provisions of the Organic Hydrocarbons Law reform will expire.

During the first lapse, the hydrocarbons ministry "shall carry out an evaluation of the joint ventures constituted before the entry into force of this Law and may agree on the adjustments that may be necessary in order to adjust them to the provisions of this Law" (second transitory provision). In addition, until that day the affiliates and joint ventures of PDVSA shall review the "productive participation contracts and other contractual models signed on the basis of the Constitutional Anti-Blockade Law for National Development and the Guarantee of Human Rights", to introduce the "necessary adjustments to such contracts, in order to adjust them to the terms of this Law." (third transitory provision).

The new oil regulations introduced a third deadline: operators of old contracts must now apply the new—and potentially more favorable—government take.

The transitory provisions state that "the tax regime in force before the publication of this Law will continue to be applicable", and that "in no case shall the adaptation process imply or generate a deterioration of the conditions agreed" in the old contracts.

These provisions establish a familiar legal mechanism for governing the transition of contracts signed with private investors from an old regulatory framework to a new one. This institution, known as the "conversion of contracts" (*conversio tituli*), adjusts the old contracts to the new regulatory framework, preserving the scope of the contractual rights.

The second and third transitory provisions apply to the two new contracts introduced by articles 36 and 40 of the reform. The first is the operating contract between private investors and the Corporación Venezolana de Petróleo (CVP), to create a joint venture. The second is the productive participation contract (CPP) signed between private investors and the joint ventures or PDVSA Petróleo, S.A. (PPSA), an affiliate of PDVSA.

Both categories should be adjusted to comply with the new regulatory framework. In the first case, the pre-existing joint ventures shall be reorganized as necessary to meet the conditions adopted in the new framework. In the second case, the pre-existing CPPs should be reformed to comply with the regulatory framework for the two new oil contracts introduced in the reform law.

The review and adjustment of the old contracts should be based on consensual negotiation: any unilateral decision by the Ministry, the joint venture, CVP, or PPSA may be considered an unlawful action detrimental to contractual rights.

The Adjustment Workout

Adjusting the old contracts can lead to one of two outcomes: the contract need not be reformed, or it must be amended to comply with the new regulatory framework.

In the second case, there are, in turn, two broad scenarios: the parties agree on the reforms that should be introduced, or there is no agreement at all. If an agreement is reached, the parties will reform the oil contract, resulting in a new contract entirely adjusted to the new framework.

In any case, the Government of Venezuela has the duty to begin the procedure to review the contracts. Hence, depending on the cases, the Ministry, CVP or PPSA should have notified the private contractor of the beginning of the review procedure shortly after the approval of the reform.

What occurs if no agreement is reached after July 28? Neither the Hydrocarbons Organic Law reform nor its complementary regulations specify any consequences. The absence of an agreement could be due to the Government of Venezuela, for example, if the contractor requested a contract review but the Government did not take further action. Or the negotiation process could have begun, but the parties were not able to reach any agreement on July 28.

Although the new oil regulation does not provide the solution, the general principles of administrative law do. If no agreement has been reached by July 28, the old contracts will continue, and the Government of Venezuela will still have the duty to review and adjust them based on negotiations with the private contractor.

A brief analysis of a hypothetical scenario is warranted. Suppose the Government initiates a review process, with PPSA notifying the contractor of an old CPP at the start. If the contractor refuses to agree to the modification and the deadline expires, PPSA could then terminate the contract, depending on its contractual provisions. Such termination would follow not from the expiration of the deadline itself, but from the contractor's inability to perform under the new regulatory framework. In this context, good faith is a crucial standard that PPSA should uphold to demonstrate that contractors' lack of cooperation has created an impossibility that prevents the execution of the contract.

In short, if the deadline expires and the old contracts remain unadjusted, there are no immediate consequences. The adjustment can still take place later if needed. That said, failing to make the adjustment could create a governance constraint that hinders oil production.

Contractual Governance

Adjusting old contracts to the new contractual models introduced by the Hydrocarbon Organic Law reform and its complementary regulation is justified to improve governance of oil activities performed by private investors.

The central change introduced by the reform was a shift from governance based on state-owned enterprises (SOEs) to one driven by private investors, operating under the two contractual models introduced by the reform. Hence, the performance of the oil sector depends, in part, on the good governance of those contracts.

One key condition for ensuring good contractual governance is uniformity across oil contracts. Before the reform, those oil contracts were based on a diffuse and opaque framework, including emergency decrees and the still-in-force Anti-Blockade Law. This lack of uniformity increased governance costs for PDVSA's affiliates and joint ventures. To reduce those costs, the second and third transitory provisions call for adjusting the old contracts to the new models.

There is a further reason: some old contracts may have been awarded through opaque and inefficient processes, leaving private parties that lack operational capacity but still hold contractual rights to the field. To boost oil production, it is essential to permit new operators into the market, providing the necessary capabilities and financial resources. The adjustment process also supports this goal.

The New Government Take

This fragmentation of contracts also produced a fragmented "government take." The old contracts were ruled by the traditional "government take," which differentiated between royalties and an extraction tax (33.3%), plus other contributions and taxes that, under the general conditions of the joint ventures, could reach the 50% threshold (the so-called "shadow tax").

The reform did not detail the fiscal contributions applicable to the new oil contracts, because it only defined the maximum amount of the royalty and the integrated tax (articles 44, 51 and 56). Article 43 of the Regulation (published on July 7, 2026) partially addressed this loophole by defining the maximum accumulated rate of the royalty and integrated tax, ranging from 20% to 35%. The specific fiscal regime must be set by decree or resolution and published in the Official Gazette (Article 44, Regulation).

According to the transitory provisions second and third, the old fiscal regulation will apply during the lapse that expires on July 28. One would expect that, after that day, the old contracts would be governed by the new fiscal framework, whether or not they had been adjusted.

However, article 28 of Resolution No. 024/2026 (published on July 7, 2026) places a condition on the implementation of the new fiscal regime. According to that rule, the operating companies mentioned in the second and third transitory provisions may request the application of the new fiscal regime, provided they submit adjustments to their Business Plans that include new investments aimed at generating production potential, as well as the incorporation of infrastructure for the development, operation, and management of production in their projects.

Therefore, the new fiscal regulation applies to existing contracts if the operating company requests an adjustment due to new investments. Since the accumulated royalty and tax rates could be lower than the government take in force before the reform, this rule creates an incentive: to benefit from reduced fiscal burdens, incumbent operators must submit a plan for new investments.

The request to modify the government take should be submitted as part of the adjustment procedure, which, as explained, was to be resolved by July 28. Because the specific fiscal regime must be defined by decree or resolution, the publication of any such act will indicate that the adjudication procedure has been finalized, potentially changing the government take.