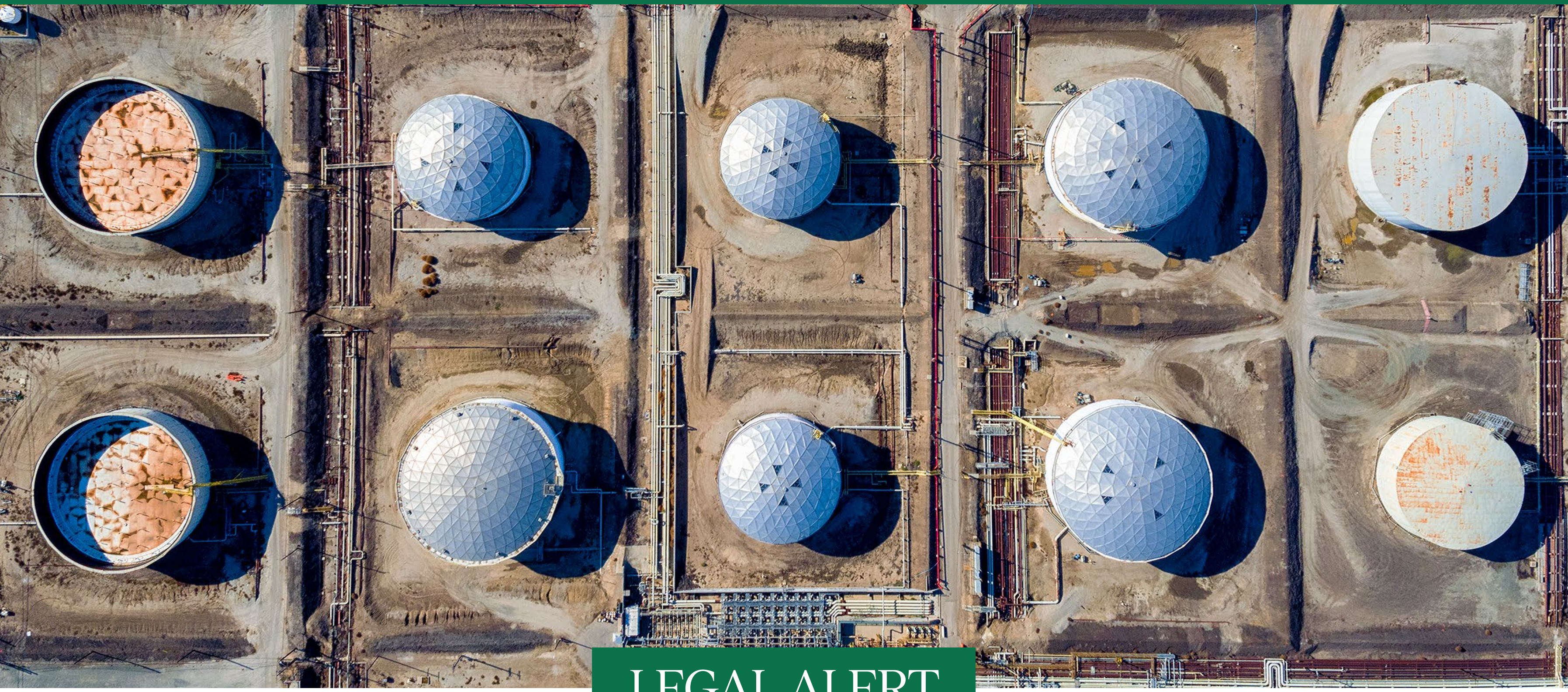

LEGAL ALERT

KEY ITEMS OF THE VENEZUELA HYDROCARBONS LAW AMENDMENT

On January 29, 2026, Venezuela´s National Assembly sanctioned a material amendment to the Hydrocarbons Law (*Ley de Reforma de la Ley Orgánica de los Hidrocarburos*) (hereinafter the "Amendment") which had been in place since 2006[1] (the "*LOH 2006*"). The Amendment covers new and innovative means of private investor participation in oil upstream activities (identified under the LOH as "*actividades primarias*"), provides for stable legal ground for the use of certain investment vehicles being adopted in recent years under emergency laws, allows for a reconfiguration of the fiscal package and repeals an array of laws, taxes, contributions and Government payments in place.

Assuming other relevant circumstances take place and Venezuela´s competent authorities make proper use of the powers afforded under the Amendment, investors, service providers and participants in the sector may well benefit from larger flexibility and certainty.

1 Organic Law on Hydrocarbons, published on August 4, 2006, in Official Gazette No. 38,493.

The Amendment is limited to the Hydrocarbons Law (LOH 2006) and does not amend or repeal the Gas Hydrocarbons Law of 1999, which will continue to apply in full on all activities covered thereunder. The amendment is focused on upstream activities, its ancillary activities and trading of hydrocarbons and products, and does not cover material changes in the manner refining and other downstream activities are carried out and investment is allowed, but for key tax carve-outs, arbitration and application of a special tax.

Following are the relevant amendments:

Private Investor Participation in Oil E&P

Investment Activities –› The Amendment expands the alternatives under the LOH for private parties to participate in oil E&P activities ("*actividades primarias*") by allowing private entities domiciled in Venezuela (e.g., domestic companies or foreign entities domiciled in Venezuela) to carry out the activities through agreements entered with Venezuelan State wholly owned companies (hereinafter "SOC") or their affiliates.

At the same time, the conditions applicable for the set-up and operation of new *Empresas Mixtas* have been updated, loosening some of the conditions provided under the 2006 LOH and other applicable Laws and Decree-Laws. *Empresas Mixtas* already in place shall be subject to a 180-day review process which may end up in its parties agreeing adjustments to adapt to the amended LOH inasmuch as the changes do not adversely affect the terms and conditions already in place.

The Amendment acknowledges the validity and standing of the Production Participation Agreements (*"Contratos de Participación Productiva"*) and other agreements entered under the Anti-blockade Constitutional Law. A review in similar terms as those applicable to the Empresas Mixtas also applies in this case.

SOCs, *Empresas Mixtas* and private parties carrying out primary activities are characterized as operators for legal purposes.

Transfer of Rights –› The Hydrocarbons Ministry (hereinafter the "Competent Authority") shall grant the right to operate (carry-out E&P activities) to SOCs and Empresas Mixtas. Under the 2006 LOH a Decree from the National Executive (President and cabinet) was required.

The transfer may encompass the transfer of ownership or property rights over immovable and movable property (other than those characterized as of public domain) as required for an efficient operation. SOCs are allowed to assign (delegate), in whole or in part, the rights to carry-out E&P activities to private parties domiciled in Venezuela, under agreement, provided prior authorization from the Competent Authority has been obtained.

Stabilization Provision –› The Amendment includes stabilization provisions under which the agreement's original economic and financial balance is to be respected through its life, including any incentives granted at a later date. In the event of changes to the legal, fiscal, regulatory, or contractual framework which adversely and materially affect the project economics, the National Executive shall delegate in the competent Ministry the power to produce any needed adjustments to restore said balance, including adjusting royalties, taxes, tariffs, contractual terms or compensation terms, with the aim to restore the original economic (financial) standing of the operator.

Dispute Resolution –› The Amendment relocates and supplements the arbitration provision covered in the LOH 2006. As a result, the parties to agreements executed for the performance of any of the activities covered under the law may agree to submit disputes (of any nature) which cannot be solved amicably, to the competent courts of Venezuela or alternatively to dispute resolution means, including mediation and arbitration. The Amendment provides that the Competent Authority, in consultation with the Attorney General's Office (AGO), shall issue general guidelines setting the mechanics and form of the relevant dispute resolution clauses. Including any such clause in an agreement will be excluded from the need for prior opinion and consent from the AGO and the relevant Ministry.

Incorporation and operation of Empresas Mixtas

Incorporation of Empresas Mixtas –› Under the Amendment, the incorporation of new *Empresas Mixtas* (EMs) and the conditions for their operation are authorized by the National Executive and informed to the *Asamblea Nacional*; while formerly the *Asamblea Nacional* was required to approve and set the conditions under whi*ch Empresas Mix*tas would be incorporated and operate, as well as any changes to said conditions. As a result, the new *Empresas Mixtas* are subject to their relevant incorporation and operation Decree, their Bylaws, and other applicable laws (they will be characterized as state owned companies for purposes of many public law provisions). The same are excluded from the provisions of the Public Procurement Law and its Regulations.

Applicable Conditions –› On the conditions governing the incorporation of *Empresas Mixtas:*

1. Incorporates the majority shareholder's right of first refusal to acquire the shares, in the event of assignment, divestment, or transfer by the private shareholder.
2. Maximum twenty-five (25) years term, and its possible extension for up to fifteen (15) additional years, and applicable conditions remain unchanged.
3. Area Determination and reversion of rights and assets are kept unchanged.
4. Payment of Additional Contributions, Payments and Bonuses as agreed in the granting instruments may be interpreted as being limited to granting bonuses, technology transfer, training and education. Increases in royalties, taxes and contributions have been deleted.

Authorizations for minority shareholders –› One of the most relevant features of the Amendment regarding the *Empresas Mixtas* (EMs) is granting the Competent Authority with powers to authorize the minority shareholder to:

1. Directly market all or part of the *Empresa Mixta* production.
2. Open and keep bank accounts in any currency and jurisdiction to manage and dispose of [operational] funds.
3. Carry out the EMs technical and operational management, whether directly or through a specialized service provider, provided the service cost is reasonable. The EM must be efficient enough to allow for the per barrel production cost, in similar conditions, is equal or lower than the production cost for SOCs or its subsidiaries.

Such authorization will be implemented through the execution or amendment of the relevant agreements between the minority shareholder and the *Empresa Mixta*.

Private Party Direct Agreements on E&P

As referred above, the main innovation of the Amendment is to allow private investors to enter into agreements with SOCs or their subsidiaries for carrying out primary activities (E&P). While the Amendment does not characterize the nature of the Agreement, awarded private investors are qualified as operators and will be vested with mineral rights (i.e., a right to operate, control the operation, and own part of the production/proceeds) under the terms provided in the relevant agreement with the SOC as authorized by the Competent Authority.

Under the relevant agreement the private party acting as operator will carry the overall management of the project, at its sole cost, expense, and risk, under a business plan previously authorized by the Competent Authority. The operator will be formally delegated with the rights to carry out the E&P (primary) activities; it may be allowed (by means of lease, easements, or otherwise) of existing SOC

operating assets or land usage in the designated area. Upon termination of the agreement (for cause or otherwise) those rights and assets revert to the SOC. The agreements are excluded from the scope of the Public Procurement Law and its Regulations.

Under the agreement, consideration for the operating entity may consist of: (1) A percentage of production (audited hydrocarbon volumes), to be directly marketed once governmental obligations have been complied with (e.g., payment of royalties and taxes, and rentals -if applicable); and/or (2) Any other means for profit sharing as set by the Competent Authority. As such, the agreements are likely to give rise to unincorporated JVs which could be considered akin to some forms of Production Sharing Contracts or Profit-Sharing Agreements, but characterization will still depend on the crafting of the relevant agreements. Participation is lifted/paid after deduction of royalties and integral tax by the SOC (though withholding “*retención*” or collection “*percepción*”).

Hydrocarbons and Products Commercialization

Domestic and cross-border commercialization of hydrocarbons (oil) and products (e.g., refined products or synthetic -upgraded- crude oil) by private parties was a major issue under the LOH. Empresas Mixtas could only sell hydrocarbons to SOCs, and private parties could not participate in commercialization and trading. Under the Amendment, as a general rule, that remains the case, however the *Empresas Mixtas* and private parties —subject to prior authorization from the Competent Authority— may directly market all or part of the field (Area) production. The rules on commercialization of products remain in similar terms as those applicable under LOH 2006.

The authorization requires the private party to: (1) comply with the marketing plan approved by the Competent Authority; (2) ensure that sale prices are equal or greater to the operating SOC selling prices in the [relevant] market; (3) comply with all fiscal and environmental duties; and (4) attend to the guidelines set by the Competent Authority on domestic market supply.

The general rule and the exception are to be interpreted and applied altogether with the special provisions related to commercialization rights afforded to *Empresas Mixtas*, its minority shareholder and private parties with a right to operate, in their granting instruments and operating authorizations.

Fiscal Package

The Amendment introduced a major reform to the fiscal package in place (royalties, contractual payments, special taxes and general taxes) under the LOH 2006, allowing for significant flexibility, and a real reduction/carve-out from regressive forms of taxation and contribution.

Royalties –› There is a major shift as royalties are to be set up by the Competent Authority (having pursued a prior opinion from the Ministry of Finances) on a project-by-project basis, capped at thirty percent (30%). Royalty is computed on the value at the wellhead of extracted hydrocarbons (not reinjected into the reservoir). The Amendment allows the Competent Authority to set the rate on the basis of the project´s nature, capital investment needs, financial feasibility, and international competitiveness, even allowing for different rates at different project stages.

Additionally, the royalty rate may be later adjusted by the competent as needed to ensure the project's economic balance (stability).

Integrated Hydrocarbons Tax –› Under the Amendment all “special” taxes covered under the LOH 2006 (namely, surface tax, tax on own consumption, extraction tax, and export registration tax) are replaced by a single tax, the "Integrated Hydrocarbons Tax". The same applies to all persons (entities) carrying out activities under the law (e.g., E&P, refining, industrializing, trading, et *alia*).

The “Integrated Hydrocarbons Tax” is to be set up by the Competent Authority (having pursued a prior opinion from the Ministry of Finances) on a project-by-project basis, capped at fifteen percent (15%).

The same is computed on turnover (minus some discounts on devolutions, certain discounts, and certain refunds for payment or accounting errors), but for E&P operators for which turnover is defined as the value at the wellhead of extracted hydrocarbons and not reinjected into the reservoir. The Amendment allows the Competent Authority to set the rate based on the project´s nature, capital investment needs, financial feasibility, and international competitiveness, even allowing for different rates at different project stages.

Additionally, the “Integrated Hydrocarbons Tax” rate may be later adjusted by the Competent Authority as needed to ensure a project's economic balance (stability).

The tax may be collected in cash or in kind, whether in whole or in part and shall be advanced on a monthly basis, and liquidated on a yearly basis.

Income Tax –› The Amendment allows for the Competent Authority to reduce the Income Tax (ISLR) rate as needed to ensure the project's economic balance (stability).

Tax Carve-Outs –› The Amendment includes a material provision creating a broad carve-out (permanent tax holiday) applicable to persons (whether State owned or private) who carry out the activities under the Law. As a result such persons are exempted from paying:

1. the Large Net Worth Tax (IGP).
2. the special contribution provided for in the Organic Law on Science, Technology, and Innovation. (LOCTI).
3. the special contribution provided for in the Organic Law on Sport, Physical Activity, and Physical Education.

4. the special contribution provided for in the Organic Law on Drugs; and
5. the contribution provided for in the Law on the Protection of Social Security Pensions Against the Imperialist Blockade.

The wording and placing of the provision would result in the carve-outs applying to all activities under the law, including all upstream, downstream and midstream activities identified thereunder.

The carve-outs also expand to the social responsibility commitment provided for under the Public Procurement Law.

The provision also acknowledges that the activities under the Amended LOH shall not be subject to state or municipal taxes. This provision is to be read and interpreted within Venezuela´s Constitutional framework of federal distribution of taxing powers.

Other Relevant Items

Adaptation of Pre-existing Empresas Mixtas and CPPs -› A transition of one hundred and eighty (180) days review period is included for the Competent Authority and the parties to evaluate existing *Empresas Mixtas* to agree on the necessary adjustments in accordance with the terms of the Law. For *Contratos de Participación Productiva* (CCP) and other contractual models, the parties shall make the relevant adjustments within such period. In either case, the changes must respect previously agreed conditions.

Penalties -› While the penalty regime in place under the LOH remains mostly unaltered, a change in their computation is introduced with the Amendment. While formerly, penalties would be computed in Tax Units (UT), now they will be computed using the official exchange rate of the highest value currency as published by Venezuela's Central Bank (*Banco Central de Venezuela or BCV*).

Overriding (Repeal) Provisions -› The amendment includes provisions repealing:

1. the Law on the Regularization of Private Participation in Primary Activities;
2. the Organic Law that reserves the State Goods and Services Related to Primary

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Hydrocarbon Activities;

3. the Law creating a Special Contribution for Extraordinary and Exorbitant Prices in the International Hydrocarbons Market;
4. Decree No. 5,200, with the Rank, Value, and Force of Law on Migration to *Empresas Mixtas* of the Orinoco Oil Belt Association Agreements; as well as the Risk Exploration and Profit Sharing Agreements;
5. the Agreement of the National Assembly approving the Terms and Conditions for the Creation and Operation of *Empresas Mixtas* and the Model Contract; and
6. the Agreement of the National Assembly approving the amendment of Agreement One, paragraph 6, subparagraph a, of the Terms and Conditions for the Creation and Operation of *Empresas Mixtas* contained in the Model Contract for Empresas Mixtas between Corporación Venezolana del Petróleo, S.A., and Private Entities.
7. Any and all statutory provisions conflicting with the LOH as amended.

Entry into Force –› The Amendment entered into force on January 29, 2026, upon publication in Official Gazette, but for its Articles 51, 55, 56, 57, 58, and 59 (dealing with royalties, integral tax, and certain tax holidays), which shall enter into effect sixty (60) calendar days after publication.

For any further assistance, please do not hesitate to contact us.

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