



Legal Summary 2-2026

Reform of the Organic Law of Hydrocarbons

Official Gazette N° 6.978 Extraordinary
dated 29th January 2026

KPMG Venezuela

February 2026

The reform of the Organic Law of Hydrocarbons (OLH), highlights among its modifications, the incorporation of new forms of association and new management and control mechanisms, maintaining the State ownership of hydrocarbons, but allowing greater participation of the private sector. In addition, it introduces a more competitive tax regime aimed at encouraging investment, which represents a significant change from the traditional scheme

Among the most relevant reforms are the following aspects:

- **Purpose of the Law**

It is recognized as a foundation of the Law, the application of principles such as energy sovereignty, public ownership of reservoirs, progressive maximization of revenue, legal certainty, contractual transparency, accountability, environmental protection, and adaptation to the energy transition (article 1).

- **Dispute resolution**

Doubts and controversies of any nature, arising in connection with the contracts for the performance of the activities regulated in the Law, may be decided by the competent courts of the Republic or through alternative dispute resolution mechanisms, including mediation and arbitration, without expressly limiting it to Venezuelan jurisdiction as was the case in the Organic Law of Hydrocarbons (OHL) of 2006 (article 8).



- **Exercise of primary activities**

Primary activities, previously limited to companies wholly-owned by the Republic, their subsidiaries and mixed companies (companies with a majority participation by the State), are permitted to be carried out by private companies domiciled in the country, within the framework of contracts signed with entities wholly-owned by the Republic or their subsidiaries (article 23).

Companies wholly-owned by the Republic or their subsidiaries, to which the Ministry with competence in hydrocarbons matters has granted the right to exercise primary activities, and transferred ownership or other rights over movable or immovable property of the private domain of the Republic, required for the exercise of such activities, may assign in whole or in part, by contract, to private companies domiciled in the Bolivarian Republic of Venezuela, the rights granted to them, with the prior authorization from said Ministry (article 25).

- **Economic and financial equilibrium of the contract**

It is recognized that contracts for the exercise of primary activities by mixed companies and private companies will maintain the economic-financial equilibrium originally agreed, which must be preserved throughout the term of the contract. In the event that legal, fiscal or regulatory changes substantially affect the economy of the project, the National Executive shall delegate to the Ministry with competence in hydrocarbons matters the necessary adjustments to restore the economic equilibrium originally agreed upon through the modification of royalties, taxes, tariffs, contractual terms, economic conditions or compensation mechanisms (article 26).

- **Regime applicable to mixed companies**

The constitution of mixed companies and the conditions for the exercise of primary activities shall be authorized directly by the President of the Republic, and the National Assembly is notified only for the purposes of parliamentary control. This represents a significant change compared to the OHL of 2006, which required the prior approval of the National Assembly for the creation of these companies. Mixed companies are excluded from the scope of application of the Law of Public Procurement and its Regulations (article 34).

The National Executive, through the organ of the Ministry with competence in hydrocarbons matters, may authorize the mixed companies so that the minority shareholder may directly market all or a quota of the production of the mixed companies; open and manage bank accounts in any currency and jurisdiction, for the use and administration of funds; and, to exercise the technical and operational management of the mixed companies, directly or through a specialized service provider; for which the suitability and capacity of said shareholder must be ensured. In any of these cases, the shareholders of the mixed companies must enter into agreements or contracts in which special advantages may be agreed in favor of the Republic (articles 36 and 38).

- **Contracts for the development of primary activities**

This Law incorporates contracts for the development of primary activities, through which companies wholly-owned by the Republic or their subsidiaries may contract private companies domiciled in Venezuela to operate these activities in their entirety, assuming the cost and risk of the project and demonstrating technical and financial capacity through a business plan approved by the Ministry with competence in hydrocarbons matters. For the hiring of these companies, their suitability and capacity for the exercise of primary activities must be previously evaluated. These contracts are excluded from the regime of the Law of Public Procurement (article 40).

During the term of the contracts for the development of primary activities, the State-owned company may grant the private company the right to use the assets and also assign the right to use the operational area and the delimited area, in which case the operating company will pay a percentage of the volume of controlled hydrocarbons that will be fixed in the respective contract (article 42). At the end of the term of the contract, the operating company must return the assets and transfer the property, free of any encumbrance, to the State company without this generating any obligation to pay or compensate (article 43).

In contracts for the development of primary activities, the State-owned enterprise shall act as an agent for withholding or collecting royalties and the integrated hydrocarbons tax (article 44).

- **Royalty**

Although the State's right to a share of up to thirty percent (30%) of the volumes of hydrocarbons extracted and not reinjected from any reservoir is maintained, the percentage applicable to each project will be determined by the Executive considering the characteristics and phases of execution of each development; it may be modified if necessary to guarantee the economic equilibrium of the project (article 51).



- **Integrated Hydrocarbons Tax**

The Integrated Hydrocarbons Tax is created, and the Surface Tax, the Own Consumption Tax, the General Consumption Tax, the Extraction Tax, and the Export Registration Tax, established in the OHL of 2006, are eliminated.

The Integrated Hydrocarbons Tax is applicable to legal entities, public or private, that carry out primary activities, its taxable base will be made up of the total gross income accrued monthly, and will not admit any deduction, except in cases of refunds, unconditional discounts agreed at the time of operation and reimbursements for billing errors or undue payments, provided they are duly documented. In projects for the performance of extraction activities, gross income accrued shall be understood as the total value of the hydrocarbons extracted and not reinjected (article 55).

The rate of the aforementioned tax shall be up to fifteen percent (15%), and the National Executive, after obtaining the opinion of the Ministry with competence in finance matters, shall determine the rate applicable to each project, and may modify it when it is demonstrated that it is necessary to guarantee the economic equilibrium of the project (article 56). This tax will be determined and advanced on a monthly basis and paid in full annually, and may be demanded in kind or in money, in whole or in part (article 57).

- **Income tax**

Another change in tax matters is the possibility of reducing the rate for Income Tax, when it is demonstrated that such reduction is necessary to guarantee the economic equilibrium of the project (article 58).

- **Exemption from taxes and parafiscal**

Public or private legal entities that carry out the activities referred to in this Law will be exempt from the Tax on Large Estates, as well as from the special Contributions provided for in the Organic Law on Science, Technology and Innovation; in the Organic Law on Sports, Physical Activity and Physical Education, in the Organic Law on Drugs, in the Law on the Protection of Social Security Pensions Against the Imperialist Blockade. It is also established that they are not subject to the commitment to social responsibility provided for in the Law of Public Procurement, nor to state or municipal taxes (article 59).

- **Marketing activities**

The National Executive may authorize both mixed companies and private companies domiciled in Venezuela to directly market all or a quota of the volumes of natural hydrocarbons produced in the assigned area (article 68).



- **Derogatory provisions**

With the entry into force of this Law, the following regulations are repealed:

- Law on the Regularization of Private Participation in Primary Activities Provided for in Decree No. 1.510 with the Force of an Organic Law on Hydrocarbons (2006).
- Organic Law that reserves to the State Goods and Services Related to Primary Hydrocarbon Activities (2009).
- Law that creates the Special Contribution for Extraordinary Prices and Exorbitant Prices in the International Hydrocarbons Market (2013).
- Decree No. 5.200 with the Rank, Value and Force of Law on Migration to Mixed Companies of the Orinoco Oil Belt Association Agreements, as well as the Agreements on Exploration at Risk and Shared Profits (2007).
- Agreement of the National Assembly approving the Terms and Conditions for the Creation and Operation of Mixed Companies and the Model Contract (2006).
- Agreement of the National Assembly approving the modification of the Terms and Conditions for the Creation and Operation of Mixed Companies contained in the Model Contract for Mixed Companies between the Venezuelan Petroleum Corporation, S.A., and Private Entities (2009).

- **Transitory provisions**

Within one hundred eighty (180) days following the entry into force of this Law, an evaluation of the existing Mixed Companies shall be carried out, and any necessary adjustments may be agreed upon in order to align them with the provisions of this Law, as well as to adopt the pertinent measures for the comprehensive utilization of hydrocarbons. During this period, the parties to the productive participation contracts and other existing contractual models shall make the adjustments necessary to bring them into compliance with the terms of this Law.

Within thirty (30) days following the entry into force of this Law, the Ministry with competence in hydrocarbon matters shall issue the regulations necessary for the determination, declaration, and payment of the Integrated Hydrocarbons Tax.

- **Entry into force of the Law**

This Law shall enter into force upon its publication in the Official Gazette of the Bolivarian Republic of Venezuela, except for Articles 51, 55, 56, 57, 58, and 59, which shall enter into force sixty (60) continuous days after its publication.



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