June 2026

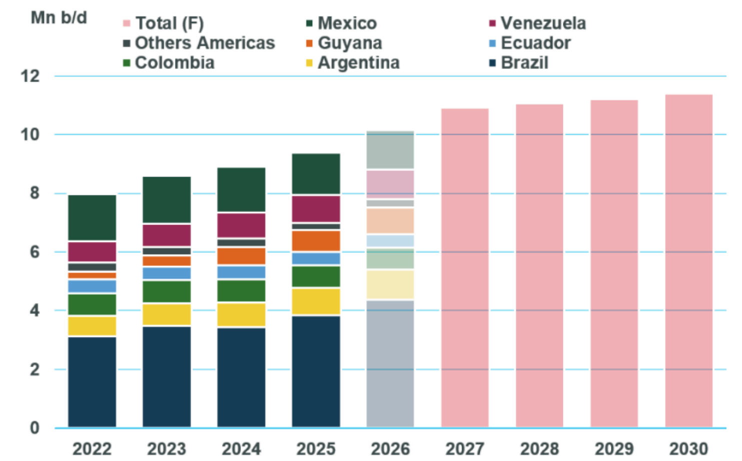
South America’s offshore markets boom in the shadow of conflict

The region’s growth story is a structural reorientation, not a cyclical spike, writes Todd Jensen, Associate Director, Maritime Strategies International

The Middle East conflict has not created South America's offshore growth story. The region was already the primary source of non-OPEC supply growth before the Strait of Hormuz disruption, with approximately 0.7 Mn b/d to 0.8 Mn b/d of new output expected from Brazil, Guyana and Argentina before the conflict began.

But the disruption has sharpened the strategic premium on Atlantic Basin production, geographically insulated from maritime chokepoints, and accelerated a reorientation of operator and investor preference that was already directionally underway.

South America Crude Oil Production Forecast

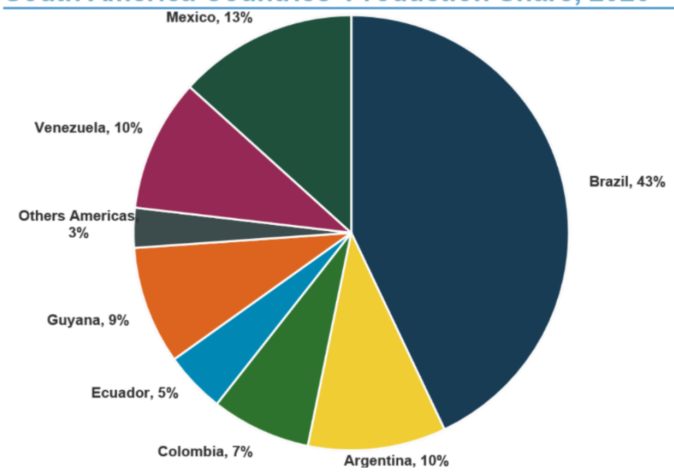


Lower risk, higher returns

Brazil's government targets close to 5 Mn b/d by 2030 are underpinned by the most de-risked FPSO delivery queue in the region. P-79, P-80 and P-82 at Búzios together with the Mero progression, account for the bulk of incremental capacity required.

Petrobras's 2026 to 2030 business plan commits $102 Bn in investment, over 70% directed to E&P. Beyond the pre-salt, Petrobras has allocated $7.5 Bn toward drilling deepwater exploration wells in frontier basins along Brazil's northeastern Equatorial Margin, targeting passive margin traps in basins including Foz do Amazonas and Barreirinhas, though environmental licensing of the first wells remains the primary gating constraint.

South America Countries’ Production Share, 2026



Should the programme progress on schedule, MSI anticipates incremental jackup and deepwater floater demand concentrated in 2027 and 2028 that sits outside the current base case projections. Environmental licensing remains the gating constraint, but the economic case for acceleration is stronger at current prices than at any prior point in the decade.

Guyana's Natural Resource Fund surpassed $4 Bn in April 2026, with the first four months of the year generating approximately $1.28 Bn in royalties and profit oil proceeds.

The fiscal mechanics of the Stabroek production sharing agreement (PSA) amplify the price windfall beyond a straightforward volume-times-price calculation: higher prices accelerate cost recovery for the ExxonMobil consortium, increasing Guyana's profit oil share sooner than the base case schedule.

ExxonMobil is seeking approval to lift Yellowtail's capacity toward 0.29 Mn b/d from its initial 0.25 Mn b/d design. Uaru at approximately 0.25 Mn b/d is expected online later in 2026, Whiptail at similar capacity follows in 2027, Hammerhead at 0.15 Mn b/d targets 2029, and Longtail under regulatory review would bring total Stabroek installed capacity to 1.7 Mn b/d by 2030 across eight sanctioned developments.

For the MODU and OSV sectors, this delivery sequence represents the most predictable forward demand profile in the region, with rig requirements and vessel specifications visible several years in advance.

Winners and losers

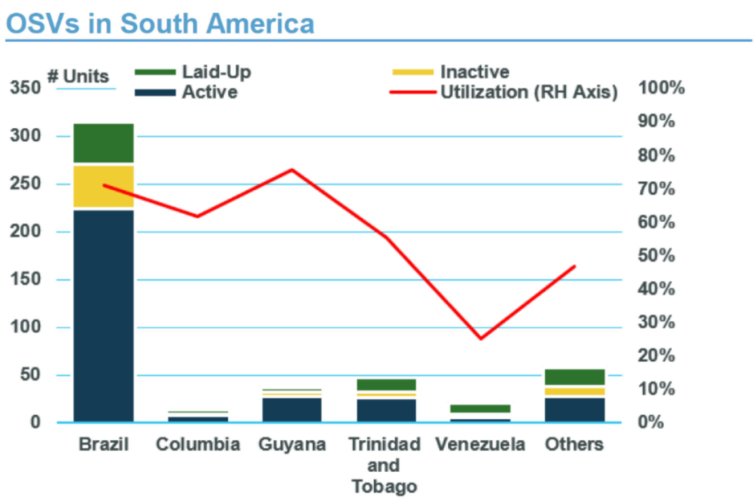
Suriname's exposure remains entirely prospective but credible. TotalEnergies' GranMorgu FPSO, targeting 0.22 Mn b/d at first oil in 2028 at a total committed capital of $10.5 Bn, will be the country's first offshore production asset. Petronas is advancing toward a potential LNG development in Block 52, and TotalEnergies launched a new drill campaign in Block 64 in January 2026, extending the exploration envelope northeast of Block 58.

The regulatory posture of Staatsolie, combined with the repriced price environment, makes Suriname a named peer to Guyana in the forward supply narrative rather than a speculative footnote.

Trinidad and Tobago is the region's cautionary case. At approximately 51 k b/d and structurally declining, the country cannot generate meaningful windfall from elevated prices. Seven jack-ups serving legacy shallow-water operations and OSV utilisation of 55% both reflect a market in structural retreat.

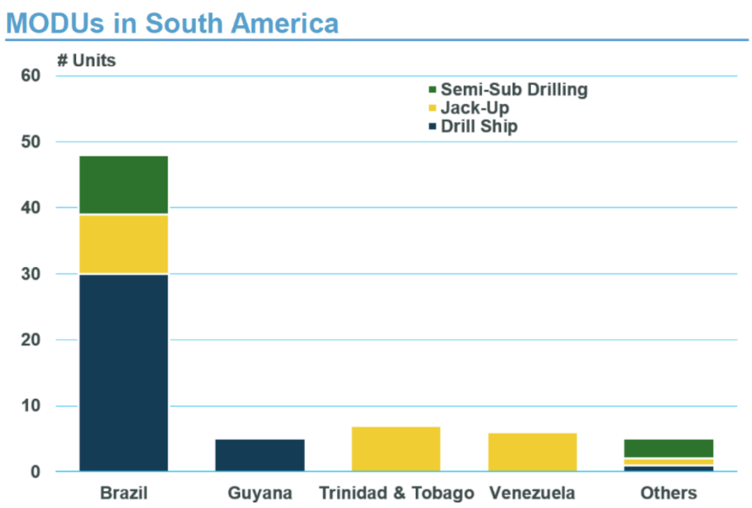
Demand acceleration

The synthesis for the MODU and OSV markets is that South America is entering a period of supply-constrained demand acceleration. The conflict did not create this dynamic, but it has strengthened and extended it.



The supply constraints, an aging global OSV fleet, limited newbuild capacity, and a 2025/26 relative contraction in ordering activity, were structurally in place before March 2026.

The demand acceleration, driven by the contracted FPSO delivery queue across Brazil and Guyana, was already visible in MSI's forward projections included in its Q2 2026 MODU Market Report.



The conflict has added a third variable: a shift in operator contracting preference toward the Atlantic Basin that will begin to show up in awarded contracts and rig commitments through the second half of 2026 and into 2027. Recent M&A activity reinforces the investment thesis.

Chevron's acquisition of Hess delivered a 30% Stabroek stake into one of the world's largest operators' portfolios. Equinor's $3.4 Bn divestment of Peregrino to PRIO signals growing appetite from Brazilian independents to absorb deepwater assets. Oceaneering's $180 Mn subsea robotics award from Petrobras, covering ROV services, FPSO hookups and mooring inspections across multiple vessels on four-year terms, is consistent with a client that is contracting for the long cycle rather than managing short-term cost.

Measuring upside and downside

MSI’s Base Case is that marketed floater demand in South America reaches a peak by end-2027, with Guyana and Brazil leading the demand growth as the installation demand peak arrives. OSV utilisation follows a similar trajectory, with dayrate pressure on modern DP2 and DP3 tonnage likely becoming a feature of renewal negotiations from mid-2027 onward.

The principal downside risk is a faster-than-expected resolution of the Hormuz situation, combined with an OPEC production response that drives Brent materially below the $80 per barrel level at which the more marginal exploration programmes in frontier basins remain economic.

The principal upside risk is that the Equatorial Margin licensing process accelerates, adding a material increment of jack-up and AHTS demand that current forecasts do not capture. On balance, the structural supply deficit in modern offshore support capacity, combined with the region's contracted production growth, makes South America the most defensible market in the global OSV and MODU cycle for the remainder of this decade.

Ends