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Oil, U.S. Treasuries, and the Strategic Repricing of Energy Security: Implications for Guyana Amid Escalating Middle East Tensions

Energy Security Rebalancing • Implications for Guyana • Middle East Conflicts

INSIGHTS & PRACTICE

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Executive Abstract

Escalating geopolitical tensions in the Middle East have triggered a classic macroeconomic realignment: commodities are rising, U.S. Treasury prices are falling, and yields are repricing higher. For Guyana, this environment presents a dual-channel dynamic. Higher oil prices expand fiscal inflows and strengthen the Natural Resource Fund (NRF), while rising U.S. yields create temporary mark-to-market pressure on sovereign bond holdings. However, rising global oil prices also increase Guyana's import bill for refined petroleum products, partially offsetting upstream revenue gains. On balance, Guyana's ultra-low breakeven cost structure, expanding production profile, and rising strategic relevance within Western Hemisphere energy security architecture tilt the structural balance in its favor.

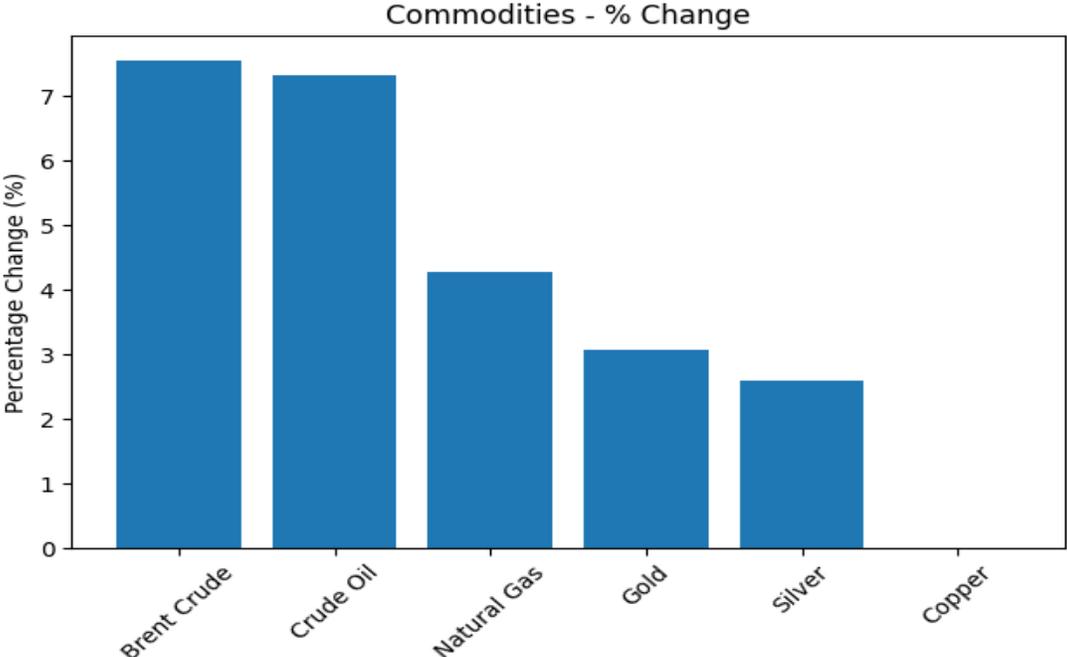
Key Insights

- ▶ Geopolitical escalation is driving simultaneous commodity appreciation and sovereign bond repricing.
- ▶ Higher oil prices expand Guyana's fiscal revenues, royalty flows, and NRF inflows.
- ▶ Rising U.S. yields create short-term mark-to-market pressure on NRF Treasury holdings, but improve reinvestment returns.
- ▶ Guyana remains a net importer of refined petroleum products; elevated oil prices increase fuel import costs and inflationary pressures.
- ▶ Stabroek breakeven costs below ~US\$30/bbl. provide structural downside protection across price cycles.
- ▶ Chevron's entry strengthens capital depth, execution scale, and long-term production optionality.
- ▶ In a fragmented geopolitical environment, Guyana's offshore system is emerging as a Western Hemisphere energy security pillar.

1. Commodities Repricing: Oil as Revenue Engine and Cost Driver

As geopolitical risk intensifies, oil and gold are repricing upward. Prolonged instability expands risk premia, elevates freight and insurance costs, and tightens forward supply expectations. Under extended conflict scenarios, oil prices are likely to remain biased to the upside.

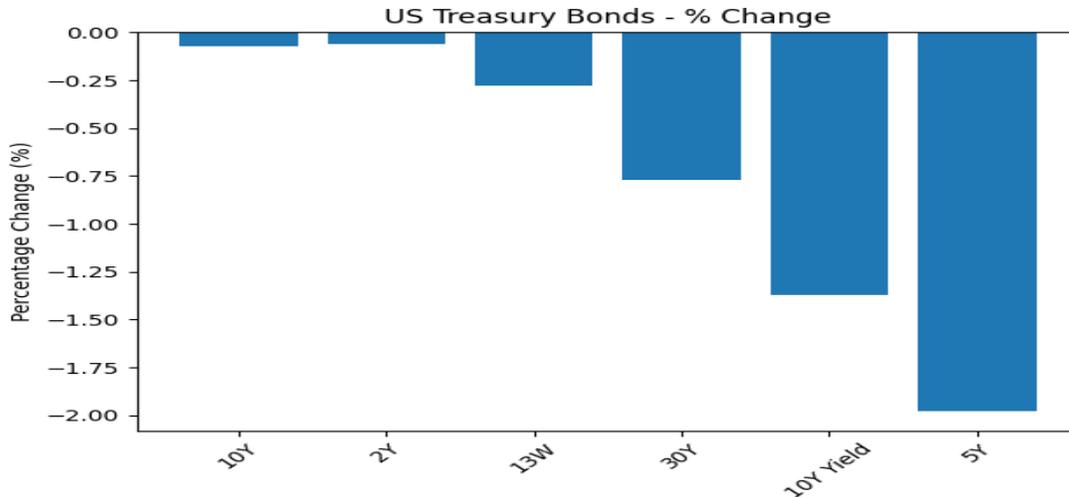
For Guyana, higher oil prices strengthen government revenue, royalty flows, and profit oil receipts. With breakeven costs estimated below US\$30 per barrel in recent years, Guyana’s offshore system remains globally competitive and highly profitable at prevailing prices.



However, Guyana remains a net importer of refined petroleum products. Elevated global oil prices translate into higher domestic fuel import costs, increased transportation expenses, and broader inflationary pass-through effects. Consequently, a portion of the fiscal gains from rising crude prices is offset by higher import expenditures and potential cost-of-living pressures.

2. U.S. Treasury Yields: Inverse Pricing Dynamics

Bond markets are adjusting simultaneously. When bond prices fall, yields rise — reflecting higher inflation expectations and increased term premia. Rising yields create mark-to-market declines on existing fixed-income holdings.



For Guyana, NRF allocations to U.S. Treasury instruments may experience temporary valuation softness. However, reinvestment at higher yields improves future income generation. Over the medium term, energy revenue inflows are likely to dominate short-term bond valuation effects.

3. Energy Security Architecture: The Structural Variable

The more consequential development is the structural reprioritization of energy security. The United States remains in a Strategic Petroleum Reserve rebuilding cycle, while China and India continue expanding strategic stockpiles. Hydrocarbons are increasingly treated as geopolitical security assets rather than transitional commodities. Amid refinery disruptions and supply chain fragility, stable Atlantic Basin producers gain strategic value. Guyana’s low-cost, scalable offshore production system positions it as an emerging hemispheric energy pillar.

4. Chevron’s Entry and Development Acceleration

Chevron’s acquisition of Hess introduced a second global-scale balance sheet into the Stabroek Block. This materially strengthens capital depth, execution capacity, and development sequencing potential. Combined with industry-leading margin performance and underexplored acreage ahead of the 2027 exploration window, Guyana’s production ceiling may extend beyond prevailing medium-term forecasts.

5. Net Macro Balance: Positive, but Not Costless

The macroeconomic balance for Guyana remains positive under sustained higher oil prices, given the scale of upstream revenue generation relative to refined fuel import exposure. Nevertheless, policymakers must remain vigilant to inflationary spillovers, import cost escalation, and domestic price pass-through effects. Strategic investments in domestic energy infrastructure—including gas-to-energy and potential downstream integration—become increasingly critical to mitigating this structural vulnerability.

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The report is designed as an investor-grade strategic briefing and integrates geopolitical context, energy security dynamics, upstream cost competitiveness, and capital markets interpretation. While the analysis incorporates quantitative benchmarking and scenario framing, it is provided for information and research purposes only and should not be relied upon as the sole basis for investment, financing, or policy decisions.

All forecasts, scenarios, and forward-looking statements presented are directional estimates based on assumptions and available data at the time of publication. These are subject to uncertainty and evolving market conditions. Readers are encouraged to conduct independent due diligence and seek professional advice where appropriate.

A complementary SphereX publication—an updated **Energy Market Outlook** scheduled for release by end-Q2 2026—will provide revised oil price scenarios, updated Guyana production forecasts, Natural Resource Fund projections, Government take outlook, and an integrated review of FY2025 consolidated financial statements for ExxonMobil Guyana, Hess Guyana, and CNOOC Guyana.

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About Author

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