

Geostrategic analysis

The EY-Parthenon Geostrategic Business Group's monthly analysis explores key geopolitical developments and their business impacts.

February 2026 edition



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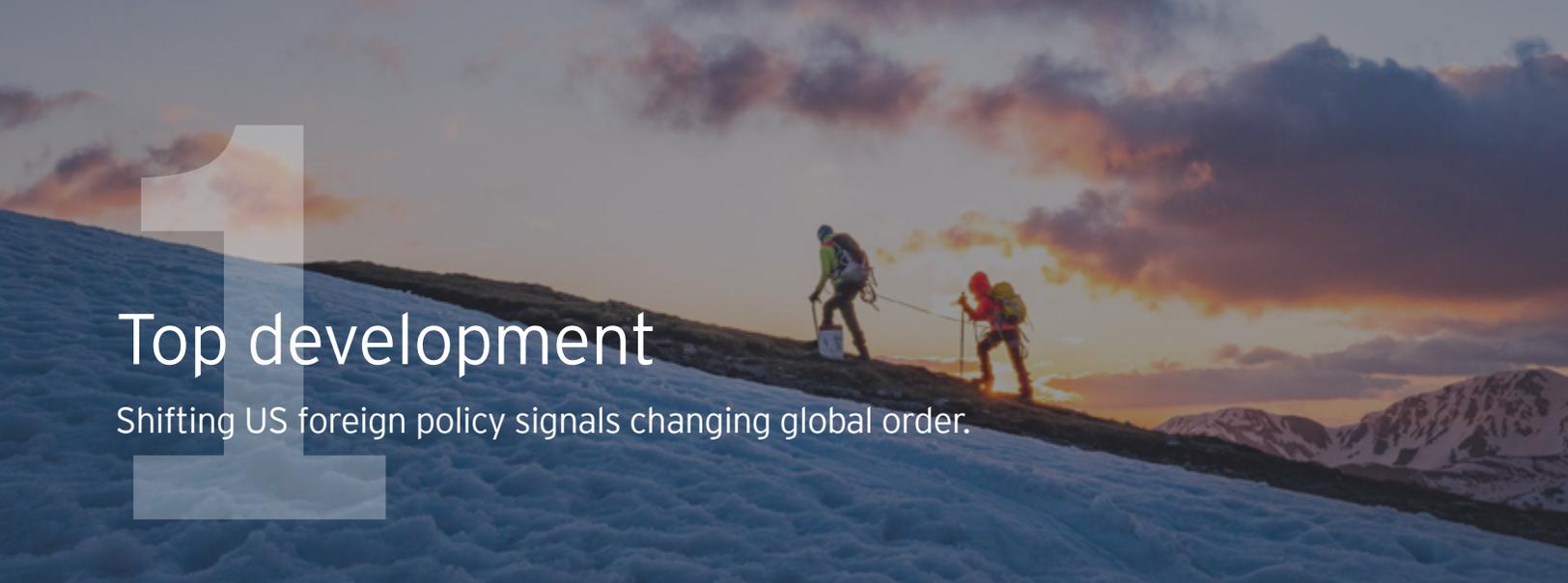
Geostrategic indicator of the month:
Companies are shifting investments to build resilience amid geopolitical risk.

EY-Parthenon Geostrategic Business Group (GBG)

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Top development

Shifting US foreign policy signals changing global order.

What happened: In December 2025, the US released a new National Security Strategy¹ that shifted focus toward the Western Hemisphere, emphasizing energy security and “peace through strength.”

In early January, a US military operation in Venezuela led to the arrest of President Nicolás Maduro and subsequent US efforts to influence governance and the country’s oil industry (see the “Sector in focus” for more details).

The Trump administration renewed focus on its interest in Greenland, an autonomous region of Denmark. This led to heightened diplomatic tensions between the US and European Union (EU) before the announcement of a framework for a future agreement on the issue during the annual World Economic Forum in Davos.

What’s next: The US action to arrest Maduro in Venezuela and President Donald Trump initially expressing openness toward military action against a NATO ally are striking examples of the first theme explored in the [EY-Parthenon 2026 Geostrategic Outlook](#): “New rules and norms.” Under the current US administration, rules and norms both within the US and in the broader global system will likely continue to shift rapidly.

These shifts will also be influenced by China and the EU – as well as a variety of “middle powers” – as they react and adapt to this new US posture, while continuing to shape their own agendas. As a result, the global operating environment will continue to evolve throughout 2026.

The leaders of Canada and China will likely seek to build on their recent agreement to reduce tariffs on selected goods and pursue stronger trade ties “adapted to new global realities.” Similarly, the United Kingdom’s (UK) approval of China’s plans to build a new (and very large) embassy in London is seen as a sign that the UK and China may deepen economic ties. Beijing is also hosting visits by Western leaders who seem to be diversifying their economic ties beyond the US, including UK Prime Minister Keir Starmer and German Chancellor Friedrich Merz.

In the coming months, there will likely be more such examples of what Canadian Prime Minister Mark Carney in a speech at Davos² called “middle power” countries uniting to build a new order that embodies values such as sustainable development and territorial integrity.

These efforts to transition to more diversified foreign policies are likely to proceed in non-linear ways. For instance, after the European Commission approved the EU-Mercosur trade agreement, the European Parliament voted to delay ratification. This was largely seen as being driven by the concerns of European agricultural and other interests that are skeptical of new trade deals. The European Commission could provisionally put the deal with Mercosur into effect while judicial review is pending.

Relations between European countries and the US are likely to remain strained as a result of the tariffs, Ukraine talks and the Greenland issue,

even as the strategic importance of Greenland will persist as a result of Arctic-related national security concerns and mineral deposits. It remains unclear whether any future deal would satisfy all parties.

Business impact: Major sectors affected include mobility; aerospace and defense; energy and resources; infrastructure; and insurance.

The comprehensive economic ties between the US and Europe means that most major sectors will be affected if the transatlantic relationship deteriorates. Companies can develop contingency plans by drawing on their experiences with US tariff increases in 2025, but new factors to consider include the heightened potential for EU retaliation (via counter tariffs, the Digital Services Act and Digital Markets Act, and even its new anti-coercion instrument) and for greater capital markets volatility. Executives should assess whether their operating models and [risk management systems](#) adequately account for greater policy volatility, compliance and reputational exposures, and stakeholder relations in key geographies.

Venezuela and Greenland are both rich in energy and mineral resources, highlighting how geopolitical competition to control or access scarce resources will likely intensify in 2026. This competition is likely to create opportunities for companies in [natural resources extraction and processing](#). When considering entering or expanding in particular markets, executives should continue to assess both the favorability of “subsurface” geology and the “above ground” variables such as regulatory regimes, fiscal take and geopolitical dynamics.

As the global order evolves, structurally higher term premiums, greater currency volatility and more regionally differentiated capital markets signal the end of an era of financial homogeneity and the emergence of a more fragmented, politically influenced global financial order. The value of the US dollar and the stability of global financial markets could be further impacted, particularly if current large European holdings of US Treasuries are questioned. [Corporate treasurers](#) should take these evolving foreign exchange dynamics into account when planning treasury holdings and managing exchange rate risk.

Executives across sectors should [conduct scenario planning](#) to identify the strategic actions that would build agility and robustness. In some cases, companies may need to transform [supply chains](#), particularly for digital technologies, to match evolving geopolitical realities. Other companies may need to better incorporate political risk into how they [value their assets](#) and therefore shift which acquisition and divestment strategies they pursue. Some may need to update their risk management processes and risk mitigation strategies, especially around data security. And some companies may need to change their entire operating model to position themselves for growth in this uncertain geopolitical environment.

For more information, contact [Courtney Rickert McCaffrey](#) and [Adam Barbina](#).

Additional reading: [How to optimize your global strategy amid asymmetric globalization](#)

¹ 2025 National Security Strategy | The White House (whitehouse.gov) <https://www.whitehouse.gov/wp-content/uploads/2025/12/2025-National-Security-Strategy.pdf>

² Principled and Pragmatic: Canada’s Path – Prime Minister Carney Addresses | Prime Minister of Canada (pm.gc.ca) <https://www.pm.gc.ca/en/news/speeches/2026/01/20/principled-and-pragmatic-canadas-path-prime-minister-carney-addresses>

Sector in focus: Oil and Gas

Global oil market outlook stable in the near term despite geopolitical volatility.

What happened

Since early January, there has been a significant US policy pivot aimed at reopening Venezuela's oil sector to American investment. President Trump has encouraged the US oil industry to invest \$100 billion³ in Venezuela, but the proposal received limited initial support, with executives signaling reluctance to deploy capital without political stability, greater alignment between Washington and Caracas and absent substantive reforms to Venezuela's hydrocarbons law, among other changes. In late January, the Venezuelan legislature introduced proposed reforms⁴ that would enable private companies to participate more directly and with more autonomy in the country's oil sector.

Venezuela holds the world's largest proven oil reserves, but the country's oil output has fallen from 2.7 million barrels per day in 2014, to around 1 million barrels per day today⁵. As a result, Venezuela contributes less than 1% of global oil supply due to sanctions and degraded infrastructure stemming from a long history of underinvestment.

Also in January, political instability in Iran due to protests, sanctions, and US warnings of possible military action increased concerns over export disruptions.

What's next

US officials are expected to continue discussions with international oil companies in an effort to encourage their investment in Venezuela's oil industry. While the "subsurface" geology is favorable, oil industry executives are monitoring "above ground" variables to determine if and when to (re)enter Venezuela, including when and to what degree the US relaxes sanctions; the political transition process in Venezuela; and changes to the fiscal and tax regime for oil companies operating in Venezuela.

Major US oil firms have the proficiency to develop Venezuela's heavy oil reserves, though Chevron is best positioned due to its current operational presence and approval from both Washington and Caracas to operate a joint-venture presence that supports 200,000-barrel-per-day output⁶.

Under current law, any large-scale revitalization would need to include PDVSA (Venezuela's state-owned oil company); private companies may require greater operational autonomy before meaningful capital deployment – reforms that were included in law passed in late January. It remains to be seen whether and how new investment structures will align the interests of international operators and the Venezuelan state.

Geopolitical risks will likely remain elevated in Iran, which produces four times more oil than Venezuela, meaning any escalation would have a far greater impact on global markets.

Business impact

OPEC+ has decided to keep oil output unchanged in the wake of these events, reflecting a well-supplied global market in which prices are near four-year lows. Events in Venezuela are therefore unlikely to materially affect global oil prices in the near term, beyond a limited impact on heavy crude pricing, although an escalation in the situation in Iran could have a more significant effect. Executives should continue to monitor both situations and consider contingency planning and hedging strategies to prepare for multiple oil price scenarios.

Restoring Venezuela's oil production to historical peak levels will be challenging. In the near term, workovers of existing wells and limited rehabilitation of infrastructure – requiring an estimated \$10-20 billion – could add up to roughly 500,000 barrels per day within a few years. Increasing output beyond 1.5 million barrels per day would require substantially greater long-term investment not only in upstream developments, but also in pipelines, upgraders and associated midstream infrastructure supporting existing fields, with total capital requirements exceeding \$100 billion over a decade. Oil companies are unlikely to commit such capital without meaningful legal changes that provide operational control over upstream assets and crude marketing. Executives should undertake [long-horizon investment strategy](#) planning, including geopolitical diligence, before committing significant capital to new projects.

For more information, contact [David Kirsch](#), [David Johnston](#) and [Anna Belova](#).

Additional reading: [How oil & gas and chemicals can steer through shifting trade winds](#)

³ BBC News – Article on Venezuela | BBC News (bbc.com) <https://www.bbc.com/news/articles/c205dx61x76o>

⁴ Venezuela's New Oil Law to Allow Private Companies to Market Crude | S&P Global (spglobal.com) <https://www.spglobal.com/energy/en/news-research/latest-news/crude-oil/012226-venezuelas-new-oil-law-to-allow-private-companies-to-market-crude>

⁵ How Much More Oil Could Venezuela Produce – and How Soon? | CSIS (csis.org) <https://www.csis.org/analysis/how-much-more-oil-venezuela-and-how-soon>

⁶ Increasing Venezuela's Oil Output Will Take Several Years and Billions of Dollars | Council on Foreign Relations (cfr.org) <https://www.cfr.org/expert-brief/increasing-venezuelas-oil-output-will-take-several-years-and-billions-dollars>

Other issues we are watching

Germany's pivot toward India, policy continuity from elections in Asia and rising instability risks from Iran's nationwide protests.

Germany rebalances Asia strategy amid rising pressures on EU

German Chancellor Merz's choice of India as his first Asian destination marks a strategic shift toward elevating New Delhi as a key Indo-Pacific partner – and thereby trying to reduce Germany's dependence on China. The visit advanced supply chain diversification, security ties⁷ and helped accelerate the conclusion of the EU-India Free Trade Agreement. This deal strengthens Merz's leverage ahead of a planned late-February visit to China, amid a widening trade deficit and EU-China trade disputes. Importantly, stronger Germany-India ties also provide the EU with alternative trade buffers as US tariff pressures intensify.

Business impact: A large German business delegation joined Chancellor Merz on his visit, which opened near-term opportunities in the [aerospace and defense](#), telecommunications, technology and energy sectors through new co-production, R&D and investment initiatives. More broadly, the EU-India Free Trade Agreement will lower tariffs and streamline customs, improving sourcing options and market entry across key manufacturing sectors once it is implemented – a process contingent on ratification, likely taking at least a year, before gradual rollout. This creates opportunities for businesses to [recalibrate supply chains](#) and integrate Indian suppliers and production locations more significantly into their diversification and resilience strategies.

For more information, contact [Maxim Hofer](#).

Elections in Asia signal policy continuity and opportunities in strategic sectors

The early 2026 electoral cycle across Bangladesh, Japan, Laos, Myanmar, Thailand and Vietnam reinforced policy continuity despite lingering political stalemates. In particular, while Thailand's fragmented election results entrench partisan friction, the governing coalition maintains a pro-market policy orientation. In Japan, the Liberal Democratic Party (LDP) victory under Prime Minister Sanae Takaichi cemented support for the current robust defense posture and expansionary fiscal policy approach. While this wave of elections led to fresh mandates for policy consistency, the risks of social unrest and political volatility remain elevated as many domestic issues, particularly related to the cost of living, remain unaddressed.

Business impact: The expectation of political stability across major Asia-Pacific markets will likely reinforce investor confidence. As discussed in

the [EY-Parthenon 2026 Geostrategic Outlook](#), governments throughout the region will double down on economic security policies, which will likely provide investment and growth opportunities in regional industrial hubs and strategic sectors such as [manufacturing](#), [green energy](#) and the [digital economy](#). At the same time, however, baseline political risks persist. Potential protests, an unpredictable policy implementation outlook and underlying civil tensions could disrupt this equilibrium. For executives seeking regional diversification and resilience strategies, it will be important to incorporate both policy outlooks and sociopolitical dynamics into their [geopolitical diligence](#) assessments.

For more information, contact [David Li](#).

Iran protests raise regional uncertainty

Beginning on 28 December 2025, Iranian anti-government protests spurred by worsening economic conditions reportedly spread to all 31 provinces and produced the most serious challenge to the regime in years. The protests triggered a forceful crackdown by Tehran, which led to UN emergency meetings, new US sanctions⁸ and EU condemnations. The Trump administration has telegraphed that it is considering providing external support to the anti-regime movement, including potentially seeking leadership changes or weakening the state's military and state security capabilities. Any such action would risk a severe Iranian response. Meanwhile, countries such as Saudi Arabia, Türkiye and China will likely continue to push for diplomatic de-escalation. As highlighted in the [EY-Parthenon 2026 Geostrategic Outlook](#), these and other states will recalibrate their regional interests in response to Tehran's vulnerability and the current crisis.

Business impact: Iran's economic strain and currency challenges are likely to deepen as costs related to the strikes and nationwide internet blackout rise, the pressure of new sanctions hits and scrutiny of sanctions evasion channels constrain revenues. Iranian energy output may weaken, though impact to markets outside China (the largest export market for Iranian oil) may be limited in the short term. If tensions escalate, companies should anticipate operational disruptions including airline and shipping rerouting, alongside security risks to local infrastructure and workforces. Executives should revisit scenario planning exercises and crisis management plans. And investors should strengthen hedging strategies for energy and currency exposures.

For more information, contact [Ben-Ari Boukai](#) and [Tahir Khan](#).

⁷ India-Germany Joint Statement, January 12, 2026 | Ministry of External Affairs, India (mea.gov.in) https://www.mea.gov.in/bilateral-documents.htm?dtl/40581/India_Germany_Joint_Statement_January_12_2026

⁸ U.S. Treasury Announces New Iran-Related Sanctions | U.S. Department of the Treasury (treasury.gov) <https://home.treasury.gov/news/press-releases/sb0364>

4 Geostrategic indicator of the month

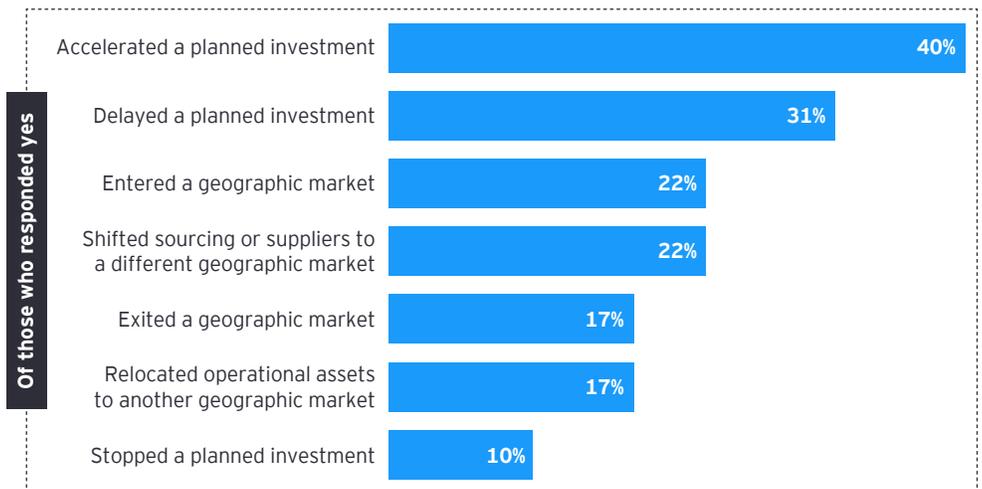
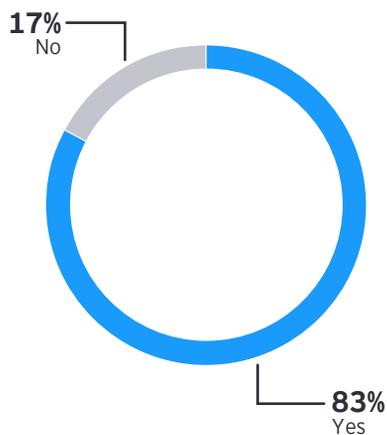
Companies are shifting investments to build resilience amid geopolitical risk.

The indicator

The majority of CEOs are using strategic investment decisions to manage geopolitical risk and build operational resilience. The January 2026 edition of the [EY-Parthenon CEO Outlook](#) shows that 83% of companies adjusted investments over the past 12 months in response to geopolitical and trade policy developments, with 40% accelerating investments. By comparison, 31% delayed investments and only 10% stopped investments. Additional actions – such as entering (22%) or exiting (17%) markets and relocating assets (17%) – highlight active portfolio reconfiguration in response to geopolitical developments.

Geopolitical shifts are driving strategic changes in CEOs' investment plans.

Of those who responded yes:



Source: EY Parthenon CEO Outlook, January 2026.

Question: As a result of geopolitics and trade policy developments, have you made any alterations to your strategic investment plans over the past 12 months?

Note: The respondents were allowed to select more than one option for the 'Yes' response.

Business impact: The indicator signals that geopolitical risk is not necessarily a constraint on growth, but rather a driver of strategic change. Instead of halting growth, executives are prioritizing increasing investments, reallocating capital to strengthen resilience, and reducing exposure to single-market dependencies. Companies now need to move from a reactive to a proactive mindset by adopting a corporate strategy attuned to geopolitics, which will enable them to get ahead of external shocks and create a stable platform for growth. Executives should integrate [geopolitical scenarios](#) into capital allocation, [supply chain design](#) and operating-model decisions to reduce concentration risk, preserve strategic flexibility and safeguard long-term value.

Additional reading: [How do CEOs reimagine enterprises for a future that keeps rewriting itself?](#)

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