

THE WAVERLEY SERIES

FALKLAND ISLANDS

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

LORD WAVERLEY

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FALKLAND ISLANDS — AT A GLANCE

Capital	Stanley
Population and prosperity	Around 3,500 people, with a GDP per capita comparable to Luxembourg or Switzerland; nominal GDP reached GBP 175 million in 2024, up 3.6% on the prior year; the territory carries no public debt and is fiscally self-sufficient beyond UK-funded defence
Fishing sector	Historically the core of the economy, with squid accounting for around 75% of the annual 200,000-tonne catch; fishing licence fees net more than USD 40 million a year, funding health, education and welfare
Sea Lion oil field	Operated by UK-based Rockhopper Exploration and Israel's Navitas Petroleum, located roughly 136 miles north of the Falklands; Phase 1, sanctioned via final investment decision in December 2025 after earlier 2025 financing delays, targets 170 million barrels at peak production of about 50,000 barrels per day, with first oil planned for 2028; the full project could generate up to GBP 4 billion in income for the Falklands, with the government taking a 9% revenue share and a 26% profits tax, potentially worth close to GBP 3 billion over several decades
Escalating Argentine sanctions	On 3 September 2026, Argentine President Javier Milei announced sweeping new sanctions targeting companies, directors, shareholders and suppliers connected to Sea Lion, escalating dramatically after US President Trump stated that Washington's decades-long neutral stance on the islands' sovereignty was 'under review'
Legal challenge	A lawsuit filed 1 September 2026 by Argentine environmental groups and Falklands War veterans seeks a federal court injunction to halt the Sea Lion development entirely, citing both environmental and sovereignty concerns
Argentine military response	Milei has pledged increased military spending for a new naval base in Tierra del Fuego and telecommunications upgrades in the South Atlantic, even while pursuing an otherwise aggressive domestic austerity programme
New local infrastructure	The Falklands Planning and Building Committee approved a 160-unit, 320-bed modular housing complex in August 2026 to accommodate Sea Lion personnel, on the same site used for a similar, later-abandoned 2013 effort, alongside new offices for one of the Islands' leading fishing companies
Long-term strategy	The Falkland Islands Economic Development Strategy 2026-2040 explicitly seeks to diversify the economy beyond the lifespan of any single oil field, including pursuing a Regional Fisheries Management Organisation for currently unregulated fishing areas
Governing framework	A British Overseas Territory with an elected Legislative Assembly and a UK-appointed Governor; the Falkland Islands Government asserts that Falkland Islanders' right of self-determination extends to the right to develop their own natural resources

The Falkland Islands, one of the world's smallest yet wealthiest per-capita economies, now sit at the centre of a rapidly escalating South Atlantic dispute: Argentina's President Milei announced sweeping new sanctions on 3 September 2026 targeting the long-awaited Sea Lion oil project, directly following President Trump's statement that decades of US neutrality on the islands' sovereignty is now 'under review.' A concurrent legal challenge and Argentine military build-up in Tierra del Fuego add further live risk to a project that only reached final investment decision in December 2025 after years of delay. Investors should read the Falklands as a fiscally robust, self-sufficient territory whose transformative oil opportunity now carries genuine, currently escalating geopolitical risk extending well beyond routine sovereign-dispute rhetoric.

1. INVESTMENT & FDI

Sea Lion's December 2025 final investment decision represents the Falklands' most transformative economic opportunity in its history, now directly threatened by a fresh wave of Argentine sanctions targeting the project's international corporate backers.

Rockhopper Exploration and Navitas Petroleum took the final investment decision for Sea Lion's Phase 1 development in December 2025, after the decision had originally been targeted for mid-2025 before being delayed in May due to financing hurdles; Phase 1 targets 170 million barrels of production at a peak rate of approximately 50,000 barrels per day, with first oil planned for 2028. The full project could generate up to £4 billion in income for the Falklands, with the government set to take a 9% cut of revenues and a 26% tax on profits, a combination that could be worth close to £3 billion to the territory over several decades. On 3 September 2026, however, Argentine President Javier Milei announced sweeping new sanctions targeting companies, directors, shareholders and suppliers connected to the project, with penalties potentially extending to affected companies' broader ability to operate or sign contracts; this escalation followed directly from US President Trump's statement that Washington's decades-long neutral stance on the islands' sovereignty was 'under review.'

- **A genuinely transformative, quantified fiscal opportunity for a very small economy:** the specific £3-4 billion income and revenue-share figures represent an extraordinary scale of potential fiscal benefit relative to the Falklands' population of roughly 3,500 people.
- **A long-delayed project now facing a new external threat just as it reaches commitment:** the project's own history of financing delays, followed immediately by this fresh sanctions escalation right after finally securing its investment decision, represents a specific, unfortunate timing coincidence directly relevant to assessing execution risk.
- **A sanctions regime with stated scope extending beyond Falklands-specific operations:** the explicit reference to potential impacts on affected companies' broader contractual and operating ability suggests these measures could carry consequences for the involved firms' activities well beyond the South Atlantic specifically.
- **A direct, sourced link between a US policy statement and Argentina's sanctions escalation:** Trump's 'under review' statement being explicitly cited as the trigger for Milei's announcement represents a clear, sourced causal chain connecting US foreign policy signalling to concrete Argentine economic retaliation.

2. TRADE & BUSINESS

Squid fishing licences remain the Falklands' historic economic backbone, even as the territory's own long-term strategy explicitly plans for eventual diversification beyond any single resource sector.

Squid accounts for around 75% of the Falklands' annual 200,000-tonne catch, with fishing licence fees netting more than \$40 million a year and funding health, education and welfare directly. The Falkland Islands Economic Development Strategy 2026-2040 explicitly states the importance of exploring diversification opportunities to broaden the economic base, noting that progress in adjacent industries 'offers the potential to create a long-term economic legacy that extends well beyond the lifespan of any oil field,' while continuing to push for a Regional Fisheries Management Organisation to cover currently unregulated fishing areas.

- **A durable, historically proven revenue base independent of the oil sector's fortunes:** the specific \$40 million annual licence-fee figure represents a long-established, verified funding mechanism for core public services, distinct from and predating the Sea Lion opportunity.
- **An explicit, forward-looking government commitment to diversification beyond hydrocarbons:** the strategy's direct language about legacy extending 'well beyond the lifespan of any oil field' reflects genuine institutional awareness that the current oil opportunity, however large, should not become the economy's sole future foundation.
- **A specific, unresolved regional fisheries governance gap:** the continued push for an RFMO covering currently unregulated areas indicates a real, ongoing policy challenge in fully securing the value of the territory's marine resources.

3. MAJOR ECONOMIC DEVELOPMENTS

A US statement reopening the question of Falklands sovereignty has triggered the most serious escalation in the Argentina dispute in years, combining sweeping new sanctions, a fresh legal challenge, and a notable Argentine military build-up.

The dispute over Sea Lion has moved, in the words of one market analysis, 'from historical grievance to live geopolitical risk assessment territory for any investor with exposure to South Atlantic energy or shipping.' President Milei's 3 September 2026 sanctions announcement came directly after President Trump stated that the United States' decades-long neutral stance on the islands' sovereignty was 'under review,' a specific policy signal that broke from a long-standing bipartisan US position of neutrality on the underlying sovereignty question. Separately, a lawsuit filed on 1 September 2026 by Argentine environmental groups and Falklands War veterans seeks a federal court injunction to halt the Sea Lion development entirely, citing both environmental and sovereignty concerns; Sea Lion itself sits roughly 136 miles north of the Falklands, on what Argentina considers part of its own continental shelf. Milei has simultaneously pledged increased military spending for a new naval base in Tierra del Fuego and telecommunications upgrades across the South Atlantic, a commitment made even while he pursues an otherwise aggressive domestic austerity programme, a juxtaposition independent analysis suggests signals the priority he attaches to this specific dispute. For its part, the Falkland Islands Government maintains that Falkland Islanders' right of self-determination extends to the right to exploit their own natural resources, a position separately echoed by hydrocarbon licence holders, who have stated that Argentina's domestic hydrocarbons legislation does not apply to the Falklands or their surrounding waters and that any attempt to enforce it there would represent an unlawful assertion of extraterritorial jurisdiction contrary to the UN Convention on the Law of the Sea.

- **A genuine, sourced shift in US policy positioning after decades of stated neutrality:** Trump's 'under review' statement represents a specific, notable break from long-standing US diplomatic practice on this sovereignty question, regardless of what any eventual policy change turns out to be.
- **A dispute now explicitly characterised by independent analysis as live investment risk, not historical background:** the direct framing of this as 'live geopolitical risk assessment territory' reflects a genuine, sourced escalation in how the financial and investment community is now treating a dispute previously regarded as largely dormant.

- **A concurrent legal and military escalation reinforcing the sanctions announcement:** the near-simultaneous lawsuit filing and naval base pledge, alongside the sanctions themselves, together represent a coordinated, multi-pronged escalation rather than an isolated policy statement.
- **A notable inconsistency between broader fiscal austerity and specific South Atlantic military spending:** Milei's pursuit of new naval and telecommunications spending amid an otherwise aggressive austerity programme represents a specific, sourced signal of the priority attached to this dispute relative to his government's other stated fiscal discipline goals.
- **Competing, directly sourced legal positions on sovereignty and resource rights:** both the Falkland Islands Government's self-determination claim and the hydrocarbon industry's UNCLOS-based rejection of Argentine jurisdiction represent specific, stated legal positions directly opposing Argentina's own claims, reflecting the genuinely contested nature of the underlying dispute.

4. MAJOR PROJECTS & INFRASTRUCTURE

New modular housing for Sea Lion personnel represents the Falklands' most significant current onshore infrastructure development, directly supporting the offshore project's advancing timeline.

- **160-unit modular housing complex:** approved by the Falklands Planning and Building Committee in August 2026, this two-storey, 320-bed complex will accommodate personnel working on Sea Lion's development, built on the same site used for a similar, abandoned 2013 effort during an earlier period of oil price volatility.
- **Fishing company office expansion:** approved at the same Planning and Building Committee sitting, this project reflects continued, concrete investment in the Islands' established fishing-sector infrastructure alongside the new oil-related development.

5. CONFERENCES, FORUMS & EXHIBITIONS

No significant standalone investment conferences or forums specific to this period were identified; the Falklands' investment developments are tracked primarily through the Falkland Islands Government's own planning and economic-strategy publications, and through direct corporate and geopolitical reporting described elsewhere in this briefing.

6. BUSINESS & INVESTMENT EVENTS

Milei's 3 September 2026 sanctions announcement represented the single most significant business and investment event of the period, directly reshaping the risk profile of the Sea Lion project.

- **Argentine sanctions announcement, 3 September 2026:** described extensively in Section 3, this announcement represented the year's most consequential single event affecting the investment outlook for Falklands-linked hydrocarbon development.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

A newly uncertain US position, an escalating adversarial relationship with Argentina, and continued UK sovereign backing define the Falklands' most consequential current international relationships.

- **United Kingdom:** as the territory's sovereign power and the nationality of Sea Lion operator Rockhopper Exploration, the UK's continued backing of Falklands self-determination remains foundational to the Islands' international position amid the current escalation.
- **United States:** President Trump's statement putting the neutral US sovereignty stance 'under review,' described in Section 3, represents a potentially significant, if still unresolved, shift in a relationship that had remained stable for decades.
- **Argentina:** the sanctions, legal challenge and military build-up described extensively in Section 3 represent a dramatically escalating adversarial relationship directly threatening the Sea Lion project's execution.
- **Israel:** as Navitas Petroleum's home country and a co-operator of Sea Lion alongside Rockhopper, this represents a significant, if less publicly discussed, international corporate relationship directly exposed to the current sanctions risk.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

Local fishing companies continue expanding alongside the new oil-driven construction activity, reflecting a private sector adapting to genuine, simultaneous opportunity across both of the territory's core economic pillars.

One of the Islands' pioneering and most substantial fishing companies received approval to build new offices commensurate with the volume of business it has consolidated and its international reach, approved at the same Planning and Building Committee sitting that approved the Sea Lion-linked modular housing complex, reflecting continued private-sector investment across both the established fishing sector and the emerging oil sector simultaneously.

- **Continued private-sector confidence in the established fishing industry:** this specific office-expansion approval represents concrete, ongoing investment in the Islands' historic economic core, occurring in parallel with, rather than displaced by, the new oil-sector activity.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Sea Lion-linked support infrastructure, continued fishing-sector expansion, and diversification opportunities under the 2026-2040 strategy define the Falklands' most concretely promoted new investment channels, all now subject to the current geopolitical risk escalation.

- **Sea Lion support infrastructure:** including the housing complex described in Section 4, continued onshore development supporting the offshore project represents a concrete, currently active investment channel, though now subject to the sanctions risk described in Section 3.
- **Fishing sector expansion:** described in Sections 2 and 8, this remains a stable, currently active investment channel independent of the oil-sector geopolitical risk.
- **Diversification opportunities under the 2026-2040 strategy:** the government's explicit search for adjacent-industry opportunities, described in Section 2, represents an emerging, longer-term investment channel still requiring further development into investable propositions.

SUMMARY ASSESSMENT

The Falkland Islands, one of the world's smallest yet wealthiest per-capita economies, now sit at the centre of a rapidly escalating South Atlantic dispute: Argentina's President Milei announced sweeping new sanctions on 3 September 2026 targeting the long-awaited Sea Lion oil project, directly following President Trump's statement that decades of US neutrality on the islands' sovereignty is now 'under review.'

A concurrent legal challenge and Argentine military build-up in Tierra del Fuego add further live risk to a project that only reached final investment decision in December 2025 after years of delay, even as the territory's established fishing sector and fiscally self-sufficient, debt-free economic base continue functioning independently. Investors should read the Falklands as a fiscally robust, self-sufficient territory whose transformative oil opportunity now carries genuine, currently escalating geopolitical risk extending well beyond routine sovereign-dispute rhetoric.