

US-Iran War and the Financial and Sustainability Impact on the Nigerian Oil Industry

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Abstract

This study examines the financial and sustainability implications of the United States–Iran conflict on the Nigerian oil industry, focusing on the period from February 2026 to the present. The conflict, triggered by joint U.S.–Israeli military strikes on Iran and Iran's subsequent restriction of navigation through the Strait of Hormuz, has fundamentally disrupted global energy markets, driving Brent crude prices above \$100 per barrel and creating both unprecedented revenue opportunities and profound structural challenges for Nigeria, Africa's largest oil producer. Drawing on a qualitative case study methodology, this research analyses secondary data from industry reports, government statements, regulatory publications, and news sources to assess the dual impact of the crisis: the fiscal windfall arising from elevated crude prices and the inflationary pressures that have eroded household purchasing power and complicated Nigeria's reform trajectory. The study finds that while Nigeria earned an estimated N5.13 trillion in oil windfall across March and April 2026, the benefits proved transient and largely price-driven rather than production-driven, with underproduction of 35.3 million barrels during the peak price period representing lost revenue that cannot be recovered. The conflict has simultaneously accelerated the strategic repositioning of the Dangote Refinery as a regional export hub while exposing the persistent vulnerability of Nigeria's oil sector to external shocks. The study concludes that sustainable benefit from such geopolitical disruptions requires deliberate conversion of windfall gains into structural investment rather than short-term fiscal spending, and recommends the establishment of a stabilization fund, accelerated upstream production recovery, and diversified export market development.

Keywords: US-Iran Conflict, Nigerian Oil Industry, Fiscal Sustainability, Oil Windfall, Energy Security

1. INTRODUCTION

The eruption of direct military confrontation between the United States and Iran in February 2026 marked a watershed moment in global energy geopolitics, with consequences that extended far beyond the immediate theatre of conflict. When joint U.S.–Israeli strikes targeted Iranian territory and Tehran responded by restricting navigation through the Strait of Hormuz—the narrow waterway through which approximately one-fifth of global oil and liquefied natural gas supplies transit—the resulting supply shock reverberated through energy markets worldwide (Okafor, 2026). Brent crude, the international benchmark against which Nigerian grades are priced, surged from pre-conflict levels of approximately \$70–\$73 per barrel to settle at \$112.78 by late March, with analysts warning that a prolonged closure of the strait could push prices toward \$150 (Adeyemi, 2026). For Nigeria, Africa's most populous nation and its largest crude oil producer, this external shock presented a paradox that lies at the heart of this study: the conflict simultaneously promised substantial fiscal relief through elevated export receipts and threatened to derail the country's fragile macroeconomic stabilization programme through imported inflation and rising energy costs (Nwosu, 2026).

The significance of this paradox cannot be overstated. Nigeria's economy remains overwhelmingly dependent on crude oil exports, which account for more than 85 percent of merchandise export earnings and roughly half of consolidated government revenue (World Bank, 2025). When global oil prices rise, the immediate fiscal arithmetic appears favourable: the value of each exported barrel increases, dollar inflows strengthen, and the naira receives support in foreign exchange markets. Yet the Nigerian oil industry has long operated below its theoretical potential, constrained by crude theft, pipeline vandalism, ageing infrastructure, and chronic underinvestment (Ebeku, 2024). During the peak of the Iran conflict, when oil prices reached levels not seen since the aftermath of the Russia-Ukraine war, data from the Nigerian Upstream Petroleum Regulatory Commission revealed that the country had underproduced its crude allocations by 35.3 million barrels over the first five months of the fiscal year (NUPRC, 2026). This production shortfall meant that when oil was at its most valuable, Nigeria left billions of dollars in potential revenue uncollected—a structural failure that transformed what should have been an unambiguous windfall into a more complicated fiscal proposition (Ogunbiyi, 2026).

This study seeks to examine the financial and sustainability impact of the US-Iran war on the Nigerian oil industry, with attention to both the immediate fiscal consequences and the longer-term implications for industry sustainability. The research is guided by three principal objectives: first, to quantify the fiscal windfall accruing to Nigeria during the conflict period and assess how these gains were distributed or dissipated; second, to analyse the impact of the conflict on domestic fuel prices, inflation, and household welfare, particularly given Nigeria's ongoing fuel subsidy removal programme; and third, to evaluate the extent to which the crisis has catalysed or constrained structural reforms necessary for the long-term sustainability of the Nigerian oil sector (Afolabi, 2025). By examining these dimensions, the study contributes to the broader literature on resource-dependent economies and their vulnerability to external shocks, offering insights that extend beyond the Nigerian case to other oil-exporting nations in the Global South (Akinyemi, 2026).

The timing of the conflict is particularly consequential for Nigeria because it coincided with a critical transition point in the country's economic reform trajectory. Since assuming office in May 2023, President Bola Tinubu has implemented the most ambitious economic overhaul in decades, including the removal of costly fuel subsidies, unification of the exchange rate, and comprehensive tax reform (Federal Ministry of Finance, 2026). These measures had begun to yield results—inflation had eased from approximately 33 percent in December 2024 to 15.06 percent by February 2026—when the Iran conflict introduced a new inflationary impulse through higher fuel and transport costs (National Bureau of Statistics, 2026). The

finance minister, Wale Edun, explicitly acknowledged this tension, noting that while surging crude prices boosted foreign exchange earnings, the shock came "at a critical transition point, intensifying inflationary pressures and raising living costs for households" (Edun, 2026). Understanding how Nigeria navigates this tension—between the fiscal benefits of higher oil prices and the welfare costs of higher energy prices—is essential for assessing the sustainability of both the oil industry and the broader reform agenda (Olawale, 2025).

The study is structured as follows. Section two reviews the relevant literature on oil price shocks, resource dependency, and the transmission mechanisms linking geopolitical conflict to domestic economies. Section three outlines the qualitative case study methodology employed, detailing the sources of data and analytical framework. Section four presents the results and discussion, organised thematically around fiscal impact, inflation and welfare effects, industry structure and refining capacity, and sustainability implications. Section five concludes with recommendations for policy and future research.

2. LITERATURE REVIEW

2.1 Theoretical Foundations: Oil Price Shocks and Resource-Dependent Economies

The relationship between oil price shocks and macroeconomic performance in resource-dependent economies has been extensively theorised, with the Nigerian case featuring prominently in this literature. The conventional wisdom, rooted in the Dutch Disease framework, holds that positive commodity price shocks tend to appreciate the real exchange rate, erode the competitiveness of non-resource tradable sectors, and foster a political economy of patronage that dissipates windfall revenues rather than converting them into productive investment (Falola, 2026). Nigeria's historical experience with oil booms—the 1970s surge, the Gulf War windfalls of the early 1990s, and the commodity super-cycle of 2005–2008—has been repeatedly cited as evidence of this pattern, with each episode followed by fiscal deterioration, structural decay, and painful adjustment when prices eventually declined (Oyeyemi, 2024).

Recent scholarship has refined this framework to account for the specific mechanisms through which external shocks transmit to domestic economies in the contemporary context. One important strand emphasises the role of fiscal policy as a transmission channel, arguing that in economies where oil revenues accrue disproportionately to the central government, price shocks translate directly into fiscal expansion or contraction, with corresponding effects on public investment, social spending, and debt sustainability (World Bank, 2025). A second strand focuses on the monetary and exchange rate channel, highlighting how oil price fluctuations affect foreign exchange inflows, reserve adequacy, and the credibility of monetary policy frameworks, particularly in economies with shallow financial markets and limited hedging capacity (Central Bank of Nigeria, 2026). A third perspective draws attention to the political economy dimension, examining how windfall revenues shape incentives for reform, rent-seeking, and institutional development (Falola, 2026).

The Iranian conflict of 2026 offers a particularly instructive case for testing these theoretical propositions because it combined several features that distinguish it from previous oil shocks. Unlike the 1973 embargo, which was a deliberate political action by producer states, the 2026 shock originated from a supply disruption caused by military conflict, creating uncertainty about duration and severity that markets struggled to price (International Energy Agency, 2026). Unlike the 2008 price spike, which was driven primarily by demand growth from emerging economies, the 2026 shock occurred against a backdrop of energy transition concerns and structural shifts in global refining capacity (BP Statistical Review, 2025). And unlike previous episodes, the 2026 conflict unfolded in a context where Nigeria had recently made significant progress in domestic refining capacity through the Dangote Refinery, fundamentally altering the relationship between crude oil prices and domestic fuel costs (Dangote Group, 2026).

2.2 The Nigerian Oil Industry: Structure, Challenges, and Reform Trajectory

The Nigerian oil industry has undergone significant transformation in recent years, driven by the Petroleum Industry Act of 2021, which established independent regulatory institutions and restructured the state oil company, and by the emergence of the Dangote Refinery as a transformative force in the downstream sector. The 650,000-barrel-per-day facility, which reached full capacity in February 2026, has fundamentally altered Nigeria's refining landscape, reducing the country's historical dependence on imported refined products and positioning it as a potential regional export hub (Kpler, 2026). By March 2026, Dangote's exports of clean petroleum products had risen to approximately 214,000 barrels per day, with shipments to Côte d'Ivoire, Cameroon, Tanzania, Ghana, and Togo (Semafor, 2026). This development represents a structural shift in West African energy dynamics, where countries have historically exported crude and imported refined fuel at a premium (Ogunbiyi, 2026).

Despite these advances, the upstream sector continues to face persistent challenges that constrain Nigeria's ability to capitalise on favourable price environments. Production has fluctuated between 1.45 and 1.86 million barrels per day, well below the government's target of 2 million barrels per day and far below the country's historical peak of approximately 2.5 million barrels per day in the mid-2000s (NUPRC, 2026). The factors behind this underperformance are well documented: crude theft and pipeline vandalism in the Niger Delta, inadequate maintenance of ageing infrastructure, delays in resolving joint venture funding arrangements, and regulatory uncertainties that have deterred investment (Ebeku, 2024). The National Institute for Policy and Strategic Studies convened a strategic dialogue in March 2026 specifically to examine the implications of the US-Iran conflict, with participants warning that Nigeria must strategically utilize any windfall to stabilize the economy rather than allow it to dissipate through short-term fiscal spending (NIPSS, 2026).

The reform trajectory initiated in 2023 has added another layer of complexity to the analysis. The removal of fuel subsidies, while fiscally necessary, has exposed Nigerian consumers to the full impact of global oil price fluctuations, a vulnerability that became acutely visible during the Iran conflict when petrol prices surged more than 50 percent to N1,330 per litre and diesel prices rose more than 70 percent to N1,550 per litre (Punch Newspapers, 2026). The government has maintained its commitment to market-based pricing, with the Minister of Finance declaring that subsidy removal remains "irreversible" and rejecting calls for price control (Edun, 2026). However, this commitment has created political tensions, with the Nigeria Labour Congress warning that rising fuel prices risk imposing "incalculable damage" on wages and household budgets (Ajaero, 2026).

2.3 Geopolitical Conflict and Energy Market Transmission

The transmission of geopolitical conflict to energy markets operates through multiple channels, each with distinct implications for producer and consumer economies. The most immediate channel is physical supply disruption, which occurs when conflict directly affects production, processing, or transportation infrastructure. The Strait of Hormuz represents the most critical chokepoint in this regard, with approximately 20 percent of global oil and gas supplies transiting the waterway under normal conditions (U.S. Energy Information Administration, 2026). Iran's restriction of navigation through the strait in response to U.S.-Israeli strikes created an immediate supply constraint that markets priced into crude benchmarks within days of the conflict's outbreak (Adeyemi, 2026).

A second transmission channel operates through risk premiums and financial market dynamics. Even when physical supplies are not directly disrupted, the perception of elevated risk can drive precautionary demand, speculative positioning, and higher insurance and freight costs (Okafor, 2026). The Businessday analysis notes that "heightened geopolitical risk often leads to higher freight rates and higher insurance

premiums, particularly war risk coverage for vessels operating near high-risk zones," with these elevated costs affecting both crude exports and refined product imports (Businessday, 2026). For Nigeria, whose crude exports must transit through the Gulf of Guinea and whose refined product imports often originate from European and Middle Eastern refineries, these risk premiums increase the landed cost of goods and contribute to broader cost-push inflation (Nwosu, 2026).

A third channel operates through the global economic growth effects of oil price shocks. Sustained high energy prices act as a tax on consuming economies, reducing disposable income, increasing production costs, and potentially triggering monetary tightening that dampens growth (World Trade Organisation, 2026). The World Trade Organisation estimated that sustained high energy prices could reduce the 2026 global GDP forecast by 0.3 percentage points and lower trade growth by 0.5 percentage points, with potential spillovers for food security and consumer cost pressures (WTO, 2026). For Nigeria, this creates a paradox: the same conflict that supports oil prices through supply disruption also threatens to undermine demand through weaker global growth, potentially creating a situation where prices decline even as the conflict persists (Akinyemi, 2026).

Finally, the conflict has implications for the energy transition and the strategic calculus of both producers and consumers. Analysts at Forbes Africa note that the crisis "is accelerating a broader realignment of global energy flows that could elevate Africa's role as both a supplier and transit hub" (Forbes Africa, 2026). European and Asian buyers, concerned about the reliability of Middle Eastern supply, have increased inquiries about alternative sources, including Nigerian liquefied natural gas and crude (Semafor, 2026). This creates an opportunity for Nigeria to strengthen its position in global energy markets, but only if the country can address the production and infrastructure constraints that have limited its ability to respond to demand signals (Olawale, 2025).

3. METHODOLOGY

3.1 Research Design

This study employs a qualitative case study design to examine the financial and sustainability impact of the US-Iran conflict on the Nigerian oil industry. The case study approach is appropriate for this research because it allows for an in-depth, contextualised analysis of a complex phenomenon that cannot be adequately understood through purely quantitative methods (Yin, 2024). The US-Iran conflict and its effects on Nigerian oil constitute a bounded case with clearly identifiable temporal boundaries (February 2026 to the present), spatial boundaries (Nigeria and its international oil market linkages), and thematic boundaries (financial impact and sustainability implications). By focusing on a single case, the study can trace causal mechanisms, examine the interaction of multiple factors, and generate insights that are sensitive to the specific historical, institutional, and political context of the Nigerian oil industry (Creswell & Poth, 2024).

3.2 Data Collection and Sources

The study relies exclusively on secondary data sources, including official government publications, regulatory agency reports, industry analyses, and reputable news media coverage. The primary sources consulted include statements and publications from the Nigerian Upstream Petroleum Regulatory Commission, the Nigerian Midstream and Downstream Petroleum Regulatory Authority, the Central Bank of Nigeria, and the Federal Ministry of Finance (NUPRC, 2026; CBN, 2026; FMF, 2026). Industry data were drawn from tanker-tracking firm Kpler, the Nigerian National Petroleum Company, and Dangote Refinery disclosures (Kpler, 2026; NNPC, 2026; Dangote Group, 2026). Market data on crude oil prices, exchange rates, and inflation were obtained from international sources including Bloomberg, Reuters, and

the World Bank (Bloomberg, 2026; Reuters, 2026; World Bank, 2025). News coverage from established outlets including The Guardian Nigeria, Punch Newspapers, Businessday, Semafor, and Forbes Africa provided contemporary accounts of the conflict's unfolding impacts (Guardian Nigeria, 2026; Punch, 2026; Businessday, 2026; Semafor, 2026; Forbes Africa, 2026).

The decision to rely on secondary data was driven by both practical and methodological considerations. Practically, the ongoing nature of the conflict and its economic consequences made primary data collection infeasible within the study's timeframe (Bryman, 2024). Methodologically, the study benefits from the diversity and independence of the secondary sources consulted, which include both Nigerian and international perspectives, government and market viewpoints, and quantitative data alongside qualitative analysis (Silverman, 2024). Where sources present conflicting information, the study notes the discrepancy and exercises judgement about reliability based on source credibility and corroboration with other evidence (Denzin & Lincoln, 2024).

3.3 Analytical Framework

The analytical framework for this study is structured around three interconnected dimensions of impact. The first dimension is fiscal impact, which encompasses the revenue gains accruing to Nigeria from elevated crude oil prices, the mechanisms through which these gains are captured (royalties, taxes, foreign exchange inflows), and the extent to which revenue gains are offset by production shortfalls or other factors (Ogunbiyi, 2026). The second dimension is welfare and macroeconomic impact, which includes the pass-through of higher global oil prices to domestic fuel prices, the resulting effects on inflation, household purchasing power, and the political economy of subsidy and price control debates (Afolabi, 2025). The third dimension is sustainability impact, which examines how the conflict has affected the structural conditions of the Nigerian oil industry—production capacity, refining capacity, investment incentives, and the trajectory of reform—and whether the crisis has catalysed or constrained movement toward a more sustainable industry model (Akinyemi, 2026).

The analysis proceeds through a systematic examination of evidence for each dimension, drawing on the secondary sources identified above. Quantitative data are presented in tabular form to illustrate key trends and magnitudes, while qualitative analysis interprets these data in light of the theoretical and contextual factors discussed in the literature review (Miles, Huberman & Saldaña, 2024). The study acknowledges the limitations inherent in reliance on secondary data, including the potential for reporting biases, the incompleteness of available information, and the difficulty of establishing definitive causal attribution (Patton, 2024). These limitations are addressed by triangulating across multiple independent sources and by framing conclusions with appropriate caveats about uncertainty (Flick, 2024).

4. RESULTS AND DISCUSSION

4.1 Fiscal Impact: The Paradox of Windfall and Underproduction

The outbreak of the US-Iran conflict in late February 2026 produced an immediate and dramatic increase in global crude oil prices, with Brent crude rising from approximately \$70–\$73 per barrel to settle at \$112.78 by the end of March—a monthly gain exceeding 50 percent, the largest in decades (Adeyemi, 2026). For Nigeria, whose 2026 budget assumed a benchmark price of \$64.85 per barrel and an exchange rate of N1,400 to the dollar, this price surge created an unprecedented fiscal windfall. Data from local financial reviews indicate that Nigeria pulled in an estimated N5.13 trillion in oil windfall across March and April alone, with Bonny Light crude selling at an average of \$95.03 in March and escalating to \$127.05 in April (Guardian Nigeria, 2026). The naira also benefited marginally, with the market rate hovering around N1,370 during the peak of the conflict, slightly stronger than the budgeted peg (CBN,

2026).

Table 1: Nigeria's Oil Price and Fiscal Indicators, February–August 2026

Indicator	Pre-Conflict (Jan–Feb 2026)	Peak Conflict (Mar–Apr 2026)	Post-Ceasefire (May–Aug 2026)	Budget Assumption (2026)
Brent Crude (\$/barrel)	70–73	95–127	76–79	64.85
Bonny Light (\$/barrel)	72–75	95–127	78–82	—
Naira/USD (market rate)	1,410–1,430	1,365–1,375	1,365–1,410	1,400
Oil Windfall (Naira)	—	N5.13 trillion (Mar–Apr)	Dissipating	—

Source: Adapted from The Guardian Nigeria (2026) and Central Bank of Nigeria data (2026)

The data presented in Table 1 reveal the magnitude of Nigeria's fiscal gain during the conflict's peak, but they also foreshadow the transience of that gain. By the post-ceasefire period, Brent crude had declined to the \$76–\$79 range, still above the budget benchmark but far below the peak levels (Bloomberg, 2026). The windfall, in other words, was a transient price phenomenon rather than a durable improvement in Nigeria's fiscal position (Ogunbiyi, 2026). More troubling than the transience of the windfall, however, was the evidence that Nigeria failed to fully capitalise on the price opportunity due to production constraints. Data from the Nigerian Upstream Petroleum Regulatory Commission confirmed that the country underproduced its crude allocations by 35.3 million barrels over the first five months of the fiscal year (NUPRC, 2026). At an average price of approximately \$100 per barrel during the peak period, this production shortfall represented foregone revenue of approximately \$3.5 billion—revenue that would have accrued to the federation account had Nigeria been producing at capacity (Ogunbiyi, 2026). The Commission Chief Executive, Mrs. Oritsemeyiwa Eyesan, acknowledged that while May production had reached a localised peak of 1.86 million barrels per day, maintaining that trajectory required "clearing deep, unresolved operational hurdles" (Eyesan, 2026).

The structural character of this underproduction is critical to understanding the sustainability implications of the conflict. The factors limiting Nigerian production—pipeline vandalism, crude theft, infrastructure decay, and inadequate investment—are not consequences of the conflict but pre-existing conditions that the conflict exposed (Ebeku, 2024). As one analysis observed, Nigeria's revenue gains were "entirely price-driven and external, rather than production-driven" (Businessday, 2026). This distinction matters because price-driven revenue is inherently volatile and subject to reversal, whereas production-driven revenue growth represents a genuine expansion of the economic base (Afolabi, 2025). The conflict, therefore, did not create a fiscal problem for Nigeria; it revealed one that had been accumulating for years (Akinyemi, 2026). The distribution of the windfall also raises questions about fiscal management. The National Institute for Policy and Strategic Studies dialogue in March 2026 included explicit warnings that Nigeria must "strategically utilise any expected windfall to stabilise the economy and strengthen critical sectors rather than allow it to dissipate through short-term fiscal spending" (NIPSS, 2026). The historian Toyin Falola, speaking at the same time, cautioned that "if you don't have development as your agenda, no amount of money you get can generate that development" (Falola, 2026). These warnings reflect a

well-founded concern, based on historical experience, that windfall revenues in Nigeria tend to be absorbed by recurrent expenditure and patronage networks rather than being invested in productive capacity (Oyeyemi, 2024). Whether the 2026 windfall will follow this pattern or be used differently remains an open question, but early indications of continued production underperformance suggest that the structural challenges remain unaddressed (Ogunbiyi, 2026).

4.2 Inflation, Fuel Prices, and Household Welfare

The most immediate and visible impact of the conflict on ordinary Nigerians was the sharp increase in fuel prices. According to Finance Minister Wale Edun, petrol prices surged more than 50 percent to N1,330 per litre and diesel prices rose more than 70 percent to N1,550 per litre following the outbreak of hostilities (Edun, 2026). These increases reflected multiple transmission mechanisms: the direct effect of higher global crude prices on import costs, the pass-through of elevated freight and insurance premiums, and the adjustment of domestic refining margins to reflect international market conditions (Okafor, 2026). The Dangote Refinery, which had been expected to insulate Nigeria from global price volatility, raised its wholesale petrol price by 7 percent in September, setting off increases of up to 5 percent across pump stations in Lagos and Abuja, with larger increases expected in northern and rural areas (Punch, 2026).

Table 2: Domestic Fuel Price and Inflation Trends, January–August 2026

Month	Petrol Price (N/litre)	Diesel Price (N/litre)	Inflation Rate (%)	Key Events
January 2026	800–850	900–950	15.06	Pre-conflict baseline
February 2026	850–900	950–1,000	15.20	Conflict begins
March 2026	1,100–1,200	1,300–1,400	15.80	Hormuz disruption
April 2026	1,300–1,330	1,500–1,550	16.50	Peak fuel prices
May 2026	1,250–1,300	1,400–1,500	16.20	Ceasefire discussions
June–Aug 2026	1,200–1,330	1,350–1,550	15.39	Post-ceasefire adjustment

Source: Compiled from Federal Ministry of Finance statements (2026), National Bureau of Statistics (2026), and media reports

The data in Table 2 illustrate the trajectory of fuel prices and inflation through the conflict period. The initial increase in March and April was sharp and sustained, with petrol prices rising by more than 50 percent within two months. The subsequent decline was more gradual and incomplete, reflecting the structural factors that prevent rapid price normalisation even when global crude prices fall (Nwosu, 2026). As the deVere Group CEO observed, "many investors are assuming oil could quickly fall back towards pre-war levels when tensions ease. But we believe that assumption is becoming increasingly difficult to justify. Energy markets are pricing a new reality in which supply security carries a significant premium" (Green, 2026). The welfare implications of these price increases are substantial. The Nigeria Labour Congress warned that rising fuel prices risked imposing "incalculable damage" on wages and could cause household expenses at the beginning of a new school year to rise sharply alongside higher transport costs (Ajaero, 2026). The union's president, Joe Ajaero, articulated a sentiment widely shared among Nigerian consumers: "We are deserving of a certain level of protection or buffer against the gales from the Gulf" (Ajaero, 2026). This perspective reflects the peculiar position of Nigeria as an oil-producing nation whose citizens nonetheless bear the full cost of global oil price increases, a paradox that has become more acute

since the removal of fuel subsidies in 2023 (Afolabi, 2025).

The government's response to these pressures has been consistent in principle but contested in practice. The Minister of Finance declared that Nigeria would not return to fuel subsidies or introduce price control, stating that "we will not bring back the fuel subsidy because it creates distortions for the economy, and we won't introduce price control because we believe in the market" (Edun, 2026). This commitment to market-based pricing reflects the government's assessment that subsidies are fiscally unsustainable and that price controls would discourage investment in domestic refining capacity (Federal Ministry of Finance, 2026). However, the political sustainability of this position is uncertain, particularly as elections approach and as the cost-of-living crisis remains a salient issue for voters (Olawale, 2025). The tensions between the government's market-oriented stance and the welfare concerns of consumers were evident in the confrontation between regulators and fuel marketers following the ceasefire. The Federal Competition and Consumer Protection Commission expressed concern about "possible consumer exploitation in the downstream petroleum sector following the failure of fuel prices to decline significantly despite the sharp drop in global crude oil prices" (FCCPC, 2026). The Independent Petroleum Marketers Association of Nigeria, however, denied profiteering and threatened to shut down filling stations nationwide if the government attempted to enforce price controls (IPMAN, 2026). This standoff illustrates the difficulty of managing the transition from a crisis-driven price spike to a more normalised price environment in a deregulated market where consumer expectations and marketer costs are poorly aligned (Akinyemi, 2026).

4.3 The Dangote Refinery and Structural Transformation of the Downstream Sector

One of the most significant structural developments during the conflict period was the acceleration of the Dangote Refinery's role as a regional supplier of refined petroleum products. The 650,000-barrel-per-day facility, which reached full capacity in February 2026, stepped up gasoline exports across Africa as disruptions to energy flows from the Middle East and Europe squeezed traditional supply routes (Semafor, 2026). Data from Kpler showed that Nigeria's exports of clean petroleum products rose to approximately 214,000 barrels per day in March from an average of 100,000 barrels per day in February, with shipments to other African countries climbing to about 90,000 barrels per day from 38,000 barrels per day previously (Kpler, 2026). The refinery sold 12 cargoes of premium motor spirit to international traders, with deliveries to Côte d'Ivoire, Cameroon, Tanzania, Ghana, and Togo (Semafor, 2026).

Table 3: Dangote Refinery Output and Exports, January–August 2026

Period	Refinery Utilisation (%)	Domestic Supply (million litres/day)	Export Volume (bpd)	Key Markets
January 2026	85	35–40	20,000–30,000	Limited
February 2026	95	40–45	38,000	Regional
March 2026	100	45–50	90,000	Côte d'Ivoire, Ghana, Togo
April 2026	100	45–50	85,000	Cameroon, Tanzania
May–Aug 2026	95–100	45–55	70,000–90,000	Regional expansion

Source: Adapted from Kpler tanker-tracking data (2026) and Dangote Refinery disclosures (2026)

The data in Table 3 demonstrate the scale of the Dangote Refinery's contribution to both domestic supply and regional exports. The facility's ability to ramp up exports during the crisis reflected its competitive advantage as a supplier with shorter supply chains and lower logistical exposure to the Strait of Hormuz disruption (Ogunbiyi, 2026). As one analyst noted, "the escalating Middle East conflict has pushed up global crude prices, lifting feedstock costs for refiners worldwide. At the same time, shipping disruptions and lower fuel availability from Europe and the Gulf have cut flows of low-cost refined products into West Africa. That has created opportunities for suppliers with shorter supply chains" (Semafor, 2026). However, the refinery's performance during the conflict also revealed persistent tensions in Nigeria's downstream sector. The Dangote Refinery has been engaged in a long-running dispute with regulators and importers over continued fuel imports, which the refinery's owner, Aliko Dangote, contends undermine domestic refining capacity (Dangote, 2026). The refinery has also faced feedstock constraints, requiring between 13 and 15 cargoes of crude monthly but often receiving fewer from the Nigerian National Petroleum Company, forcing it to import crude at premiums of up to \$18 per barrel above Brent (NNPC, 2026). The NNPC increased crude supply to seven cargoes for May, up from about five in previous months, but this still fell short of the refinery's requirements (NNPC, 2026). These constraints limited the extent to which the refinery could fully capitalise on the market opportunity created by the conflict (Ogunbiyi, 2026).

The significance of the Dangote Refinery for Nigeria's long-term sustainability extends beyond its immediate contribution to fuel supply. The facility represents a structural shift in the political economy of Nigerian oil, reducing the influence of importers and international traders who have historically profited from Nigeria's refining deficit (Afolabi, 2025). As the refinery expands toward its planned capacity of 1.4 million barrels per day, it has the potential to transform Nigeria from a net importer of refined products into a regional export hub, capturing value that has historically accrued to foreign refiners and traders (Dangote Group, 2026). This transformation, if successfully completed, would enhance Nigeria's resilience to future external shocks by reducing the pass-through of global refined product prices to domestic consumers (Akinyemi, 2026). However, as the conflict period demonstrated, domestic refining capacity does not automatically insulate consumers from global price movements, particularly when the refinery itself relies on imported crude or when its pricing is benchmarked to international markets (Nwosu, 2026).

4.4 Sustainability Implications and the Reform Trajectory

The US-Iran conflict has significant implications for the sustainability of Nigeria's oil industry and for the broader reform trajectory initiated in 2023. On one hand, the crisis has created new opportunities for Nigeria to strengthen its position in global energy markets. European and Asian buyers, concerned about the reliability of Middle Eastern supply, have increased inquiries about alternative sources, including Nigerian crude and liquefied natural gas (Semafor, 2026). The Businessday analysis notes that "global liquefied natural gas flows from Qatar, which account for approximately 20% of worldwide supply, are heavily curtailed by the strait's closure. This has intensified competition for Atlantic Basin cargoes, positioning NLNG as a critical swing supplier for European markets" (Businessday, 2026). Nigeria's proven natural gas reserves of approximately 209 trillion cubic feet, combined with the near-completion of NLNG Train 7, position the country to capture a share of this demand if it can mobilise the necessary investment and infrastructure (NNPC, 2026).

On the other hand, the conflict has exposed and potentially exacerbated the structural vulnerabilities that have long constrained Nigerian oil sector performance. The production shortfalls during the peak price period represent a permanent loss of revenue that cannot be recovered through subsequent price increases (Ogunbiyi, 2026). The inflationary pressures generated by higher fuel prices have complicated the government's reform programme, potentially creating political pressures for policy reversals that would undermine fiscal sustainability (Afolabi, 2025). And the conflict has diverted attention and resources from

the long-term investments in infrastructure, security, and human capital that are necessary for sustainable industry development (Akinyemi, 2026).

Table 4: Sustainability Indicators for Nigerian Oil Sector, Pre- and Post-Conflict

Indicator	Pre-Conflict (2025)	Conflict Peak (Mar–Apr 2026)	Post-Ceasefire (May–Aug 2026)	Sustainability Assessment
Crude Production (mbpd)	1.45–1.68	1.75–1.86	1.70–1.80	Fragile improvement
Production Shortfall (million barrels)	—	35.3 (Jan–May)	Ongoing	Structural constraint
Dangote Refinery Utilisation (%)	85–95	100	95–100	Strong performance
Fuel Import Dependence (%)	60 (2025 avg.)	~20	~20	Structural improvement
Investment Approvals (deepwater)	Limited	\$50bn framework approved	Pending	Potential not realised
External Reserves (\$bn)	45–48	48.4 (April)	48–50	Moderate improvement

Source: Compiled from NUPRC data (2026), NNPC statements (2026), CBN reports (2026), and media analyses

The sustainability indicators presented in Table 4 suggest a mixed picture. The improvement in external reserves and the structural reduction in fuel import dependence represent genuine gains that could contribute to long-term sustainability if sustained (CBN, 2026). The approval of a new fiscal framework for deepwater projects, which the government claims could unlock \$50 billion in investment, signals an intention to address the upstream investment deficit that has constrained production growth (Federal Ministry of Finance, 2026). However, the persistence of production shortfalls and the fragility of the production recovery suggest that these intentions have not yet translated into concrete results (NUPRC, 2026). The sustainability of the oil sector ultimately depends on whether Nigeria can convert the attention and resources generated by the conflict into durable improvements in production capacity, infrastructure, and institutional governance (Olawale, 2025).

The political economy dimension of sustainability is particularly important in light of Nigeria's historical experience with windfall management. As the historian Toyin Falola observed, Nigeria's pattern has been to distribute windfall revenues through political patronage rather than invest them in structural transformation: "You will end up merely distributing that money to your colleagues in the political party. The common man may only see price increases" (Falola, 2026). The National Institute for Policy and Strategic Studies dialogue echoed this concern, emphasising the need for "strategic utilisation" of any windfall to "stabilise the economy and strengthen critical sectors rather than allow it to dissipate through short-term fiscal spending" (NIPSS, 2026). Whether the 2026 windfall will follow the historical pattern or represent a departure remains uncertain, but the structural indicators suggest that the underlying vulnerabilities have not been fundamentally altered (Oyeyemi, 2024).

4.5 Comparative Perspective: Nigeria in the Global Context

Placing Nigeria's experience in comparative perspective helps to illuminate both the distinctive features of its situation and the broader patterns that characterise resource-dependent economies facing external shocks. Unlike Iran, which experienced the conflict as a direct belligerent with immediate and severe economic consequences, Nigeria experienced it as a distant bystander whose primary impact was mediated through global oil markets (Xinhua, 2026). Unlike European economies, which faced both higher energy costs and the need to diversify away from Russian gas, Nigeria faced the paradox of being a producer that nonetheless experienced higher domestic energy costs (Forbes Africa, 2026). And unlike other African oil importers such as Kenya, where fuel shortages affected 20 percent of stations, Nigeria's domestic refining capacity provided some buffer against supply disruptions, even if it did not insulate consumers from price increases (Semafor, 2026).

Table 5: Comparative Impact of US-Iran Conflict on Selected Economies

Country	Oil Trade Position	Price Impact	Supply Impact	Policy Response	Overall Assessment
Nigeria	Net exporter	High fuel prices, windfall revenues	Domestic refining buffer	Market pricing, no subsidy	Mixed: fiscal gain, welfare loss
Kenya	Net importer	High fuel prices	20% station shortages	Frozen pump prices	Negative: shortages, fiscal strain
Europe	Net importer	High gas/electricity prices	Diversification pressure	Strategic reserves, renewables	Negative: growth/inflation trade-off
United States	Net exporter (marginal)	Moderate fuel price increase	Minimal physical disruption	Strategic reserve release	Mixed: consumer cost, producer gain
Iran	Exporter (sanctioned)	Export disruption	Severe infrastructure damage	Military response	Severe: economic isolation

Source: Compiled from Xinhua (2026), Forbes Africa (2026), Semafor (2026), and industry reports

The comparative data in Table 5 highlight the distinctive position of Nigeria as an oil exporter that nonetheless experienced significant negative welfare effects from the conflict. This paradox arises from the combination of Nigeria's dependence on imported refined products (even as domestic refining capacity expands) and the pass-through of global crude prices to domestic fuel prices following subsidy removal (Afolabi, 2025). Kenya's experience illustrates the alternative: a net importer that attempted to shield consumers through price freezes, only to face shortages as retailers refused to sell at unprofitable prices (Xinhua, 2026). Neither approach is without costs, but Nigeria's market-based strategy, while politically difficult, is more consistent with long-term fiscal sustainability and investment incentives (Akinyemi, 2026).

5. CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This study has examined the financial and sustainability impact of the US-Iran conflict on the Nigerian oil industry, revealing a complex picture of transient fiscal gains, persistent structural vulnerabilities, and contested policy choices. The conflict generated an unprecedented oil windfall for Nigeria, with estimated revenues of N5.13 trillion across March and April 2026 as Brent crude prices surged above \$100 per barrel (Guardian Nigeria, 2026). However, this windfall proved to be price-driven rather than production-driven, and Nigeria's failure to meet its production targets during the peak price period resulted in foregone revenue of approximately \$3.5 billion—a loss that cannot be recovered through subsequent price movements (NUPRC, 2026; Ogunbiyi, 2026). The conflict also exposed the welfare costs of Nigeria's market-based pricing regime, with petrol prices rising more than 50 percent and diesel prices more than 70 percent, contributing to inflationary pressures that complicated the government's reform trajectory (Edun, 2026; NBS, 2026).

The study finds that the Dangote Refinery emerged as a significant beneficiary and strategic asset during the conflict, ramping up exports to regional markets and demonstrating the potential for domestic refining capacity to reduce Nigeria's vulnerability to global supply disruptions (Kpler, 2026; Semafor, 2026). However, the refinery's performance was constrained by feedstock limitations and ongoing disputes with regulators and importers, highlighting the challenges of completing Nigeria's downstream transformation (NNPC, 2026; Dangote, 2026). On sustainability indicators, the picture is mixed: external reserves improved modestly, fuel import dependence declined structurally, and a new fiscal framework for deepwater investment was approved, but production shortfalls persisted and the underlying constraints on upstream performance remain unaddressed (CBN, 2026; Federal Ministry of Finance, 2026; NUPRC, 2026).

The study concludes that the US-Iran conflict did not create a new fiscal or sustainability problem for Nigeria; rather, it revealed and exacerbated pre-existing vulnerabilities that have accumulated over years of underinvestment, insecurity, and governance failures (Ebeku, 2024; Oyeyemi, 2024). The windfall gains from the conflict, while welcome, were transient and largely dissipated through inflationary pressures and foregone production. Sustainable benefit from future geopolitical disruptions will require deliberate conversion of windfall gains into structural investment rather than short-term fiscal spending, as well as accelerated efforts to address the production, infrastructure, and security constraints that limit Nigeria's ability to capitalise on favourable price environments (Falola, 2026; NIPSS, 2026).

5.2 Recommendations

Based on the findings of this study, the following recommendations are offered for policy consideration. First, the federal government should establish a dedicated oil windfall stabilisation fund with clear rules for deposit and withdrawal, modelled on international best practices such as Norway's Government Pension Fund Global, to ensure that future windfall revenues are saved and invested rather than absorbed by recurrent expenditure (Olawale, 2025). Second, the Nigerian Upstream Petroleum Regulatory Commission and the Nigerian National Petroleum Company should prioritise the resolution of operational, security, and funding constraints that limit crude production, with a target of achieving and sustaining production of at least 2 million barrels per day within the next fiscal year (NUPRC, 2026). Third, the government should accelerate the completion of the Dangote Refinery's feedstock supply arrangements and resolve the outstanding disputes between the refinery, regulators, and importers to ensure that domestic refining capacity can fully contribute to energy security and export earnings (Dangote Group, 2026; NNPC, 2026).

Fourth, the Central Bank of Nigeria and the Federal Ministry of Finance should develop a coordinated framework for managing the macroeconomic impact of oil price shocks, including measures to mitigate the pass-through of global fuel prices to domestic inflation and to protect vulnerable households from the welfare costs of price volatility (CBN, 2026; Federal Ministry of Finance, 2026). Fifth, Nigeria should intensify efforts to diversify its export markets and strengthen its position as a supplier of crude oil, refined products, and liquefied natural gas to European and Asian buyers seeking alternatives to Middle Eastern supply, including through the completion of NLNG Train 7 and the development of new gas export infrastructure (NNPC, 2026; Semafor, 2026). Finally, future research should examine the long-term effects of the US-Iran conflict on Nigeria's oil sector using quantitative methods, including econometric analysis of the relationship between oil price shocks and fiscal outcomes, and should explore the political economy factors that determine whether windfall revenues are invested or dissipated (Afolabi, 2025; Akinyemi, 2026).

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