

Deep Dive – April 8, 2026

GLOBAL AFFAIRS DEEP DIVE

**US-Israel-Iran Conflict: Energy Shock & Market Implications on Nigeria's
Markets – March 2026**

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EXECUTIVE SUMMARY

The Nigerian oil and gas industry in Q1 2026 is defined by a significant "Price-Volume Paradox.". While global geopolitical instability notably the Iran-Israel conflict and the closure of the Strait of Hormuz pushed Brent crude past \$120 per barrel in March 2026, domestic production challenges have created a complex landscape for investors. Despite these headwinds, the sector remains the engine of the Nigerian economy, accounting for 85% of total export earnings and showing a real growth rate of 6.79% year-on-year as of Q4 2025.

I. Macro-Financial Snapshot: 2024–2026 Comparison

The Production gap remains the single largest constraint on Nigeria capturing the current oil price upcycle

Metric (mbpd)	2024 (Actual)	2025 (Actual)	2026 (Q1 Target/Est)	3-Year Trend
Actual Crude Production	1.56	1.64	1.70	Increasing
OPEC Quota	1.58	1.60	1.50	Moderate Decline
Potential Capacity	2.24	2.50	2.50+	Stable
Budget Benchmark	1.70	2.06	1.84	Fluctuating

In February 2026, crude output dipped to 1.31 mbpd, representing 88% of the OPEC quota. This was primarily caused by turnaround maintenance at the Agbami field and Renaissance assets, alongside persistent pipeline vandalism.

With global prices far exceeding the \$64.85 budget benchmark, Nigeria is earning an estimated \$14.5 million in daily surplus revenue. Projections suggest a potential ₦30 trillion (~\$22B) windfall by year-end if current price trends hold.

II. Trade Dynamics: Q1 2026 Strategic Pivot

The first quarter of 2026 marks a decisive turning point in Nigeria's trade architecture, solidifying the shift from a net importer of refined products to a net exporter.

Dependency on foreign refineries has nearly dissolved. In January 2026, daily petrol imports plummeted by 42.2%, falling to just 24.8 million liters per day. This follows a successful 2025 where the petroleum import bill fell by 29% to \$10 billion.

Summary of Contrasting Import Values:

Metric	Reported (Q1 2026)	Decline (Q1 2026)	Contrasting/Baseline Figure
Import Volume	24.8M Litres/Day	(Jan 2026)	74.2M Litres/Day (Dec 2025 baseline)

Annual Bill (USD)	\$10 Billion (2025)	\$14.06 Billion (2024 baseline)
Annual Bill (Naira)	₦8.96 Trillion (2025)	₦15.42 Trillion (2024 baseline)
Crude Imports	New entry in balance sheet	\$3.74 Billion (2025 total)

Crude remains a pillar, but the product mix is diversifying. In March 2026, the Dangote Refinery reached its full nameplate capacity of 650,000 bpd, successfully exporting 456,000 tonnes of refined products to neighboring countries including Ghana, Togo, and Côte d'Ivoire.

Nigeria has become a net exporter of refined petroleum products in 2026. The goods account surplus reached \$14.51 billion in 2025, up from \$13.17 billion in 2024.

III. Exploration and Rigs: The Upstream Renaissance

The upstream sector is undergoing a structural revival catalyzed by the "Drill or Drop" provisions of the Petroleum Industry Act (PIA).

Active rigs reached 40 in January 2026, a 400% increase from the 2021 average of 8. Rigs reached a peak of 46 in mid-2025.

As of January 1, 2026, national gas reserves grew 2.21% to 215.19 TCF due to new discoveries under the "Decade of Gas" initiative. Crude oil and condensate reserves stood at 37.01 billion barrels.

Digitalization by the NUPRC has successfully reduced upstream operational costs by up to 20%.

IV. Top 20 Key Players and Capital Inflow (Q1 2026)

The sector has secured over \$18.2 billion in new investment commitments between 2023 and Q1 2026.

Rank	Company	Major Contribution / Status (Q1 2026)	Recent Capital Focus
1	NNPC Ltd	Commercialized state entity; ₦60.5T revenue	Leading \$20B FID for Bonga Southwest
2	Dangote Refinery	World's largest single-train refinery	Underwriting \$4B syndicated loan for expansion
3	Shell (SNEPCo)	Deepwater leader	\$5B FID on Bonga North; \$2B FID on HI gas
4	TotalEnergies	Gas-focused major	\$500M Ubeta gas project FID



5	Chevron Nigeria	Top producer	Escravos Gas-to-Liquids (EGTL) expansion
6	ExxonMobil (MPNU)	Deepwater focus	\$1.5B capital for Usan field revitalization
7	Seplat Energy	Top indigenous independent; \$2.73B revenue	Completion of \$1.28B MPNU asset acquisition
8	Heirs Energies	Indigenous operator	Significant boost in OML 17 production
9	Oando PLC	Indigenous major; ₦3.21T revenue	\$783M acquisition of Eni's NAOC assets
10	Nigeria LNG	6th largest global LNG exporter	Train 7 construction reaching final stages
11	ND Western	Indigenous gas producer	Natural gas processing for domestic supply
12	First E&P	Fast-growing independent	Anyala-Madu field development
13	Aradel Holdings	Integrated energy group; 55% PAT growth	Expanding 11,000 bpd modular refinery
14	Aiteo Eastern	Pipeline infrastructure	Nembe Creek Trunk Line (NCTL) restoration
15	Waltersmith	Modular refining leader	Phase 2 refinery expansion
16	Equinor	Divesting stakeholder	Sale of Agbami interests to Chappal Energies
17	Prime Oil & Gas	Joint Venture investor	Injection into core deepwater production fields
18	Green Energy Intl	Marginal field leader	Otakikpo field phase 2 and new terminal
19	Petrobras	Deepwater investor	Core interest retention in Egina and Agbami
20	Oriental Energy	Indigenous producer	Maintenance of offshore Ebok field

V. Key Upstream Development Projects & Objectives

ANOH Gas Project (Seplat Energy): Achieved First Gas on January 16, 2026. It is currently ramping up toward its full capacity of 300 MMscfd.

AKK Gas Pipeline: Reached 88% completion by late 2025; poised to supply 2.2 Bscfd across the country.

National Targets: The NUPRC aims for 2.5 mbpd production by year-end 2026 and 3.0 mbpd by 2030, supported by a \$60 billion investment pipeline.

VI. Investor Positioning and Market Outlook: Q1 2026

The NGX Oil & Gas Index remains the top performer, ending March 2026 with a YTD return of 63.94%.

Public Equities (Liquid Entry):

Seplat Energy (Bullish/Income): A cash-flow powerhouse following the MPNU acquisition. It offers a ~5.2% dividend yield, with a confirmed \$0.083 quarterly dividend payable in May 2026.

Aradel Holdings (High-Growth): A primary benchmark on the NGX with a 55% increase in PAT. Analysts set a target price of ₦1,000 per share for 2026.

Oando PLC (Value/Restructuring): Currently conducting a Rights Issue at ₦50.00 to deleverage its balance sheet.

Asset Participation:

2026 Licensing Round: The NUPRC has put 57 oil blocks (including 24 deepwater clusters) on offer. The "Drill or Drop" mandate has returned idle assets to the bid pool, providing entry for technical partners.

Infrastructure & Gas:

Modular Refineries: Achieving break-even in 3-5 years by servicing localized industrial clusters.

Gas Value Chain: High-growth retail opportunities exist in CNG and LPG distribution under authorized tax holidays.

Strategic Verdict: The Q1 2026 entry window favored diversified energy plays over pure-play upstream firms. The shift toward local refining and gas has created a "hedge" against global crude price volatility, making the sector a core defensive and growth component for emerging market portfolios.

VII. The Execution Gap: Navigating the Friction Between Policy and Production

Risk landscape:

1. The Production Paradox: Volume vs. Value

Nigeria is currently trapped in a "Price-Volume Paradox." Despite Brent crude hovering above \$120, the nation is failing to capture the full windfall due to a 16.6-million-barrel production shortfall.

The Bottleneck: Persistent infrastructure vandalism and the "maintenance debt" of aging assets like the Agbami field have capped actual output well below the 2.5 mbpd potential.

The Risk: For investors, this means that while top-line revenue potential is high, unit operating costs are rising as fixed infrastructure costs are spread over lower-than-expected volumes.

2. The CAPEX Gap & The "Upstream Renaissance"

The sector faces an estimated \$6 billion capital deficit which will delay margin field commercialization i.e slow the transition of marginal fields into active production.

Recovery Plays: Heavyweights like Oando PLC are currently in "deleveraging mode," using Rights Issues to repair balance sheets.

The Risk: These are "high-risk recovery plays." Without immediate capital injection, the "Upstream Renaissance" remains a theoretical recovery rather than a commercial reality, leaving technical partners exposed to liquidity crunches.

3. Regulatory Darwinism: "Drill or Drop"

The Petroleum Industry Act (PIA) has shifted from policy to enforcement. Stricter "Drill or Drop" provisions mean that idle assets are no longer "safe" land-bank options.

Compliance Pressure: Operators must meet aggressive development milestones or lose their licenses to the bid pool.

The Risk: This creates a binary outcome for investors rapid development or total asset forfeiture increasing the execution risk for private equity entry and for technical partners lacking balance sheet depth.

4. Macro-Volatility & The Refined Hedge

While the Dangote Refinery has successfully shaved ~7.6% off war-induced inflation, the broader sector remains a hostage to the USD.

Currency Sensitivity: Operational costs remain heavily dollarized, while domestic fiscal benefits are subject to the volatility of the Naira.

The Risk: A sudden cooling of Middle Eastern tensions could trigger a global bear market, rapidly evaporating Nigeria's projected ₦30 trillion windfall and leaving high-cost producers underwater.

The Nigerian energy story in 2026 is no longer exploration driven but strongly execution driven, it is about operational discipline and capital efficiency. The winners will be those who can navigate the PIA's regulations while bridging the \$6 billion funding gap to turn latent capacity into actual flow.

Summary

Nigeria's oil market holds many entry points offering lucrative options for investors that can navigate the structural inefficiencies. The potential for Nigeria to expand its influence in the global oil market exists. Now it comes down to targeted policy reforms and operational efficiencies.



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