African Energy Research

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Title of Research Report

IMPACT OF U.S- IRAN WAR ON AFRICA'S OIL AND GAS SUPPLY

by:
African Energy Research (AER)

Research Team:

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$119/b Brent Crude Peak Price (Mar 2026)	**20 mb/d** Oil Flow Through Strait of Hormuz (EIA, 2025)
$30bn Africa's Annual Fuel Import Bill (Afreximbank, 2025)	**56%** Africa's Petroleum Supply from Imports (AFREC, 2022)

EXECUTIVE SUMMARY

- The U.S.–Iran war that began 28 February 2026 has triggered the largest-ever oil supply disruption according to the IEA, with Brent crude spiking to $119/barrel and stabilising around $102–108/barrel, creating acute stress across Africa's import-dependent energy supply chains.
- The Strait of Hormuz through which ~20 million b/d (20% of global petroleum liquids and 20% of global LNG) flows has been largely halted, eliminating an estimated 500 million barrels from global supply over the first 25 days of conflict.
- Africa faces a structural double vulnerability: the continent imports 56% of its refined petroleum products (AFREC, 2022), operates refineries at just 55% utilisation (vs. 75–80% global average), and spends an estimated $30 billion annually on fuel imports.
- Oil-importing nations (e.g., South Africa, Kenya, Ghana, Ethiopia) face fuel shortages, inflation spikes, and currency depreciation; oil exporters (Nigeria, Angola) gain short-term revenue windfalls but remain exposed to oil price volatility and production constraints.
- Strategic action is required immediately: African governments must activate petroleum reserves, accelerate regional refining investments, and diversify supply routes away from Middle East dependency.

CONFLICT OVERVIEW

The U.S.-Israel-Iran conflict, which escalated into open warfare on 28 February 2026, represents a systemic shock to global energy architecture. Iran plays a critical role in global energy markets as the 4th largest OPEC crude producer, with production of 2.9 million barrels per day (mb/d) of crude and 4.0 mb/d of total liquids in 2023. Prior to the conflict, Iranian exports averaged ~1.4–1.5 mb/d, with approximately 90% destined for China (EIA, 2024).

The conflict centers on the Strait of Hormuz, the world's most critical energy chokepoint. Approximately 20 mb/d transits this narrow waterway, accounting for ~20% of global petroleum liquids consumption and ~25% of global seaborne oil trade. Additionally, ~20% of global LNG trade flows through the Strait. Bypass capacity is severely limited to the Saudi Arabia East-West pipeline, which offers only ~2.6 mb/d of spare capacity combined with UAE options.

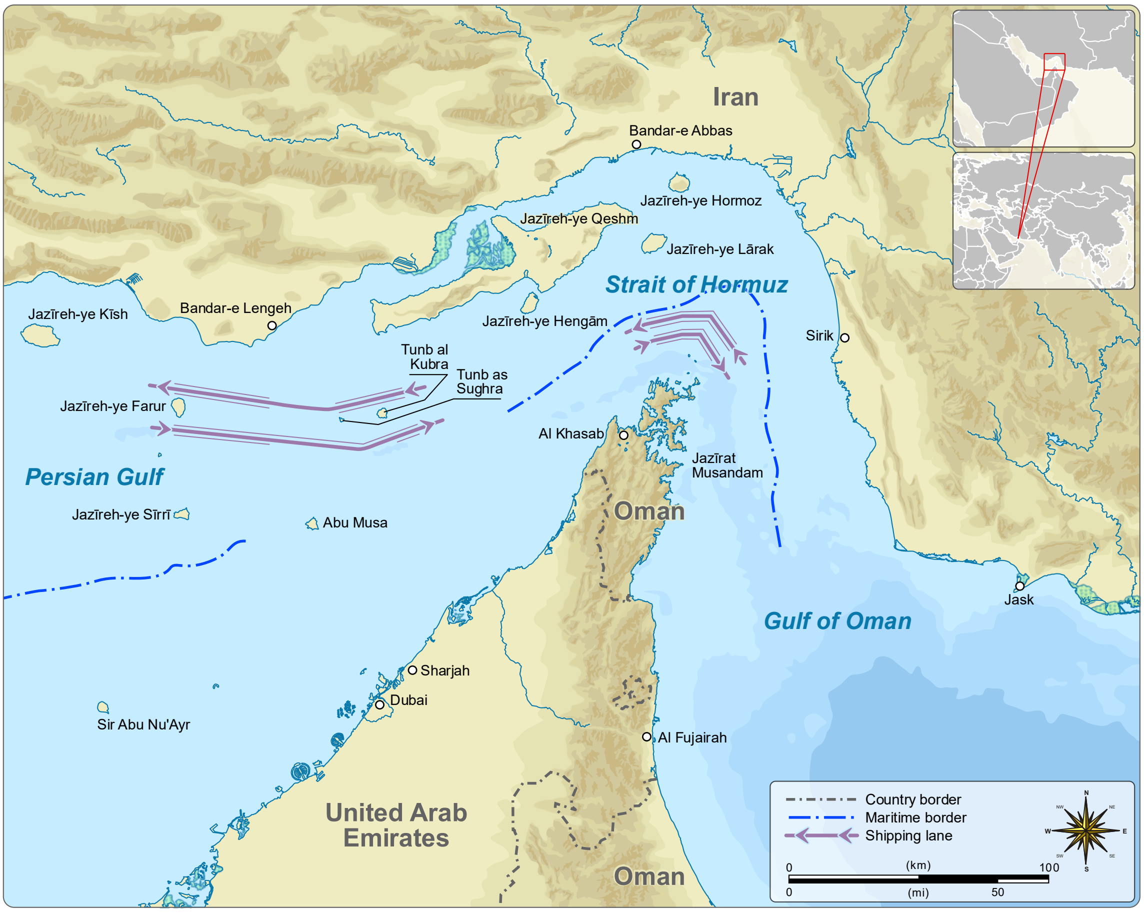


Figure 1: Strategic Importance of the Strait of Hormuz. Source: Wikimedia Commons (public domain)

TRANSMISSION CHANNELS TO AFRICA

Global Oil Price Shocks

Brent crude prices rose from a pre-conflict baseline of ~$69/b to a peak of $119/b before stabilising in the $102–108/b range. War risk premiums are now deeply embedded in global pricing. According to the IMF, every 10% sustained rise in oil prices results in a 40-basis point increase in inflation. Analysts project prices could reach $135/b if the conflict persists for another four months (CNBC, 2026).

Shipping & Insurance Disruptions

War risk insurance premiums for vessels transiting the region have surged by over 1,000% (UNCTAD, 2026). Freight rates for tankers have spiked globally. Rerouting shipments around the Cape of Good Hope adds significant transit time and cost. Within Africa, the Dangote refinery in Nigeria has partially filled the supply gap, increasing clean product exports to 214,000 b/d in March 2026, up from 100,000 b/d in February.

Currency & Inflation Effects

The oil price shock is transmitting directly to African currencies. With food and energy comprising ~50% of the consumption basket in sub-Saharan Africa (IMF, 2022), inflation is rising rapidly. Exchange rate depreciation is amplifying the cost of imports, while fuel subsidy regimes are becoming fiscally unsustainable.

Imported Refined Products Dependency

Africa remains structurally vulnerable, importing 56% of its oil product supply. Continental refinery utilization stands at just 55% (AFREC, 2022). South Africa is particularly exposed, importing 60–70% of its fuel needs following the loss of 50% of its refining capacity since 2020. Afreximbank estimates the annual fuel import bill at $30 billion, a figure likely to rise significantly.

IMPACT ASSESSMENT ON AFRICA

> ### CRITICAL VULNERABILITY
>
> **38 of 54 African nations are net oil importers.** The combination of high crude prices, expensive freight, and dollar strength creates a "triple shock" for these economies.

OIL-IMPORTING NATIONS - HIGH RISK

Countries: South Africa, Kenya, Ethiopia, Senegal, Tanzania, DRC, Morocco

Key Impacts: Acute fuel shortages, rapid inflation spikes, and severe foreign exchange pressure. Subsidy costs are escalating to unsustainable levels, risking fiscal blowouts. South Africa's post-2020 refining collapse leaves it highly exposed. Food price spikes are expected due to energy-intensive agriculture and transport costs. The IMF warns that fiscal balances in fragile oil-importing states could deteriorate by ~0.8% of GDP.

OIL-EXPORTING NATIONS – MIXED RISK

Countries: Nigeria, Angola, Libya, Gabon, Republic of Congo, Equatorial Guinea

Key Impacts: These nations benefit from a short-term revenue windfall (Brent >$85 boosts current accounts). However, risks remain: Nigeria faces an output shortfall (1.46 mb/d actual vs 2.6 mb/d quota), and Angola's debt servicing is consuming nearly 50% of its 2026 budget. Dependency on oil revenues creates fiscal fragility if prices correct sharply. The Dangote refinery is a strategic asset, stepping up intra-African exports.

Refining Constraints

Only 25% of Africa's crude oil is refined on the continent. Four countries (Egypt, Algeria, South Africa, Nigeria) hold 75% of total capacity. South Africa's capacity has halved from 720,000 b/d to 360,000 b/d. The 650,000 b/d Dangote refinery is transformative but is still in the ramp-up phase.

SHORT-TERM VS MEDIUM-TERM EFFECTS

Dimension	Short-Term (0–3 Months)	Medium-Term (3–18 Months)
Oil Prices	Brent \$100–\$135/b; panic buying, market hoarding	Price normalization or new structural floor (\$80–100/b)
Supply Chains	Shipping disruptions; tanker rerouting via Cape of Good Hope	African refiners gain market share; new supply contracts established
Inflation	Immediate fuel price spikes (+30–50% pump prices)	Embedded inflation; wage pressure; social unrest risks
Fiscal Impact	Subsidy cost surges; emergency budget revisions	Structural fiscal reforms; pressure to reduce subsidies
Investment Flows	Risk-off sentiment; upstream project delays	Accelerated investment in African refining; diversification
Energy Policy	Emergency SPR activation discussions	Strategic reserves built; renewable energy transition fast-tracked

SCENARIO ANALYSIS

Scenario	**Trigger**	**Brent Price Range**	**Duration**	**Impact on Africa**
Base Case *(Contained Disruption)*	Limited Hormuz disruption; diplomatic back-channel opens within 4–8 weeks	\$90–\$110/b	2–4 months	Moderate fuel price rise (+20–30%); inflation pressure; no structural supply crisis.
Escalation Case *(Major Supply Shock)*	Strait of Hormuz fully blocked; attacks on GCC infrastructure; tanker war intensifies	\$120–\$150/b	6–12+ months	Severe fuel shortages; inflation crisis; currency collapses in vulnerable importers; political instability.
De-escalation Case *(Diplomatic Resolution)*	Iran accepts ceasefire; U.S. lifts sanctions on stranded Iranian oil (140 mb available)	\$70–\$85/b	4–8 weeks	Quick price correction; import costs normalise; opportunity window for strategic stockpiling.

DATA VISUALIZATION

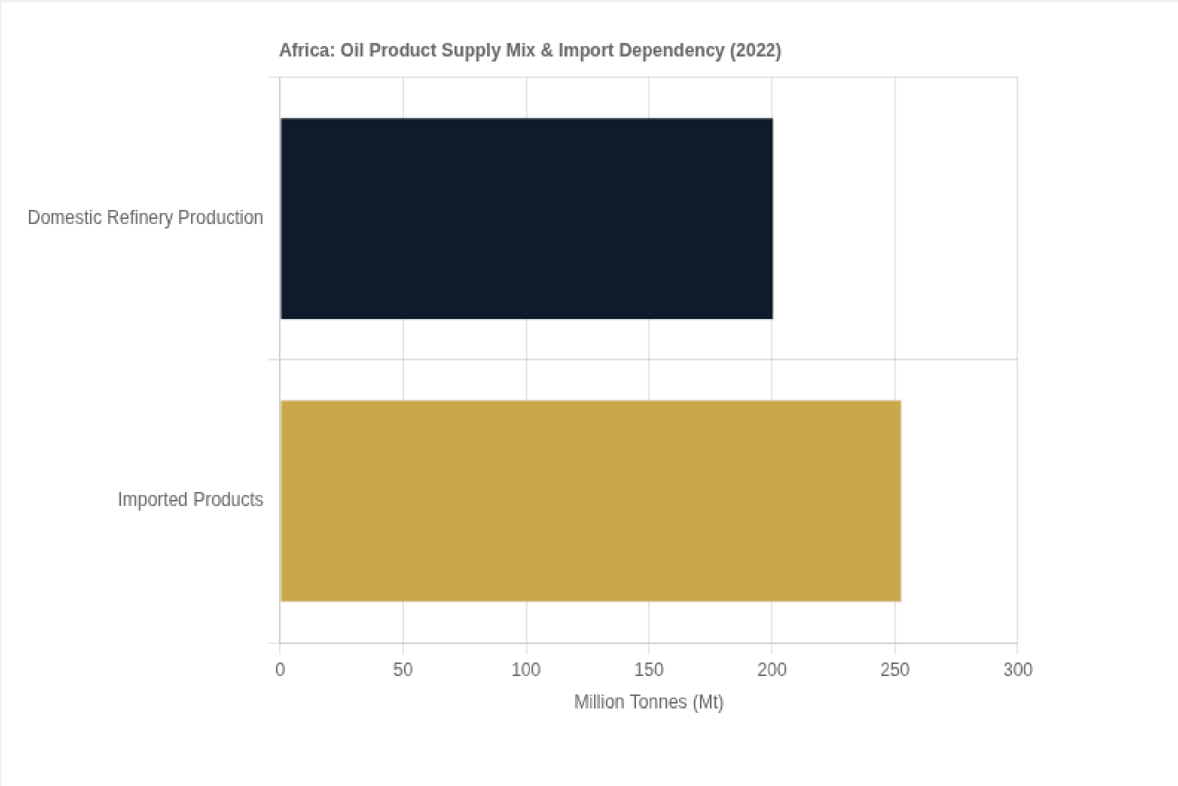
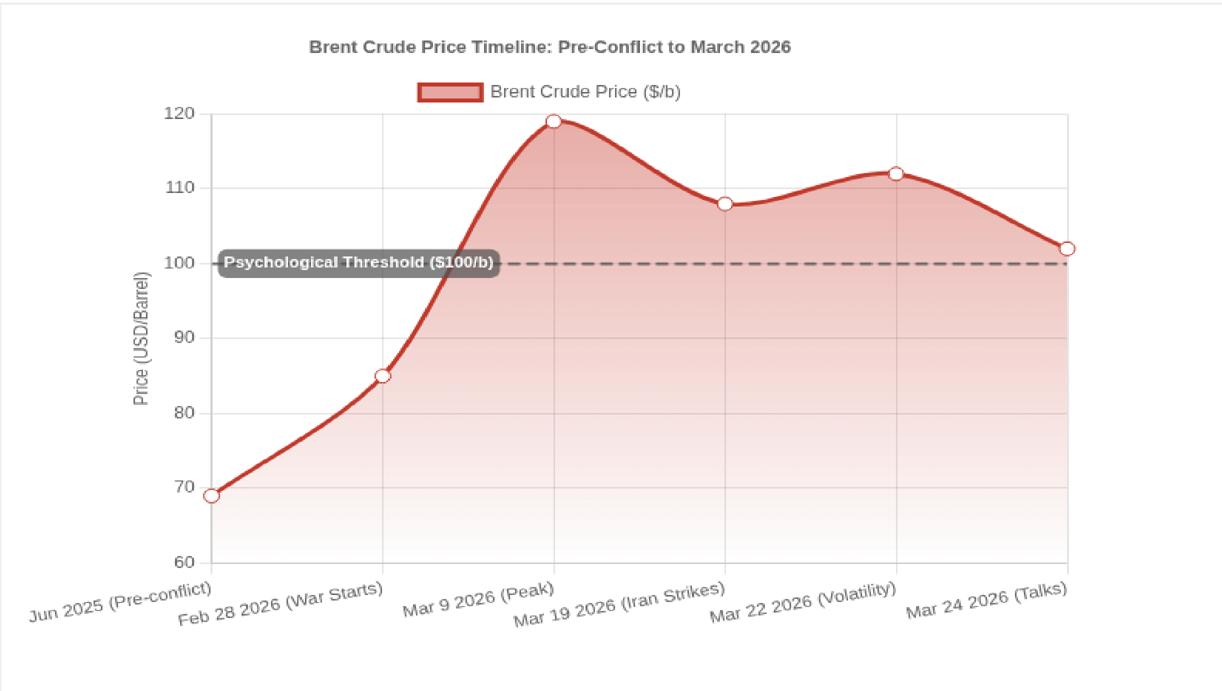


Chart 1: Africa's high dependency on imported petroleum products (2022 Data).



STRATEGIC IMPLICATIONS FOR AFRICA

- Energy Security Exposed: The structural vulnerability of 38 net oil-importing nations has been brutally exposed. Reliance on global supply chains is a critical national security risk.
- Producer Opportunity: African producers have a window to use higher revenues to build fiscal buffers, provided windfall taxes and revenues are managed transparently.
- Refining as a Strategic Asset: The Dangote refinery has emerged as a continental strategic asset, offering a "first mover" advantage in regional supply security.
- AfCFTA Activation: The crisis underscores the urgent need to activate African Continental Free Trade Area (AfCFTA) energy trade frameworks to facilitate intra-African fuel flow.
- Financing Relevance: Afreximbank's $3bn revolving facility (launched April 2025) is proving to be a strategically well-timed intervention for liquidity-strapped importers.

POLICY RECOMMENDATIONS

1. **Strategic Petroleum Reserves (SPR)**

Establish minimum 30-day strategic fuel reserves. Coordinate with the AU Energy Commission to model IEA emergency response protocols.

URGENCY: IMMEDIATE

2. **Regional Refining Capacity**

Accelerate investment in Dangote expansion, Lobito (Angola), and Port Harcourt refineries. Target reducing import dependency from 56% to <30% by 2035.

URGENCY: SHORT-MEDIUM TERM

3. **Supply Diversification**

Reduce reliance on Middle East product imports. Expand intra-African trade via Afreximbank facilities and develop non-Gulf supply contracts (Americas, North Sea).

URGENCY: MEDIUM TERM

4. **Hedging Strategies**

Governments and state oil companies must implement oil price hedging programs (forward contracts/options) to lock in prices and create stabilization funds.

URGENCY: IMMEDIATE

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