



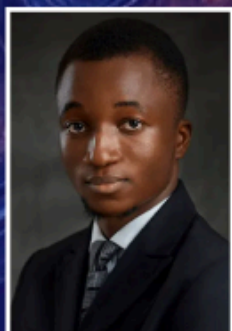
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TO THE LAST DROP

How Policy is
Shaping the Battle
for Fuel Dominance



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How Policy is Shaping the Battle for Fuel Dominance

In the transition from a decade-long import dependency to a localised refining powerhouse, the victor will not be determined by infrastructure alone, but by the strategic navigation of the policy friction currently reshaping Nigeria's energy landscape.

Between June 2025 and March 2026, developments in Nigeria's downstream sector have dominated headlines and conversations across the country. A battle of dominance has played out much more publicly than ever before. At the heart of this friction is a fundamental disagreement over market architecture and the application of policy. The contest has now extended beyond the volume of locally refined products to the interpretation of Section 317 of the Petroleum Industry Act 2021 (the "PIA"), and from the application of the 'Nigeria First' Policy, to the potential implications of the various policy considerations.

Section 317(8) of the PIA, allows the Nigerian Midstream and Downstream Petroleum Regulatory Authority ("NMDPRA") to "apply the Backward Integration Policy in the downstream petroleum sector to encourage investment in local refining", while subsection (9) states that "pursuant to subsection (8), licence to import any product shortfalls may be assigned to companies with active local refining licences or proven track records of international crude oil and petroleum products trading". To this end, local refiners champion the view that the PIA only contemplates the issuance of import licences where product shortfalls are observed by the NMDPRA, while legacy marketers and some key stakeholders justify continued importation of petroleum products, pointing to the necessity of a 'competitive buffer' to prevent monopolistic practices, including price shocks.

While directing the minds of federal officials to the present administration's 'Nigeria First' Policy¹, and asking for it to be applied to the petroleum products sector, Alhaji Aliko Dangote, GCON, Founder and President/Chief Executive of the Dangote Group, called on the federal government to impose a total ban on the importation of petroleum products into Nigeria because continuing the practice is harmful to local refineries and damages the country's economy.

On the other hand, some stakeholders opposed the ban proposal, arguing that doing so would be detrimental to the petroleum sector, and it would leave the government unable to curb inflation and monopoly. The Petroleum Products Retail Outlets Owners Association of Nigeria and other marketers also cautioned against a ban on fuel importation, citing the need to ensure energy security, prevent a monopoly, and maintain competitive pricing.

[1] The 'Nigeria First' Policy of the Federal Government of Nigeria, launched on 5 May 2025, mandates that all federal ministries, departments, and agencies prioritise locally made goods and services in public procurement decisions. The initiative aims to stimulate domestic production, reduce import dependency, and promote national pride in locally manufactured products.



Following the controversy generated by Alhaji Dangote's call to the Federal Government, lobbying by influential stakeholders, and the announcement of a proposed expansion of the Dangote refinery from 650,000 barrels per day ("bpd") to a capacity of 1.4 million bpd by 2028, President Bola Tinubu took an alternative policy position by introducing a 15 per cent import duty on petrol and diesel to support local refining and boost energy security in Nigeria. Implementation of the tariff measure (which seemed to have been adopted by the Presidency as a strategic policy middle ground) was swiftly suspended soon after.

In January and February 2026, after the change in leadership at the NMDPRA, the agency refrained from issuing petrol import licences. In March 2026, however, the NMDPRA adopted a different approach, issuing new licences to a few petrol importers – a decision that may have been driven by the tensions in the Middle East, concerns regarding dominant control over the petrol market, and attendant pricing challenges that could become a threat to energy (and national) security. The resumption in the importation of petroleum products is likely to trigger another round in the battle for dominance and a renewed call for the import prohibition.

A permanent ban on the importation of refined petroleum products would represent one of the most consequential policy shifts in Nigeria's downstream oil and gas sector in decades. Such a move carries wide-ranging implications, touching on competition, foreign exchange, supply security, regulatory oversight, and even Nigeria's position in international trade. Also critical to note is that the importation of petroleum products has historically been one of Nigeria's largest drains on foreign exchange. A ban on imports will further conserve Nigeria's foreign exchange reserves, promote the Federal Government's efforts to stabilise the Naira, and attract foreign investment. The Central Bank of Nigeria reported a 42% decline in the volume of foreign exchange utilised for the importation of petroleum products in 2025.

On the other hand, the concerns expressed by stakeholders about market dominance and the inadvertent enablement of an anti-competitive market, the ability of domestic refiners to meet local demand, and the impact of supply gaps on the citizenry have caused caution. With national demand of between 40 million and 60 million litres of PMS daily, Nigeria has long relied on imports to close the supply gap. Without imports as a fallback, any disruption or shortfall in local production could quickly translate into scarcity, hoarding, and price spikes. The impact would be felt most acutely in rural areas and farthest parts of the country, where existing infrastructural and other distribution challenges already hinder access to fuel.

The battle for dominance is now being shaped by the following policy considerations

1 The twin policies of Naira-for-Crude and Nigeria First

The 'Naira-for-Crude' initiative stands as the most definitive policy signal of the current administration's 'Nigeria First' agenda, effectively codifying a regulatory preference for domestic refining over the legacy import-dependent model. By transitioning to Naira-denominated trade for local refineries, the government has not only provided a structural advantage to domestic operators but has also deployed a critical fiscal lever to defend the Naira.

From a monetary policy perspective, this strategic shift seeks to decouple the domestic energy market from the volatility of foreign exchange demand, transforming petroleum from a drain on external reserves into a cornerstone of national monetary stability. By transitioning to Naira-denominated trade, every litre refined locally is one that does not drain the FX reserves.

2 Protection for Local Players and the Energy / National Security Conundrum

The Nigerian government faces a significant challenge. On one hand, the 'Nigeria First' policy, which is wrapped in the Naira-for-Crude framework, seeks to repatriate the value chain and defend the Naira. On the other hand, a primary duty of the state is energy security, which traditionally demands a diversification of supply to mitigate the risk of a single-point failure.

Presently, it appears in the government's eyes that the political cost of supply gaps and consequential fuel queues is much higher than the economic benefit of a refinery. This partly explains why the government is hesitant to permanently ban imports, even as it prioritises local production.

Implications of a fuel import ban on key players

A. Independent Marketers & Importers

Importers of petroleum products have long helped bridge Nigeria's fuel supply deficits, especially as the government's efforts to rehabilitate its refineries have been unsuccessful. Even with the emergence of the Dangote refinery, data from the NMDPRA show that Nigeria's total petrol consumption in 2025 stood at 18.97 billion litres, with 11.85 billion litres (62.47%) supplied by importers, highlighting the critical role of importers and marketers in the downstream sector.

While a total ban on fuel importation has its apparent benefits, it could decimate the importers' business and cause job losses. It may also lead to increased pressure on or political opposition to the Tinubu administration.

Marketers who built their business models around international shipping and port terminals face the risk of impaired assets, leaving some players to reconfigure their supply chains to load directly from domestic gantry points rather than from coastal vessels.



B. Domestic Refiners (+ operators of Modular Plants)

Domestic refiners are the major beneficiaries of a ban on fuel importation or refusal to issue fuel import licences. With local refineries accounting for over 92% of supply as of February 2026, these entities now control a market valued at approximately ₦14.4 trillion annually.

A ban would, however, place the burden of national energy security squarely on the shoulders of domestic refiners. Maintenance activities or unscheduled downtime could quickly result in an immediate risk of nationwide scarcity.

While the large-scale refineries dominate, Nigeria has licensed several modular refineries with smaller capacities. A ban could also benefit them by securing captive demand, but their survival will depend on competitive pricing, consistent crude allocation, and supportive policies.

C. International Trade Partners

Nigeria's long-standing reliance on imported refined petroleum products has historically created significant trade linkages with international suppliers, particularly in Europe and the United States. A total ban on fuel importation would have substantial implications.

An OPEC report noted that U.S. crude exports declined for the fifth consecutive month, mainly due to reduced flows to Europe and Africa, especially to Nigeria. Similarly, European refiners, who historically supplied the bulk of Nigeria's imported fuel, face shrinking market opportunities as domestic refining capacity expands. A ban would accelerate these trends, further reducing their market share in Nigeria.

In addition, while the ban promotes local industries and 'local content', some international investors may view it as a Technical Barrier to Trade, thereby deterring new investment.

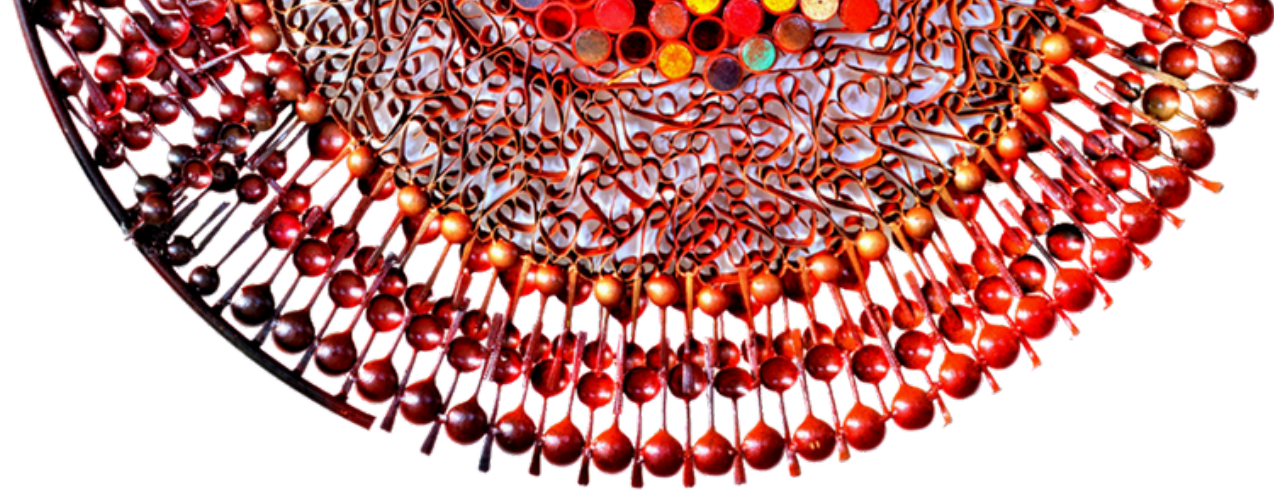
WHAT WE EXPECT IN 2026

Balancing Act

The government will continue to play a balancing act, navigating between the protection of significant investments by the influential local refiners and the national interest of energy security. We expect the limited issuance of petrol import permits from time to time, especially to ensure that domestic prices remain competitive.

Waiting Game

A waiting game appears to be in play. Upon completion of at least one other major domestic refinery that can compete with the currently operational refineries, the government will likely reconsider its current posture on the continued issuance of import licences.



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