FMDA ANALYSIS • JULY 2026

A New Era for Nigeria's Downstream FX Market

Dangote Refinery and Nigeria's Foreign Exchange Market: Lessons from the 2026 Dollar-Pricing Episode

Refining capacity • Export earnings • Exchange-rate policy

KEY FINDINGS

Four numbers that define the new landscape

87%

of Nigeria’s average daily PMS demand currently met by Dangote Refinery at approximately 700,000 bpd (46.8m litres/day)

$62.7

Estimated gross downstream FX requirement under the temporary dollar-pricing framework

$18.09B → $6.83B

Decline in Nigeria's PMS import bill between 2022 and 2025, reflecting the impact of domestic refining

$270M → $2.37B

Growth in quarterly refined petroleum export earnings between Q1 2025 and Q1 2026

From financing imports to funding domestic refining

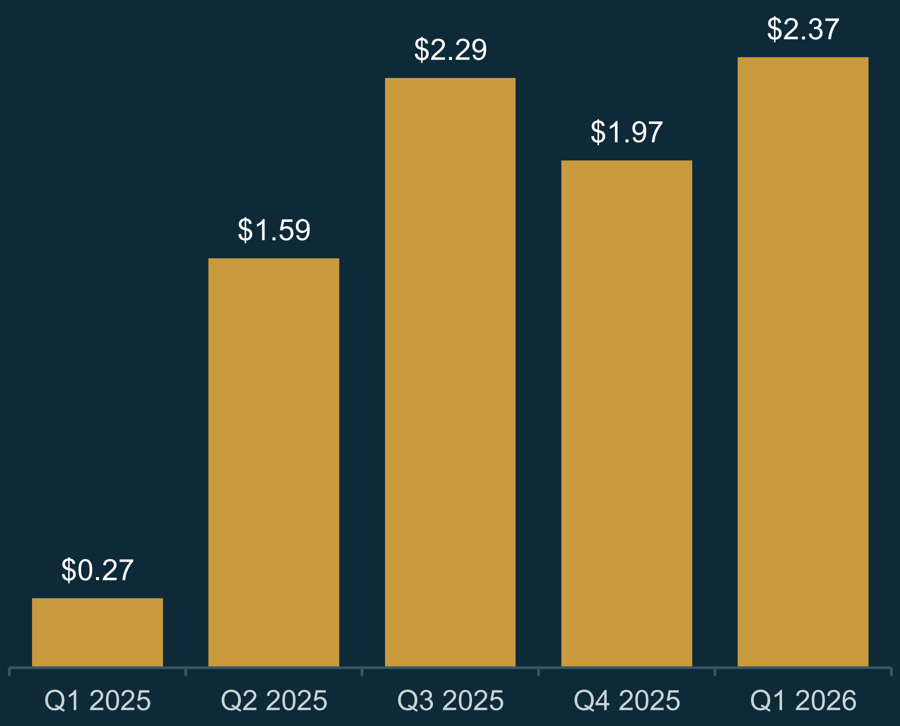
Nigeria's downstream petroleum market is undergoing a structural transformation driven by Dangote Refinery's expansion. At an estimated throughput of 700,000 barrels per day, the refinery is projected to produce 46.75 million litres of PMS daily, meeting about 87% of Nigeria's estimated demand, while generating exportable surpluses of diesel and aviation fuel.

The refinery has already reshaped Nigeria's external sector. Refined petroleum export earnings increased from $270 million in Q1 2025 to $2.37 billion in Q1 2026, while the PMS import bill declined from $18.09 billion in 2022 to $6.83 billion in 2025, reflecting the growing impact of domestic refining.

Although Dangote Refinery has resumed naira-denominated sales under the crude-for-naira arrangement, its temporary adoption of U.S. dollar pricing showed that domestic marketers could have required about $62.7 million daily to purchase refined products. However, this would have represented a gross downstream foreign exchange requirement, largely replacing foreign exchange previously used for fuel imports, with rising export earnings helping to offset the impact.

REFINED PETROLEUM EXPORT EARNINGS

Quarterly, US$ billion



A turning point in Nigeria’s downstream petroleum market

1

Decades of import dependence

Despite being Africa's largest crude oil producer, Nigeria relied heavily on imported refined petroleum products due to inadequate domestic refining capacity, resulting in persistent pressure on foreign exchange reserves and energy security.

2

Dangote Refinery changes the equation

Dangote Refinery has significantly reduced Nigeria's reliance on imported fuel and is already generating refined petroleum export earnings, reshaping the country's downstream petroleum market and external sector.

3

A dollar-pricing case study

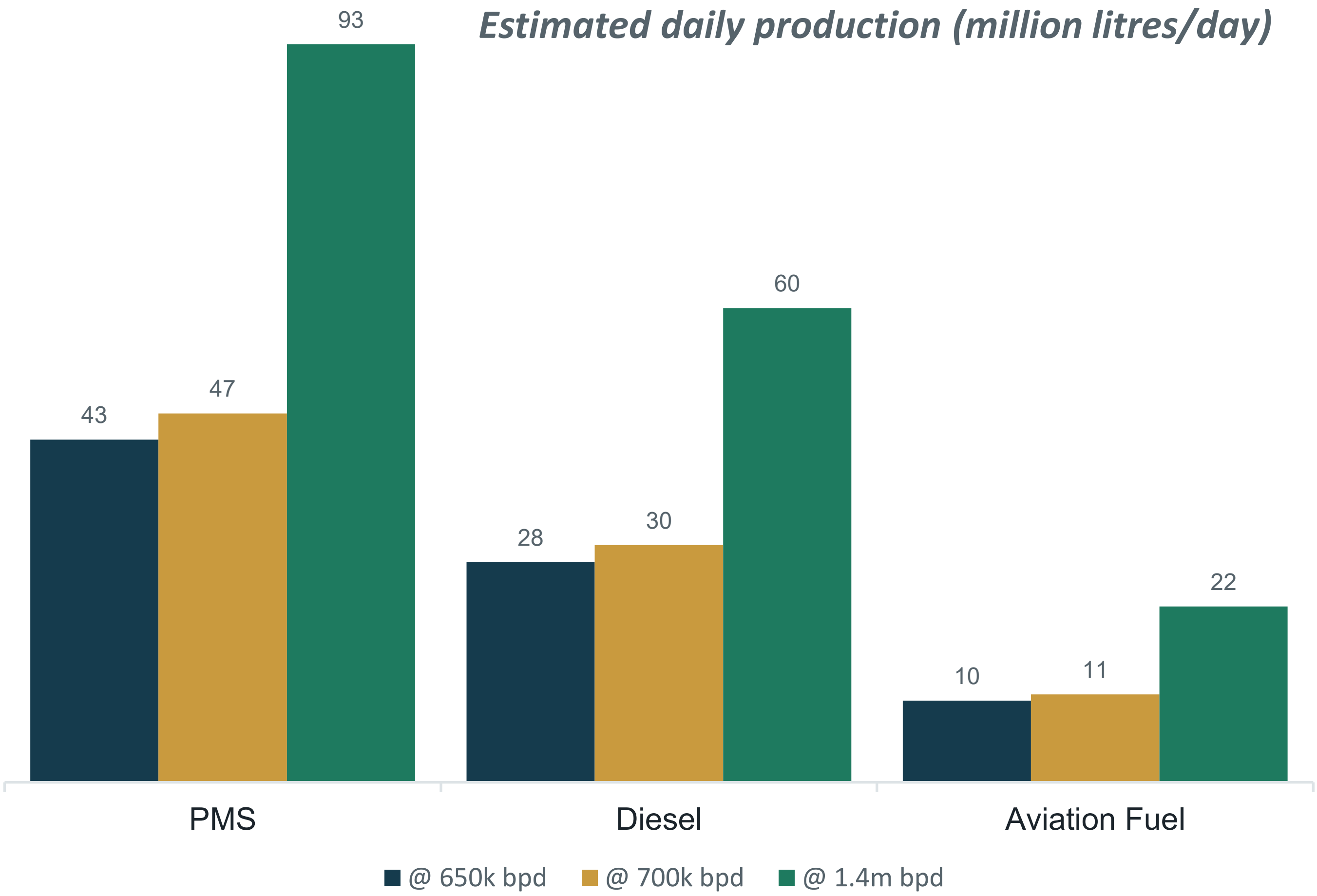
The refinery's temporary adoption of U.S. dollar-denominated pricing, before reverting to naira sales under the crude-for-naira arrangement, provided a useful case study on the foreign exchange implications of downstream pricing.

4

The question this report answers

Would a sustained dollar-pricing framework have increased Nigeria's net foreign exchange demand, or simply redistributed existing demand while import substitution and export earnings continued to strengthen the external sector?

Refined product output under alternative throughput scenarios

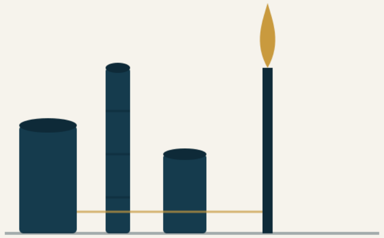


Estimated daily production, million litres/day — Source: FMDA estimates

READING THE NUMBERS

Increasing refinery throughput from 650,000 to 700,000 barrels per day raises PMS production from 43.41 million litres to 46.75 million litres daily, while diesel and aviation fuel output increase proportionately.

At the planned throughput of 1.4 million barrels per day, output exceeds current domestic demand across all three products, creating substantial exportable surpluses and strengthening Nigeria's capacity to generate foreign exchange from refined petroleum exports.



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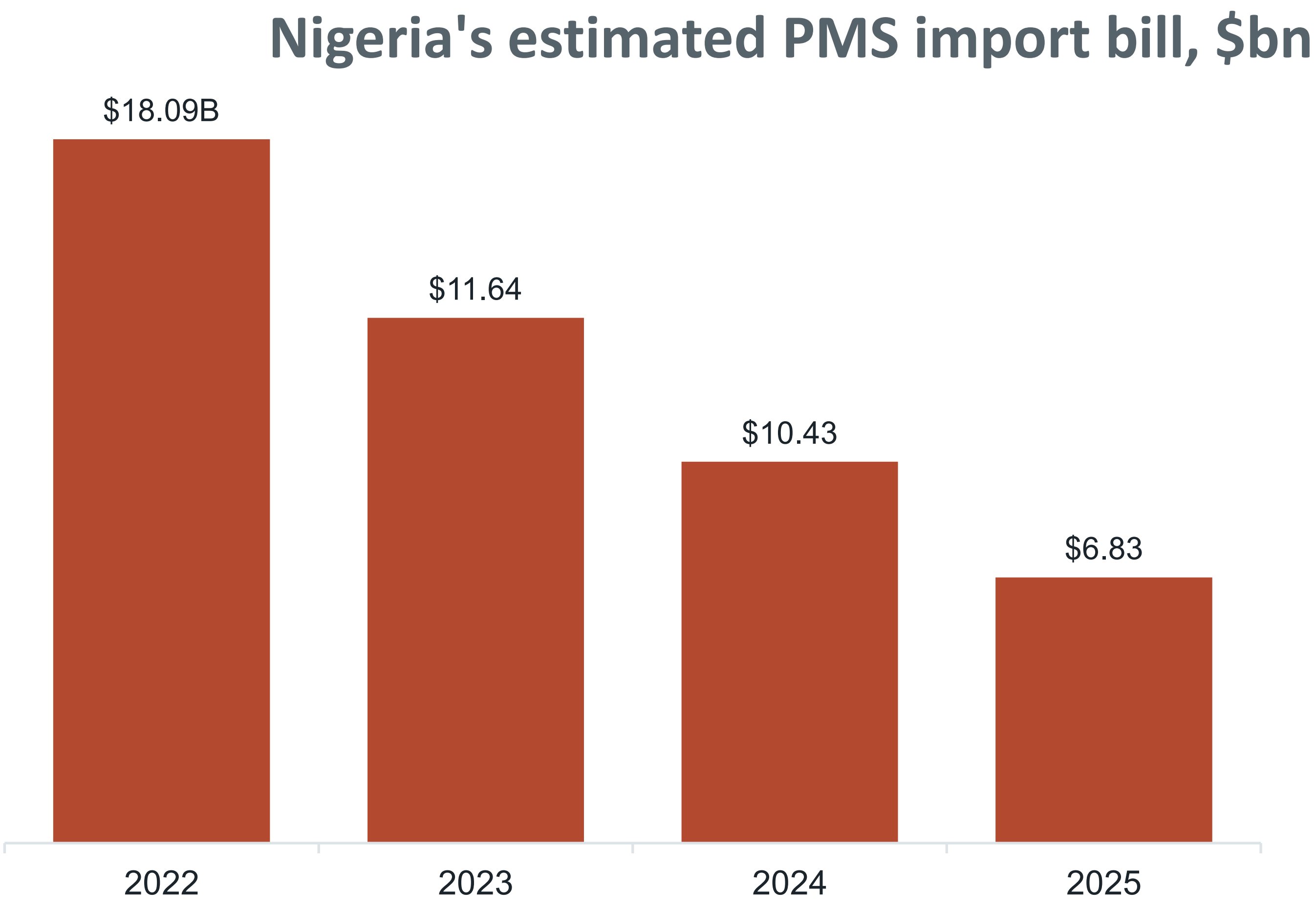
PMS remains the constraint; diesel and jet fuel already export-ready

Product	650k bpd	700k bpd	1.4m bpd	Avg. Consumption	Net Balance (700k bpd)
PMS	43.41	46.75	93.49	53.62	**-6.87**
Diesel	27.90	30.05	60.10	16.91	**+13.14**
Aviation Fuel (ATK)	10.34	11.13	22.26	2.70	**+8.43**

million litres/day — Source: FMDA estimates; NMPDRA

At an estimated throughput of 700,000 barrels per day, Dangote Refinery is projected to produce 46.75 million litres of PMS daily, meeting approximately 87% of Nigeria's estimated domestic demand and leaving a residual supply gap of 6.87 million litres per day, which continues to be met by other domestic refineries or imports. In contrast, diesel and aviation fuel production exceed domestic demand by 13.14 million litres and 8.43 million litres per day, respectively, creating exportable surpluses. These surpluses are already reflected in Nigeria's external sector, with refined petroleum export earnings increasing from $270 million in Q1 2025 to $2.37 billion in Q1 2026. At the planned throughput of 1.4 million barrels per day, all three products are projected to record substantial exportable surpluses, further strengthening Nigeria's foreign exchange earning potential.

Domestic refining is already reducing Nigeria's fuel import bill



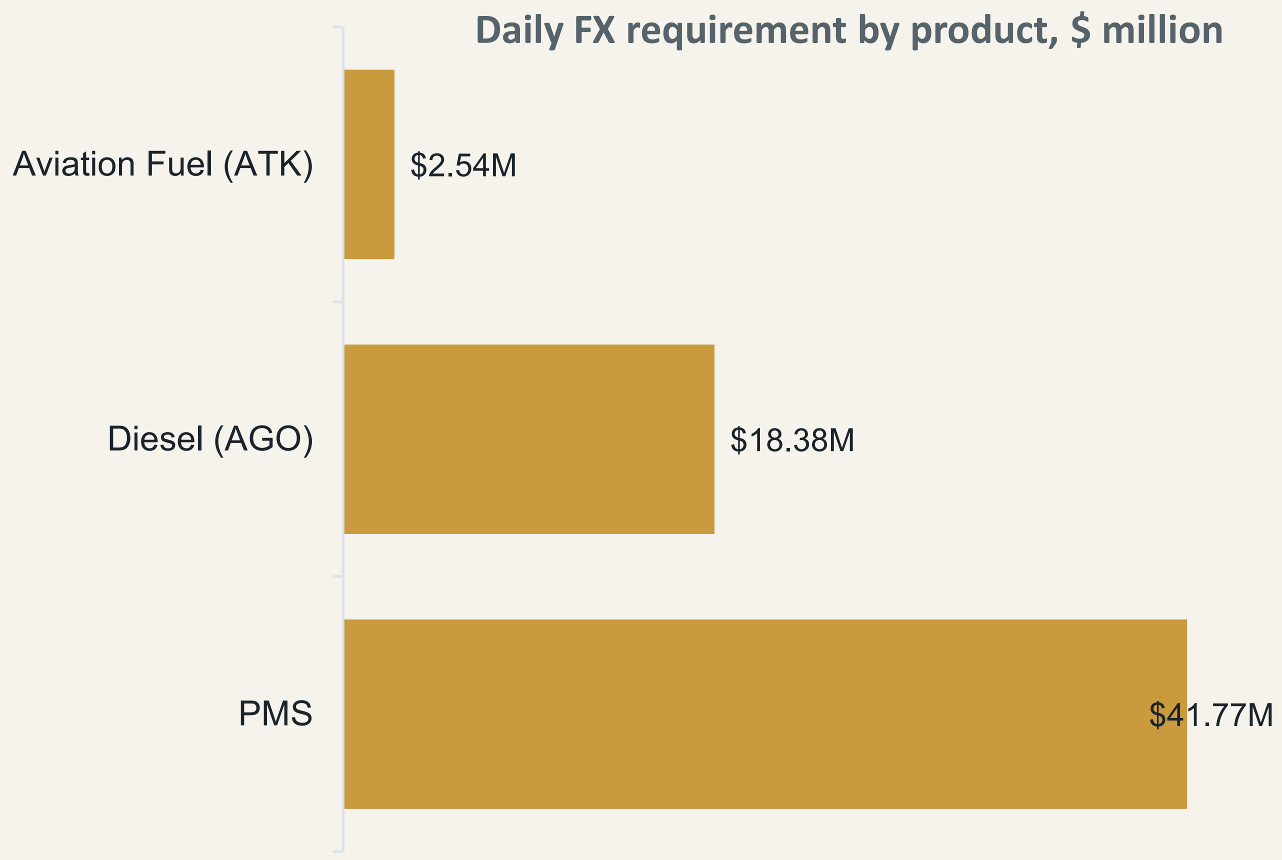
Source: NBS; FMDA

62%

decline in the PMS import bill between 2022 and 2025

Nigeria's estimated PMS import bill declined from $18.09 billion in 2022 to $6.83 billion in 2025, before falling further to just $60 million in Q1 2026. This sharp decline underscores the growing contribution of domestic refining to reducing import dependence, strengthening energy security and generating substantial foreign exchange savings.

Estimated daily FX requirement under Dollar pricing



Source: FMDA estimates; NMDPRA; Dangote ex-depot prices

TOTAL DAILY REQUIREMENT

$62.69M

$1.88B monthly · $22.9B annualised

This represents the estimated gross downstream foreign exchange requirement under the refinery's temporary dollar-pricing framework. It does not imply an equivalent increase in Nigeria's net external foreign exchange demand, as much of the required foreign exchange would have replaced previous fuel import payments, while rising refined petroleum export earnings would have provided an offsetting source of foreign exchange inflows.

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Weighing the upside against the transition risks

Positive Effects

- Sharp reduction in PMS import-related foreign exchange outflows through import substitution
- Rising refined petroleum export earnings, increasing from US$270 million in Q1 2025 to US$2.37 billion in Q1 2026.Additional foreign exchange earnings from surplus diesel and aviation fuel production
- Potential import substitution in petrochemicals, base oils and linear alkylbenzene (LAB) as refinery operations expand
- Potential foreign capital inflows from Dangote Refinery's planned public listing and future investments

Risks

- A sustained dollar-pricing framework would increase the gross foreign exchange requirement of domestic marketers
- Imported crude oil requirements could continue where domestic feedstock supply is insufficient
- Higher working-capital needs arising from foreign-currency funding requirements
- Potential short-term pressure on domestic foreign exchange liquidity during periods of market stress

Overall, the analysis suggests that the long-term foreign exchange gains from import substitution and rising refined petroleum exports are likely to outweigh the temporary increase in downstream foreign exchange demand that would arise under a sustained dollar-pricing framework.

A structural shift, not a temporary swing

Dangote Refinery represents a structural transformation in Nigeria's downstream petroleum industry and foreign exchange dynamics. The sharp decline in PMS imports, rising refined petroleum export earnings and expanding domestic refining capacity demonstrate that the refinery is already strengthening Nigeria's external sector through lower foreign exchange outflows and higher export receipts.

The refinery's temporary adoption of U.S. dollar-denominated pricing provided a valuable policy case study. While a sustained dollar-pricing framework would have increased the gross foreign exchange requirement of domestic marketers, it would not necessarily have resulted in an equivalent increase in Nigeria's net external foreign exchange demand, as much of the required foreign exchange would have replaced previous fuel import payments while rising export earnings provided an offsetting source of foreign exchange inflows.

As refining capacity expands towards the planned 1.4 million barrels per day, the refinery's contribution to foreign exchange earnings, energy security and macroeconomic stability is expected to become even more significant.

23 Jul 2026

Return to naira pricing

$2.37B

Q1 2026 refined petroleum export earnings

1.4M bpd

Planned refinery throughput