

Why Africa is drowning in oil but thirsty for fuel

The current geopolitical storm, intensified by escalating tensions between the United States and Iran, has sent tremors through global energy markets. Yet, nowhere is the impact felt with more stinging irony than in Africa. As global oil prices surge, African nations find themselves trapped in a familiar, agonising cycle: sitting atop vast oceans of crude oil while their citizens queue for hours to purchase expensive, imported petrol.

This crisis serves as a brutal wake-up call, signalling that it is time to dismantle the antiquated, colonial-era trade routes that force African oil to cross oceans before returning home as finished products at triple the price. For decades, the continent has operated under a flawed economic model where it exports its raw potential and imports its basic necessities, effectively exporting jobs and importing inflation while remaining vulnerable to external shocks.

In Nigeria, Africa's largest producer, this paradox reached a breaking point in recent years. Despite pumping millions of barrels of crude daily, the country remains a captive of the international refining market, spending over \$14 billion on refined fuel imports in 2024 alone. This fiscal drain is exacerbated by the "subsidy trap," where the government historically spent trillions of Naira to keep pump prices low, often leading to massive budget deficits and debt accumulation. While the Dangote Refinery, the world's largest single-train refinery has begun to shift this narrative, slashing fuel imports by nearly 30 percent in 2025, the structural rot remains deep-seated. Nigeria still exports the majority of its crude to Europe and Asia, only to buy back the same energy in plastic jugs and tanker trucks, losing billions to shipping costs, port fees, and the relentless devaluation of the Naira against the

As long as Africa's oil flows out to distant ports while its people wait for ships to bring back fuel, the continent remains a hostage to global geopolitics

Ali Lukyamuzi
Trade



US Dollar. The missing piece of the puzzle is not just refining capacity, but a functional domestic distribution network and a stable currency that doesn't erode every time a tanker leaves the port.

The situation in East Africa tells a similar story of missed regional opportunities and "export-first" engineering. The East African Crude Oil Pipeline (Eacop), a massive 1,443-kilometer project, is designed to transport Uganda's oil to the Tanzanian port of Tanga for export to international markets. Critics and citizens alike are asking a painful question: Why is this oil destined for Europe or China when Tanzania, the DRC, and Uganda itself are desperate for affordable energy? Currently, nearly 70 percent of petroleum products used in East Africa are imported from the Middle East or India. If even a fraction of the 216,000 barrels per day destined for the Eacop were diverted to a regional refinery such as the proposed facility in Hoima—the East African Community (EAC) could theoretically achieve energy self-suf-

ficiency. This would create a buffer zone against price volatility caused by Middle Eastern conflicts, yet regional bickering over financing and sovereign interests continues to delay these critical internal links.

The cost of this mentality is staggering when viewed through the lens of macroeconomics. While Africa produces roughly eight percent of the world's crude oil, it accounts for a mere two percent of global refining capacity. This massive deficit is filled by imports that drain foreign exchange reserves and weaken local currencies. When an African country imports fuel, it isn't just paying for the commodity; it is subsidizing foreign labour, the skyrocketing logistics and insurance costs of tankers crossing the Red Sea, and the markups added by international commodity traders. In 2025, the continent's collective fuel import bill exceeded \$80 billion. This is capital flight on a continental scale, money that could have revolutionised healthcare, digitised education, and modernised infrastructure had the value-addition happened within the continent under the African Continental Free Trade Area (AfCFTA).

Ultimately, the lesson from the US/Israel-Iran conflict and the subsequent market shocks is that energy security is national security. As long as Africa's oil flows out to distant ports while its people wait for ships to bring back fuel, the continent remains a hostage to global geopolitics. The solution is not merely to pump more, but to focus on downstream integration and intra-African pipelines that connect African wells directly to African refineries and gas stations. By utilising the AfCFTA to remove tariffs on refined products traded between neighbours such as Uganda supplying the DRC or Nigeria fueling West Africa, the continent can finally turn its "black gold" from a raw export into the bedrock of true economic independence. Africa must stop being the world's gas station and start being its own powerhouse.

Lukyamuzi Ali is a lawyer, policy analyst, and thinker. lukyamuziali74@gmail.com