

Dangote launches Africa's biggest oil refinery - 4 ways it will affect Nigeria

By [Nnaemeka Vincent Emodi](#)

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Nigeria's new [Dangote petroleum refinery](#) is Africa's biggest - it will produce 650,000 barrels a day, giving it the potential to address the country's energy supply crisis.



Aliko Dangote. Source: Akintunde Akinleye/Reuters

Owned by Nigerian industrialist and Africa's richest man, [Aliko Dangote](#), the refinery is expected to boost domestic refining capacity, getting rid of the current consumption shortfall. It will also reduce import dependency and stimulate economic growth.

It is the [first](#) privately owned crude oil refinery in Nigeria. Nigeria's existing refineries, plagued by operational inefficiencies under government control, have failed to meet the growing demand for petroleum products. Substantial imports have become necessary.

Nigeria currently imports more than [80%](#) of its refined petroleum products. The country is the [largest importer](#) of refined petroleum products in Africa. Local production will therefore massively cut the country's import bill.

In 2021, Nigeria spent [\\$11.3bn](#) on importing refined petroleum products.

Nigeria subsidises the pump price of petrol. Since the country imports the bulk of its refined petroleum products, official reason for sustaining petrol subsidies was to minimise the impact of rising global oil prices on Nigerians.

According to the new corporate entity solely licensed to operate Nigeria's petroleum industry, [NNPC Limited](#), Nigeria spent [\\$10bn](#) on fuel subsidies in 2022 and is expected to spend [\\$7.5bn](#) on fuel subsidies by mid-2023.

This represents about 24% of Nigeria's [2022 budget](#) and is an unsustainable drag on public finances. This money can now

potentially be saved with Dangote refinery plugging the supply shortfall.

In my [previous research](#), I have found that there is a link between Nigeria's crude oil export dependency and its weak local refining capacity as well as the subsidy. This is also the case with Mexico, which exports its crude abroad for processing.

Based on my experience in the [sector](#), I set out the four areas where the Dangote refinery is expected to make an impact on Nigeria's petroleum sector and, by extension, the Nigerian economy.



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Reduced oil import dependence

The most notable impact of Dangote refinery will be the increase in local refinery capacity, which will reduce imports.

Dangote refinery is expected to help Nigeria meet [100%](#) of its refined petroleum product needs (gasoline, 72 million litres per day; diesel, 34 million litres per day; kerosene, 10 million litres per day and aviation jet, 2 million litres per day), with surplus products for the export market.

The refined petroleum output from the refinery in combination with other refineries in Nigeria is expected to meet the shortfall of the estimated daily consumption of [72 million litres](#) of petrol.

The country has faced [several fuel shortages](#) in the past, which have caused [prices to surge](#) for transport and basic commodities.

[Recent fuel shortages](#) have been blamed on the Russia-Ukraine war. The price of imported fuel rose more than 100%. Importers operated at a loss due to price ceilings set by the government.

Besides eliminating import dependency, the Dangote refinery can potentially reduce Nigeria's crude oil export dependency as more crude oil will be refined domestically.

Refining crude oil locally will enable the country to pay for the refined product in naira which will save scarce foreign exchange and generate revenue in exported refined petroleum products.

Support for allied industries

The establishment of the refinery is also likely to help reduce the cost of production for industries that [rely on petroleum products](#) such as diesel to power their operations. In turn, this should increase their competitiveness in the global market while promoting local industry capabilities.

The refinery could also create an environment for allied industries to emerge in and around it. For instance, businesses in transport, housing and telecommunications will benefit from the construction and operations of the refinery.

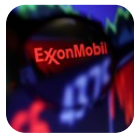
And the refinery should create jobs and entrepreneurship opportunities.

While under construction, the refinery employed about [40,000 workers](#) – 29,000 Nigerians and 11,000 foreigners.

The jobs were in engineering, construction, manufacturing and operations, among other areas.

In full operation, the refinery, according to media reports, is expected to create over [250,000](#) direct and indirect jobs. I believe this is a fair estimate.

The country's current unemployment rate is expected to reach [40.6%](#) in 2023.



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Possible increase in carbon footprint

The operation of Dangote refinery raises concerns about its potential impact on Nigeria's net-zero emission goals. Net zero is an ideal state where the amount of greenhouse gas emissions produced and greenhouse gas emissions taken out of the atmosphere is balanced.

Decarbonisation efforts are required for countries to achieve net zero but the path and time might differ as countries may want to take a gas-led approach to transition to renewable energy.

At the COP26 climate change meeting in 2021, President Muhammadu Buhari [committed](#) to net-zero emissions by 2060. This is to protect Nigeria's environment and ecosystem from the impact of climate change and reduce the country's greenhouse gas emissions.

Nigeria has an [Energy Transition Plan](#) to get closer to a more sustainable economy. The plan assumes greater use of natural gas as a "[transition fuel](#)".

Oil refineries contribute about [4%](#) of the global carbon emissions.

The Dangote refinery [complies](#) with World Bank, US, European and Nigerian norms for emissions and effluents.

Conclusion

The Dangote refinery is a significant step towards self-sufficiency in Nigeria's energy sector.

However, the refinery is still reliant on fossil fuels, and it is not a long-term solution to Nigeria's energy needs.

Nigeria has significant [renewable energy potential](#), including solar and wind power.

Renewable energy can be harnessed to meet Nigeria's energy needs in a sustainable manner. Therefore, Dangote refinery should be viewed as a stepping stone towards a transition to cleaner energy sources in the medium term.

It is essential that Nigeria continues to invest in renewable energy and explore ways to reduce its reliance on fossil fuels to achieve its net-zero emissions goal.

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ABOUT THE AUTHOR

Nnaemeka Vincent Erodi, research fellow , The University of Queensland

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