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Dangote's Feedstock Pivot

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BY **Richard Jones Onyeneho**

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In the first quarter of 2026, the Dangote Petroleum Refinery — the largest single-train refinery on the African continent — secured twelve cargoes of West Texas Intermediate crude for Q3 delivery. None of those cargoes will originate from the Nigerian National Petroleum Company. The decision is operationally rational, commercially defensible, and politically consequential. It tells you more about the structural state of Nigerian crude allocation than any official statement issued in the same quarter.

This brief is short by design. The signal is clear, the implications are concrete, and most readers do not need a long argument to recognise what is happening. The question worth taking seriously is not whether the diversification is occurring, but what it means for the structure of Nigerian hydrocarbon governance over the next eighteen months.

The pattern, briefly

The Dangote refinery's published feedstock requirement is approximately 650,000 barrels per day at full operational capacity. The refinery began phased operations in early 2024, with crude originally expected to come predominantly from Nigerian production through the Naira-for-crude framework agreed with the Federal Ministry of Petroleum. That framework has, in practice, delivered substantially less crude than anticipated.

The Q3 2026 procurement signals a structural pivot. Twelve WTI cargoes from US Gulf Coast suppliers — at delivered economics that are, given current freight differentials, comparable to discounted Nigerian production — are now in the loading schedule. Brazilian Tupi grade and Angolan Pazflor are also reportedly under negotiation for Q4. The refinery is doing what any operator would do when domestic supply commitments fail to materialise: it is sourcing crude where it can be reliably obtained.

Why the Naira-for-crude framework underdelivered

The shortfall is not, primarily, a function of upstream production decline. Nigerian production has held in the 1.4–1.5 million barrels per day range through Q1 2026, in line with OPEC+ quota. The shortfall is allocation: a substantial fraction of Nigerian crude continues to flow under pre-existing offtake commitments, equity-lifting arrangements, and term contracts with international buyers that pre-date the Dangote framework.

Restructuring those commitments to free up crude for Dangote would require either renegotiation with counterparties whose contracts have legal force, or a reduction in Nigerian production directed elsewhere. Neither has happened at meaningful scale. The result is that Dangote's domestic crude allocation has consistently fallen short of plan, and the refinery has chosen to import rather than to operate at sub-optimal throughput.

What this changes

Three implications follow from this. None is speculative.

1. The Naira-for-crude framework is, in operational terms, defunct

The framework remains policy. It is not, in any meaningful sense, the operational reality of Dangote's feedstock procurement. The refinery's actual sourcing strategy is now international, dollar-denominated, and structured around the same supplier relationships any global merchant refiner would maintain. This is a quiet but significant policy failure that has not been formally acknowledged.

2. NUPRC's allocation authority is being routed around

The Nigerian Upstream Petroleum Regulatory Commission has formal authority over crude allocations and the prioritisation of domestic refining. By procuring internationally, Dangote sidesteps that authority entirely. NUPRC retains policy influence; it has lost operational control over the largest single domestic refining customer.

3. The strategic case for downstream-driven crude allocation is weakening

Originally, the Dangote project was framed as a structural intervention in Nigerian foreign-exchange dynamics: a domestic refinery consuming Nigerian crude, producing finished products for the domestic and West African markets, and reducing dollar outflows for refined-product imports. The economics work only if the upstream allocation matches plan. With imported crude as the marginal feedstock, the refinery now consumes dollars to acquire feedstock and earns dollars (or naira-priced product convertible at parallel rates) on the output. The foreign-exchange thesis weakens substantially.

What we are watching

Three indicators over the next two quarters will determine whether this is a transitional pattern or a structural one:

01. **Q4 cargo composition.** If the proportion of Nigerian crude in Dangote's feedstock continues to fall — toward 40% or lower — the diversification is structural and the original Naira-for-crude framework is, for practical purposes, finished. If Nigerian crude rebounds toward 70%+, the Q3 pattern was a transitional procurement window during a specific allocation gap.
02. **Federal response.** Whether the Ministry of Petroleum or NUPRC takes any formal action to redirect upstream allocations toward Dangote — or whether the situation is allowed to stabilise with imported crude as the operational baseline. Inaction would be itself a signal.
03. **Naira product pricing.** If imported feedstock economics become embedded, expect retail product pricing in Nigeria to behave like an importer model rather than an integrated-refiner model. That is a different inflation dynamic than what the original framework was designed to produce.

Bottom line

The Dangote refinery has quietly reorganised its feedstock sourcing around international supply rather than the domestic framework that originally structured its commercial case. This is not yet acknowledged in policy. It is visible in the procurement schedule. The structural implications — for Nigerian foreign-exchange dynamics, NUPRC authority, and downstream-led crude allocation strategy — are larger than the single procurement decision suggests, and they are being absorbed quietly into operational reality rather than addressed through formal policy review.

For institutional readers with exposure to Nigerian energy assets, sovereign credit, or downstream-product pricing dynamics, this pattern deserves more attention than it is receiving in mainstream coverage.

KEY TAKEAWAYS

01. The Dangote Refinery's Q3 2026 feedstock procurement is dominated by imported crude (12 WTI cargoes; additional Brazilian and Angolan grades pending), with no NNPC-allocated cargoes in the schedule.
02. The shortfall is not upstream production decline (Nigerian output remains in the 1.4–1.5 mb/d range) but allocation: pre-existing offtake commitments and equity-lifting arrangements absorb the available crude.
03. The Naira-for-crude framework that originally structured the Dangote project is operationally defunct, even though it has not been formally reviewed or replaced.

04. NUPRC retains policy authority over domestic crude allocation but has lost operational influence over the largest single refining customer in the country.
05. The foreign-exchange thesis underpinning the original project case weakens materially when feedstock is imported in dollars rather than sourced from Nigerian production.

ABOUT THE AUTHOR

Richard Jones Onyeneho · *Senior Principal & Enterprise Documentation Architect*

Richard is the Founder and Senior Principal of ELDR Group Inc., an advisory, intelligence, and technology firm operating across Canada, the United States, the United Kingdom, and Nigeria. He has led documentation, GRC, and enterprise technology mandates for organisations including Apple, IBM, Mastercard, Capital One, SAP, PwC, ServiceNow, and the U.S. Export-Import Bank.

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