

POLICY BRIEF

IRAN-ISRAEL-U.S ESCALATION AND GLOBAL ENERGY RISKS: IMPLICATIONS FOR NIGERIA

IRAN-ISRAEL WAR & U.S. ESCALATION

Global Energy Risks: Implications for Nigeria



When war hits global energy, Nigeria feels it first.



EXECUTIVE SUMMARY

Escalating tensions involving Iran, Israel, and the United States of America represent one of the most significant geopolitical developments shaping contemporary global security dynamics. Although the conflict is geographically concentrated in the Middle East, its economic and political repercussions extend globally, particularly through disruptions to critical energy supply routes such as the Strait of Hormuz.¹ Any escalation in this region has the potential to destabilize global oil markets, intensify inflationary pressures, and generate economic shocks in vulnerable economies.

For Nigeria, the implications are indirect but substantial. Despite being a major crude oil producer, Nigeria remains structurally dependent on imported refined petroleum products, rendering it highly vulnerable to global price fluctuations.² Rising fuel costs contribute to inflation, increase transportation and food prices, and exacerbate socio-economic grievances. Furthermore, existing security vulnerabilities, particularly in the Sahel and northeastern Nigeria—create conditions under which global geopolitical tensions may influence local conflict dynamics.

This policy brief examines the evolving geopolitical crisis and identifies key transmission pathways through which the conflict could affect Nigeria. It further outlines early warning indicators and proposes policy responses aimed at strengthening national resilience and preventing escalation into domestic instability.

1.0 Background: The Strategic Context of the Conflict

The rivalry between Iran and Israel intensified following the 1979 Iranian Revolution, which fundamentally transformed Iran's political system and repositioned it as a strategic challenger to Israel's regional influence.³ Over time, this rivalry has evolved into a multidimensional confrontation involving proxy conflicts, intelligence operations, cyber warfare, and geopolitical competition across the Middle East.

A central issue in this rivalry is Iran's nuclear program, widely perceived by Israel and the United States as a potential pathway to nuclear weapons capability.

In response, the Joint Comprehensive Plan of Action (JCPOA) was signed in 2015 to limit Iran's nuclear activities in exchange for sanctions relief.⁴ However, the United States' withdrawal from the agreement in 2018 reintroduced sanctions and intensified regional tensions.⁵

Recent developments, including missile exchanges, drone attacks, and targeted strikes, have heightened the risk of broader regional conflict. Such escalation carries significant implications for global energy markets and international security stability.

2.0 Global Energy and Economic Implication

One of the most immediate consequences of the Iran–Israel–U.S. conflict is its impact on global energy markets. The Strait of Hormuz remains the world’s most critical oil transit chokepoint, with approximately 20 percent of global oil supply passing through it daily.⁶

Any disruption to this corridor would likely trigger sharp increases in global oil prices. Historically, geopolitical tensions in the Middle East have resulted in immediate volatility in energy markets, affecting both oil-exporting and oil-importing economies.

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For oil-exporting economies like Nigeria, higher global oil prices have increased government revenues in the short term. However, Nigeria’s structural reliance on imported refined petroleum products has created a paradox in which rising crude oil prices simultaneously increase domestic fuel costs.

3.0 Nigeria-Specific Economic Implications

3.1 Energy Market Transmission

Nigeria’s petroleum sector remains highly sensitive to global price fluctuations, reflecting a structural contradiction within its energy economy. Despite being one of Africa’s largest crude oil producers, the country relies heavily on imported refined petroleum products due to limited domestic refining capacity.⁷ Consequently, increases in global oil prices are transmitted into the domestic economy through higher fuel prices.

Rising fuel costs elevate transportation expenses, disrupt supply chains, and increase the cost of goods and services across urban and rural markets. The recent surge in petrol prices across major Nigerian cities illustrates this vulnerability, as external shocks are quickly internalized within domestic economic systems.⁸

3.2 Inflation and Socio-Economic Stress

Fuel price increases have significant downstream effects on Nigeria’s economy. Transportation costs influence agricultural supply chains, urban food markets, and small-scale commercial activity. In a context already characterized by high inflation, unemployment, and declining purchasing power, rising energy prices can intensify economic grievances and increase the risk of public protests or social unrest. Historically, episodes of fuel price increases in Nigeria have triggered demonstrations, indicating that energy shocks remain a politically sensitive issue.

4.0 Security Implications for Nigeria

Nigeria's security environment is characterized by overlapping threats, including insurgency, banditry, and communal violence. In the northeast, groups such as Boko Haram and the Islamic State West Africa Province (ISWAP) continue to operate across porous borders.⁹

Simultaneously, instability in the Sahel—particularly in Mali and Burkina Faso—has facilitated the proliferation of illicit arms and extremist networks.¹⁰

Global geopolitical tensions may exacerbate this environment through:

- Diversion of international counterterrorism attention
- Increased circulation of illicit weapons
- Ideological mobilization linked to global conflicts

These dynamics reinforce the need for strengthened preventive security measures and regional cooperation.

5.0 Early Warning Indicators

Early warning systems track a specific cluster of indicators to catch the domestic effects of the conflict before they compound. On the economic side, the most telling signs will be sudden fuel price increases, spikes in transportation costs, and rapid food price rises in urban markets which the kind of sequential shocks that erode household stability fast and visibly. Politically and socially, the indicators worth watching are subtler but no less important: protest mobilization tied to fuel costs, religious or ideological rhetoric drawing on Middle Eastern conflicts, and social media narratives that connect local grievances to what is happening abroad which has a form that can accelerate radicalization faster than traditional organizing. On the security side, the warning signs include more arms moving across the Nigeria–Sahel border, a rise in extremist recruitment¹¹, and small-scale clashes tied to ideology or religion. No single sign spells crisis on its own but when several show up at once, the time to act shrinks fast.

6.0 Scenario Analysis

Best-Case Scenario

Diplomatic engagement reduces tensions between Iran, Israel, and the United States. Energy markets stabilize and global oil prices decline, limiting economic spillover effects in Nigeria.

Moderate-Risk Scenario

Periodic military exchanges continue without full-scale war. Oil prices remain volatile, contributing to sustained fuel price increases and rising economic pressure within Nigeria.

Worst-Case Scenario

The conflict expands into a broader regional war, disrupting shipping in the Strait of Hormuz¹ and triggering major global energy shortages. Oil prices surge dramatically, producing severe economic shocks and increasing the risk of social unrest in Nigeria.

7.0 Policy Recommendations

The Federal Government should establish contingency mechanisms to cushion the domestic impact of global energy price shocks. This includes expanding strategic petroleum reserves and strengthening targeted social protection programs.

Security institutions should collaborate with civil society organizations such as WANEP Nigeria to strengthen early warning systems that monitor socio-economic stress indicators and potential protest mobilization.

Nigeria should intensify security collaboration within the framework of the Economic Community of West African States to address cross-border threats linked to Sahel instability. Joint intelligence sharing and coordinated border patrols is not negotiable.

Reducing Nigeria's vulnerability to global oil shocks requires sustained investment in domestic refining capacity and energy infrastructure to reduce reliance on imported fuel.

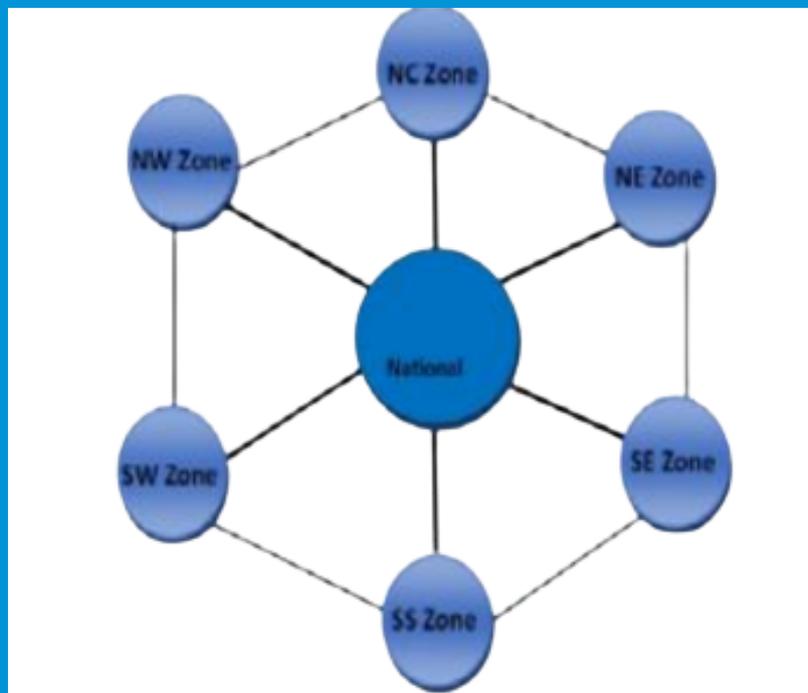
Government agencies and civil society organizations should encourage accountable communication that prevents external geo-political conflicts from fuelling domestic religious or political polarization.

Note

1. U.S. Energy Information Administration, *The Strait of Hormuz Is the World's Most Important Oil Transit Chokepoint* (Washington, DC: EIA, 2023).
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4. International Atomic Energy Agency, *Joint Comprehensive Plan of Action (JCPOA)* (Vienna: IAEA, 2015).
5. Congressional Research Service, *U.S. Withdrawal from the Iran Nuclear Deal* (Washington, DC: CRS, 2019).
6. International Energy Agency, *Oil Market Report* (Paris: IEA, 2024).
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10. International Crisis Group, *The Sahel: Insurgency and Regional Instability* (Brussels: Crisis Group, 2024); Stockholm International Peace Research Institute, *SIPRI Yearbook 2024* (Oxford: Oxford University Press, 2024).
11. Armed Conflict Location & Event Data Project, *ACLED Conflict Data for West Africa* (Madison: ACLED, 2024).

About Us

WANEP Nigeria operations are structured along the geo-political constellation of Nigeria and targets grassroots ownership of peacebuilding initiatives through its member organisations in the thirty-six (36) states of Nigeria, including the Federal Capital Territory (FCT). Its operational framework was designed along the visions of the regional network operating in West Africa, Chad and Cameroun with ultimate goal of building sustainable peace for growth and development in the region.



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