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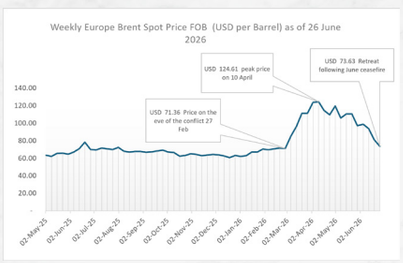
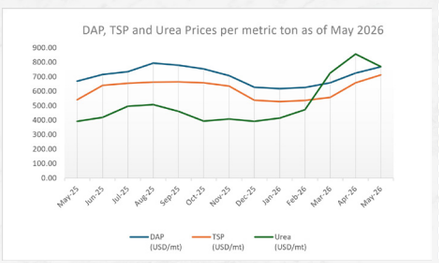
A perspective on the US-Iran conflict and Africa's strategic options

Overview

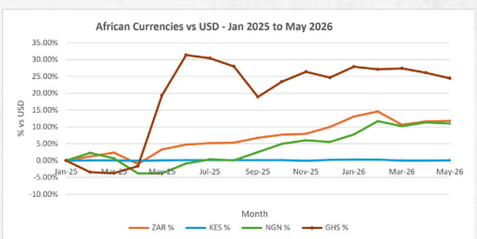
Since 28 February 2026, when US and Israeli strikes on Iran triggered the closure of the Strait of Hormuz, African economies have absorbed a multidimensional shock across energy supply, food systems, export corridors, and financial conditions.



Brent Crude prices moved above USD 100 in mid-March for the first time since 2022, hitting USD 124 by mid-April. The ceasefire and peace framework announced in mid-June 2026, with formal signing planned in Switzerland, led Brent crude prices to retreat to USD 73 by the end of June. Source U.S. Energy Information Administration



On a monthly basis, prices in March 2026 reached their highest level since 2022. The recent surge in the index largely reflects the impact on exports of fertilizers and inputs from the closure of the Strait of Hormuz. Price increases have been most pronounced for urea, with more moderate gains for other fertilizer types. World Bank Commodity Markets Outlook



Major African currencies performed relatively well in the first quarter, before fuel-related shocks contributed to marginal depreciation in February and March. Most stabilized in April and May 2026. Source CBK, BOG, CBN and SARB.

Transmission channels of the shock

Despite a ceasefire announcement and a planned peace agreement, tensions persist and continue to affect supply chains through the strait of Hormuz. The supply shocks are likely to leave a lasting mark on the global economy. There are three major transmission channels that have the most impact for African economies: Energy, fertilizer and logistics.

The energy channel is the most visible. Brent crude oil rose from USD 71 per barrel before the conflict to a high of USD 123 by early April 2026, before easing to just above USD 100 per barrel after the ceasefire was announced.[1] For net importers, where energy and transport carry 15-25% weight in Consumer Price Index (CPI) baskets, the pass-through is mechanical. Kenya, Nigeria, Tanzania, Ghana, and South Africa have all seen pump prices rise 15-35% since late February 2026. Electricity generation costs are expected to rise for systems that rely on thermal power plants.

Oil-producing economies sit in a paradoxical position. Nigeria, Angola, Algeria, Gabon, Congo, and Equatorial Guinea gain revenue from crude prices hovering above USD 100, but most remain net importers of refined products, so domestic pump prices are still expected to rise. The countries with more durable strategic upside are energy producers with downstream or liquefied natural gas (LNG) capacity, notably Nigeria through the Dangote Refinery, and Algeria and Mozambique through LNG exports. These assets can help fill supply gaps left by Gulf producers and create longer-term opportunities.

The fertilizer channel may be underweighted, yet it presents one of the most material risks. Gulf countries supply approximately 35% of global urea, 47% of sulfur, and 24% of ammonia. The Strait of Hormuz dry bulk traffic collapsed by 83% between February and March according to AXS Marine. The timing makes this particularly significant: March to May is the primary planting season across East and Southern Africa, and fertilizer accounts for 10–20% of grain production costs. Yield drops of 20-30% on maize, wheat, and rice are now plausible for Kenya, Ethiopia, Tanzania, Mozambique, Sudan, and Somalia. The resulting food-price shock would land in Q3 2026 with a three-to-four-month lag, precisely when energy prices might start to ease.

The logistics channel completes the picture. With Hormuz and Bab al-Mandab both effectively closed, the Cape of Good Hope is now the default corridor for Europe-Asia freight. Cape Town and Durban have already seen a significant rise in container arrivals. However, port inefficiencies and infrastructure constraints may limit the extent to which African economies can capture value from increased shipping volumes.

The second-order effects are already visible. The US dollar has strengthened as investors moved into safe-haven assets, while several African currencies have weakened. Kenya's Central Bank spent USD 941 million, nearly 7% of total reserves, defending the shilling in a single month[2]. Bond yields in Kenya and South Africa rose within weeks of the shock. The IMF has cut its 2026 African growth forecast from 4.5% to 4.2%, while the World Bank's Sub-Saharan Africa projection is now 4.1%. Regional inflation will likely land at 4.8%, up from 3.7% in 2025.[3]



Strategic opportunities for African businesses

Supply chains have been significantly disrupted, requiring businesses to revisit inventory lead-time assumptions made in 2024 and 2025. Just-in-time supply chain models need stronger hedging, especially for clients sourcing capital equipment, pharmaceuticals, or specialized chemical inputs from the Gulf or East Asia. Freight insurance premiums will need to be renegotiated, with some costs likely to be passed on to consumers through higher final prices.

Africa's aviation industry is under acute stress, given its close links to the Middle East through migration corridors, labour flows, and global transit routes.

However, the crisis also presents practical opportunities that African businesses can convert to their strategic advantage. The following four stand out:

1. Downstream energy investment, anchored by the Dangote case

Dangote Refinery is running at or near its 650,000 barrels per day capacity.[4] Exports to African markets rose from roughly 38,000 to above 90,000 barrels per day between February and March 2026, reaching Côte d'Ivoire, Cameroon, Tanzania, Togo, and beyond[5]. Since the Middle East crisis began in late February, the refinery has supplied refined products to 11 African countries.[6] Ghana's President Mahama is pursuing a formal supply agreement. Nigerian National Petroleum Company Limited (NNPC) has increased crude allocations to stabilize the refinery's feed.[7] The lesson is that downstream refining capacity can be a continental strategic asset, not merely a national industrial project. The investment thesis for greenfield refineries in Angola, Mozambique, Tanzania, and Uganda has strengthened materially, as has the thesis for modular refinery clusters serving the Sahel and landlocked East Africa.

2. African LNG as a strategic supply alternative

Qatar Energy's repair timeline for damaged LNG infrastructure is expected within three to five years. Algeria has agreed to raise LNG exports to Spain while Ukraine has committed to increasing gas imports from Mozambique. Sub-Saharan LNG exports are projected to grow approximately 175% by 2034, from 35.7 to 98 billion cubic meters, led by Nigeria's Train 7 expansion and Mozambique's onshore developments, alongside new producers Mauritania and Senegal. Mozambique's previously stalled projects, particularly TotalEnergies' Area 1, now present a materially different investment case than they did six months ago. For African LNG developers, the question is no longer whether demand will exist, but whether capacity can be built fast enough to lock in contracts before Qatari volumes return.

3. Renewables as both an energy security and climate resilience imperative

Private renewable-energy investments in Africa are set to accelerate as nations seek to reduce dependence on imported oil and gas. At the CERAWeek conference in March, energy executives argued explicitly that energy security anxieties are accelerating, rather than slowing, the renewable shift[8]. Abi Mustapha-Maduakor, Chief Executive Officer of the African Private Capital Association, expects renewable energy transactions to increase[9]. Countries with strong domestic resource endowments now have a clear energy-security rationale alongside the climate case for renewable scale-up. Solar, wind, geothermal, hydropower and battery storage produce energy from local, untradable resources, and that fact alone reframes the investment thesis.

4. Regional fertilizer trade as a resilience channel

The Russia-Ukraine shock demonstrated that intra-African fertilizer trade can serve as a partial buffer against external supply disruptions. North African producers, including Morocco's OCP and Egypt, already account for a substantial share of fertilizer distributed within the continent, while cross-border intra-African flows represent the most readily available alternative channel when extra-continental supply routes are severed. This creates a near-term opportunity for African businesses to expand regional sourcing, distribution, storage, and blending capacity, while using long-term offtake agreements to secure fertilizer supply ahead of future external shocks.

AfCFTA and the case for accelerated regional integration

The conflict in the Persian Gulf highlights Africa's significant reliance on external shipping routes, many of which are shaped by geopolitical and commercial priorities beyond the continent's direct control. Slower shipping and higher insurance premiums have placed particular pressure on African importers.

The African Continental Free Trade Area (AfCFTA) has been ratified by 49 African countries.[10] However intra-African trade is still relatively low, at around 14–16% of total African trade[11], and many economies have limited domestic and regional

alternatives to supply shocks. Scaling up intra-African trade is now both urgent and prudent, as it can create alternative supply channels and reduce exposure to external shocks. The AfCFTA can help mitigate external volatility by supporting import substitution, strengthening regional value chains, and expanding alternative intra-African supply channels. It also creates an opportunity to accelerate action on Africa's resilience, energy sovereignty, refining capacity, and renewable energy investment.

The Pan-African Payment and Settlement System (PAPSS), in force since 2025, can settle transactions in local currencies and reduce the dollar amplification that has intensified this shock. By lowering reliance on hard-currency settlement, PAPSS can help ease foreign-exchange pressure, support regional trade continuity, and improve the commercial viability of intra-African transactions during periods of external volatility.

Significant hurdles remain. Several State Parties are still finalizing their schedules of tariff concessions, which has slowed the full implementation of preferential trade under the AfCFTA. In addition, the infrastructure deficit constraining AfCFTA's potential is substantial. Africa's annual infrastructure funding gap runs between USD 70–90 billion across all sectors, according to the African Development Bank. Transport accounts for approximately 16% of that shortfall - and UNECA estimates that full AfCFTA implementation will require over USD 400 billion in new transport investment, including 2 million additional trucks, 150,000 rail wagons, over 150 maritime vessels, and 250 aircraft.[12]

AfCFTA should be viewed as a medium-term instrument of structural resilience, with investments made today helping to reduce the costs of future external shocks. Delays in implementation increase the economic and welfare costs of each successive disruption. These pressures should therefore prompt African governments to accelerate implementation timelines, particularly across fertilizer, energy, and logistics corridors. Ultimately, AfCFTA's effectiveness will depend less on the agreement itself than on the speed and coordination with which African governments operationalize it.

From crisis response to structural resilience

Africa has absorbed repeated external shocks, from the 1973 oil crisis to more recent disruptions across food, energy, finance, and logistics. The difference today is that the continent has more practical instruments at its disposal. PAPSS, AfCFTA, regional power pools, and emerging renewable energy capacity are practical instruments for reducing exposure to external volatility, if deployed with urgency and coordination.

The central risk is not the absence of solutions, but the failure to deploy them before the pressure to act fades. The US-Iran conflict should therefore be treated not only as a crisis to manage, but as a strategic inflection point: an opportunity to accelerate regional integration, strengthen energy and food-system resilience, and position Africa as a more coordinated and resilient economic bloc.

1. *U.S. Energy Information Administration*
2. *Kenya Spends Nearly $1 Billion of FX Reserves to Weather War Shock - Bloomberg*
3. *World Bank Group: Africa Economic Update*
4. *Bloomberg on Dangote Refinery*
5. *Middle East shock gives Dangote Refinery leverage - CNBC Africa*
6. *Africa's largest refinery ships jet fuel to Europe as Ethiopian Airlines joins supply chain - Business Insider Africa*
7. *Oil Price Surge: Ghana considers fuel supply deal with Nigeria's Dangote Refinery*
8. *Iran war seen boosting renewable energy investment with focus on security, not climate | Reuters*
9. *Iran War Seen Boosting Africa's Renewable Energy Deals - Bloomberg*
10. *Status of negotiations and ratification of AfCFTA - tralac*
11. *Key Statistics and Trends in Regional Trade in Africa | UN Trade and Development (UNCTAD)*
12. *United Nations Economic Commission for Africa - Infrastructure demand boosts investment opportunities*

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