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Rising Energy Costs and the Survival of SMEs in Nigeria Amid Global Energy Shock: Areas for Legislative Intervention

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Executive Summary

Small and Medium Enterprises (SMEs) are the backbone of Nigeria's economy, accounting for about 48% of the national GDP and providing roughly 84% of employment opportunities, according to the National Bureau of Statistics (NBS) and SMEDAN surveys. However, the recent global energy shock triggered by the conflict involving Iran, the United States, and Israel and the disruption of shipping in the Strait of Hormuz has caused a surge in global oil prices and domestic fuel costs in Nigeria. The Strait of Hormuz crisis disrupted about 30% of global oil supply, pushing Brent crude oil prices above \$100 per barrel in March 2026 and causing volatility in global energy markets. In Nigeria, the energy shock has translated into higher petroleum prices. As of March 2026, petrol prices rose significantly, with Dangote Refinery increased gantry prices to around ₦1175 per litre while diesel sells for ₦1620, while retail pump prices across the country ranged between ₦1,230 and over ₦1,300 per litre depending on location and supply conditions. Energy is a critical input for SMEs, especially in sectors such as manufacturing, agro-processing, transportation, retail, and services. Rising fuel prices increase operational costs, reduce profitability, and force many small businesses to either reduce production, increase prices, or shut down operations.

Although the Nigerian National Petroleum Company Limited and the Dangote Refinery had graciously reduced the petrol and diesel price by ₦100, with the PMS now selling between ₦1075 to ₦1230 per litre, energy cost still poses a great impact on SME's in Nigeria given that the PMS as at January 2026 was sold around ₦980 per litre depending on location, the increase has added production cost on enterprises.

Addressing the impact of rising energy cost on SMEs and providing solutions aimed to protect the SME sector and sustain economic growth., the National Assembly may consider the following recommendations:

- ✓ The Senate Committee on Industry and the House Committee on Small and Medium Enterprises, through its oversight function, may wish to legislate a targeted energy stabilization fund for SMEs to cushion the impact of rising fuel prices.
- ✓ Legislative reforms may prioritize investment in electricity infrastructure to reduce reliance on fuel-powered generators.

1. Introduction

Energy is a fundamental driver of economic productivity. For SMEs, reliable and affordable energy is necessary for operating machinery, powering transportation, running refrigeration systems, and maintaining basic business operations. Nigeria's energy

landscape has long been characterized by unreliable electricity supply, forcing businesses to depend heavily on petrol and diesel generators for power generation.

With the recent global energy price surge triggered by geopolitical tensions in the Middle East, Nigerian businesses are facing a



new wave of energy cost increases. Because SMEs operate with thin profit margins and limited access to credit, rising energy costs disproportionately affect their ability to remain viable¹. Given the importance of SMEs to employment generation and economic stability, rising energy prices pose a significant risk to Nigeria's broader economic recovery and social stability.

Consequently, this brief examines the implications of rising energy costs on SMEs in Nigeria and proposes targeted legislative interventions by the National Assembly to protect the SME sector and sustain economic growth.

2. Global Energy Crisis and Oil Market Disruption

The ongoing geopolitical crisis involving Iran, the United States, and Israel has significantly disrupted global oil markets². The Strait of Hormuz, through which approximately 30% of global oil shipments pass³, has experienced severe disruptions following military escalation and maritime attacks. As a result, Brent crude oil prices rose sharply above \$100 per barrel in 2024⁴. Global oil prices increased by nearly 40% within a month, according to market analysts. Energy supply chains experienced significant

uncertainty and volatility⁵. Although Nigeria is an oil-producing country, the domestic economy remains vulnerable to global price fluctuations due to its reliance on refined petroleum products.

Dangote Refinery increased gantry prices to around ₦1175 per litre while diesel sells for ₦1620⁶, while retail pump prices across the country ranged between ₦1,230 and over ₦1,300 per litre depending on location and supply conditions. Given the government intervention, Dangote Refinery graciously reduced the petrol and diesel price by ₦100⁷, with the PMS now selling between ₦1075 to ₦1230 per litre, energy cost still poses a great impact on SME's in Nigeria given that the PMS as at February 2026 was sold around ₦874⁸ to ₦1000 per litre depending on location. Energy costs continue to fluctuate depending on supply conditions and global market developments. These price increases have significantly raised the cost of production and transportation for Nigerian businesses.

3. Economic Importance of SMEs in Nigeria

Small and Medium Enterprises play a crucial role in Nigeria's economic development.

¹ MSME Africa. (2026). Rising Energy Prices Threaten Profitability of Nigerian SMEs, CPPE Warns. *MSME Africa*. <https://msmeafricaonline.com/rising-energy-prices-threaten-profitability-of-nigerian-smes-cppe-warns/>

² ThisDay NG. (17 March 2026). Israeli-US, Iran War and the Global Implications. *ThisDay NG*. <https://www.thisdaylive.com/2026/03/17/israeli-us-iran-war-and-the-global-implications/>

³ International Crisis Group. (2026). Strait of Hormuz. *ICG*. <https://www.crisisgroup.org/trigger-list/iran-usisrael-trigger-list/flashpoints/strait-hormuz>

⁴ Lucas, M. (2026). Oil price sustains over \$100 p/b price as market remain volatile. *The Nations NG*. <https://thenationonlineng.net/oil-price-sustains-over-100-p-b-price-as-market-remain-volatile/>

⁵ Hidayat, M. (2026). How Iran War Tensions Are Driving Global Oil Prices Higher. *Discovery Alert*.

<https://discoveryalert.com.au/energy-market-2026-geopolitical-crises-pricing-impact/>

⁶ Meshioye, D. (2026). Dangote refinery raises petrol price to ₦1,175 per litre. *Guardian NG*. <https://guardian.ng/featured/dangote-refinery-raises-petrol-price-to-%E2%82%A61175-per-litre/>

⁷ BusinessDay NG. (11 March 2026). Dangote slashes PMS price by N100, declares fuel scarcity "gone for good". *BusinessDay NG*. <https://businessday.ng/news/article/dangote-slashes-pms-price-by-n100-declares-fuel-scarcity-gone-for-good/>

⁸ Daniel, E. (2026). NNPC leads in fuel price increase amid fear of scarcity in Nigeria. *Guardian NG*. <https://guardian.ng/energy/nnpc-leads-in-fuel-price-increase-amid-fear-of-scarcity-in-nigeria/>



SMEs account for about 96% of businesses in Nigeria⁹. According to data from the National Bureau of Statistics (NBS), SMEs contribute approximately 48% of national GDP. As well, they provide employment for over 80% of the workforce¹⁰. Nigeria has more than 41 million MSMEs, according to NBS survey¹¹. Given these contributions, any economic shock affecting SMEs has significant implications for employment, poverty reduction, and economic stability.

4. Impact of Rising Energy Costs on SMEs

- i. Increased Production Costs: Energy is a major input for manufacturing and service industries. Rising petrol and diesel prices increase operational expenses for SMEs. Manufacturing SMEs rely on generators due to unreliable electricity supply, making them particularly vulnerable to energy price increases.
- ii. Reduced Profit Margins: Many SMEs cannot easily transfer increased energy costs to consumers because of declining purchasing power. As a result, business owners often experience declining profits or financial losses.
- iii. Business Closures and Reduced Productivity: High operating costs force some SMEs to scale down production or close operations entirely. This has direct implications for employment and economic growth.
- iv. Rising Inflation: Higher energy costs increase transportation and logistics expenses, which are eventually passed on to consumers. This

contributes to higher prices for goods and services across the economy.

- v. Job Losses: Because SMEs are the largest employers in Nigeria, declining SME performance can lead to significant job losses, worsening unemployment levels.

5. Key Areas for Legislative Intervention

Given the economic importance of SMEs and the severity of the energy shock, the National Assembly can play a critical role in mitigating the impact. We hereby recommends as follows:

- i. The Senate Committee on Industry and the House Committee on Small and Medium Enterprises, through its oversight function, may wish to legislate a targeted energy stabilization fund for SMEs to cushion the impact of rising fuel prices.
- ii. The Senate Committee on Power and the House Committee on Renewable Energy, may utilize oversight to advise the Federal Government through the Federal Ministry of Power and Federal Ministry of Environment, on the to more tax incentives and financing programs to help SMEs adopt solar energy and alternative power sources.
- iii. The Senate and House Committees on Petroleum Resources (Upstream, Midstream and Downstream), may wish to strengthen legislative oversight and ensure full operational efficiency of domestic refineries to stabilize fuel supply.
- iv. The Senate and House Committees on Power, may leverage oversight

⁹ Ochigbo, F. (2025). SMEDAN: SMEs account for 96% of businesses. *The Nation NG*. <https://thenationonlineeng.net/smedan-smes-account-for-96-of-businesses/>

¹⁰ National Bureau of Statistics & SMEDAN. (2022). MSME Survey Report. <https://www.nigerianstat.gov.ng>

¹¹ Ibid.



powers to invite the Minister of Power to understand the problem behind the current epileptic power supply in Nigeria and to devise a lasting means Nigeria can improve in its power generation.

- v. Legislative reforms may prioritize investment in electricity infrastructure to reduce reliance on fuel-powered generators.

6. Conclusion

The recent surge in global energy prices triggered by geopolitical tensions in the Middle East and disruptions in the Strait of Hormuz has intensified energy cost pressures in Nigeria. Although Nigeria is an oil-

producing country, domestic fuel prices remain sensitive to global market dynamics. The resulting increase in energy costs threatens the survival of SMEs, which play a vital role in employment generation, economic growth, and poverty reduction. Without timely policy intervention, the energy shock could trigger widespread SME closures, job losses, and economic contraction. The National Assembly therefore has an important role to play in designing targeted legislative measures that support SMEs, stabilize energy costs, and promote sustainable energy solutions. Such interventions will help protect Nigeria's productive sector and ensure long-term economic resilience.

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