

EBC Financial Group Highlights Oil Price Convergence and Implications for Nigeria's Export Earnings

Brent-WTI spread narrows as OPEC+ policy, Middle East tensions, and U.S. exports reshape the market

LAGOS, NIGERIA, October 2, 2025 /EINPresswire.com/ -- Oil markets are undergoing a structural test as the traditional premium of Brent crude over U.S. West Texas Intermediate (WTI) narrows to its tightest levels in years. For Nigeria, Africa's largest oil producer and a Brent-linked exporter, this shift has direct consequences for government revenues, foreign exchange reserves, and the broader economy.



"Brent's shrinking premium matters enormously for Nigeria, where oil sales remain the backbone of fiscal stability," said David Barrett, CEO of EBC Financial Group (UK) Ltd. "A weaker Brent advantage means slimmer margins on Nigerian exports, especially at a time when domestic production challenges and FX pressures are already straining government finances."

OPEC+ Policy and Domestic Production Constraints

Nigeria's oil output has reached about 1.68 million barrels per day, meeting its OPEC quota for the first time in four years. Despite this milestone, it remains below the government's declared technical capacity of 2 million bpd, according to the Nigerian Upstream Petroleum Regulatory Commission (NUPRC). Persistent pipeline vandalism, crude theft, and underinvestment continue to limit effective supply.

Meanwhile, OPEC+ is expected to approve an output increase of at least 137,000 barrels per day in November. For Nigeria, the challenge is less about quotas and more about delivering on them, given infrastructure and security constraints.

Geopolitical Risks Reinforce Volatility

Middle East tensions — including maritime insecurity and the ongoing conflict in Gaza — have amplified uncertainty around Brent pricing. Since Nigerian crude grades like Bonny Light and Forcados are benchmarked against Brent, volatility in Brent directly impacts Nigeria's revenues and fiscal outlook.

The resumption of crude exports from Iraq's Kurdistan region, after a two-and-a-half-year halt, has added 150,000–160,000 barrels per day into Mediterranean markets. This increase intensifies competition for Nigerian cargoes in Europe, a regionmultinational market that remains a key market for the country's crude exports.

Outlook: Brent Still Critical for Nigeria

Brent currently trades near US\$69–70 per barrel, with WTI close to US\$63. EBC analysts caution that Brent's role as the global seaborne benchmark could weaken if U.S. export growth continues to erode its premium. For Nigeria, this translates into tighter fiscal conditions if export receipts fall, particularly as the government manages subsidy reforms and Naira stabilisation efforts.

As the country celebrates its 65th Independence, it has also embarked on economic diversification to reduce reliance on oil exports. In Q2 2025, Nigeria's gross domestic production (GDP) figures show trade overtaking oil as the country's top output drive. Advocates calling for the diversification cites the 2040 diesel and petrol vehicles by the United Kingdom and France coupled with the rise of electric vehicles in key markets such as China are early signs for the decline of oil demand. This diversification strategy combined with other measures to prevent economic leakages remain high on policymaker's agenda to futureproof the Nigerian economy.

What It Means for Traders

For Nigerian traders, the narrowing Brent–WTI spread means traditional assumptions about Brent's strength may no longer hold. EBC analysts conclude that short-term opportunities could emerge in spread trading or in hedging strategies that account for U.S. export-driven shocks. Over the long term, investors should watch for how OPEC+ policy, U.S. shale output, and Middle East risk premium shifts affect Brent's stability — all of which feed directly into Nigeria's fiscal health.

“As Brent's dominance faces new pressures, Nigerian traders must adapt by taking a more disciplined, risk-managed approach,” Barrett added. “Whether through hedging, diversification, or a sharper eye on U.S. market dynamics, the key is preparing for volatility rather than being surprised by it.

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