The Political Economy of Premium Motor Spirit Subsidy in Nigeria 2015 -2023

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Abstract

The political economy of Nigeria's Premium Motor Spirit (PMS) subsidy from 2015 to 2023 reveals a complex interplay between fiscal responsibility and social welfare, marked by policy shifts and inconsistent implementation under President Muhammadu Buhari's administration. Initially an opponent of fuel subsidies, Buhari aimed to remove the subsidy to alleviate its budgetary impact on the national economy. However, his administration faced significant challenges, including political opposition, economic instability, and public dissatisfaction, which led to a series of policy reversals and adjustments. Efforts to regulate PMS prices, in 2016 and later subsidy removals in 2020 and 2022, sparked massive protests from labor unions, civil society organizations, and citizens who argued that subsidy removal would deepen poverty and economic inequality. Inconsistent pricing and frequent shortages due to import inefficiencies and infrastructure deficits further eroded public trust in the administration's policies. The government's approach was highly criticized by prominent persons and institutions including trade unions, academics, and political figures who asserted that corruption and the lack of domestic refining capacity were the true sources of Nigeria's fuel price challenges. Despite assurances that subsidy savings would be redirected toward social infrastructure and welfare programs, these anticipated benefits largely failed to materialize. This paper intends to shed light on how this subsidy regime of Premium motor spirit has evolved from 2015 to 2023, bearing issues that remain unresolved, this highlighting the complexities of managing Nigeria's oil economy.

Keywords: Political Economy, Premium Motor Spirit, Subsidy, Regulation, Nigeria

Introduction

The subsidy on Premium Motor Spirit in Nigeria has been a cornerstone of the nation's political and economic debates over the past decades. Established initially to alleviate the cost of fuel for Nigerian citizens, the subsidy program has instead evolved into a complex web of political promises, economic challenges and public dissatisfaction. As petroleum products constitute the lifeline of the Nigerian economy, changes in their prices exert a ripple effect on the cost of goods and services, thereby impacting the daily lives of Nigerians.[1] The subsidy on Premium Motor Spirit, though arguably beneficial to the public, has thus morphed into a complex economic burden, exacerbated by corruption, inefficiencies, and fluctuating global oil prices.[2] From the start of Muhammadu Buhari's presidency in 2015, his administration's handling of Premium Motor Spirit subsidy has shifted between attempts at removal and reinstatement, often leaving the public and policy stakeholders divided. Buhari, once a vocal opponent of fuel subsidies, assumed office with the pledge to eliminate what he described as an illusionary and unsustainable fiscal policy.[3] Yet, his tenure witnessed numerous policy reversals, revealing the policy's entrenched political and economic complexities. The administration's stance highlighted the tension between economic reform pressures from international financial institutions, like the International Monetary Fund (IMF) and World Bank, and the political sensitivity surrounding fuel prices in Nigeria. In 2021, for instance, the IMF recommended the subsidy's removal,

[1] World Bank. "Nigeria Economic Update: Resilience through Reforms." Washington D.C.: World Bank Group, 2021.

[2] Kreston Pedabo. "Assessing the Implication of Fuel Subsidy Removal in Nigeria: Economic, Social, and Political Considerations." krestonpedabo.com, June 21, 2023. Accessed Oct. 28, 2024. https://krestonpedabo.com/assessing-the-implication-of-fuel-subsidy-removal-in-nigeria-economic-social-and-political-considerations/

[3] Ori, Ogbonnaya Eze, Obidebube, Emerem Jennifer & Richard Obongha. "Fuel Subsidy Debate: The Nigerian Experience from 1999-2023," *International Journal of Advanced Research in Accounting, Economics and Business Perspectives,* Vol. 7 (2), September, 2023, pp 180 to 191 and Esther, Ekoko. "Corruption in Nigeria: An Assessment of Fuel Subsidy in the Buhari Administration." *International Journal of Humanities Management and Social Science (IJ-HuMaSS),* 2024, pp 161-173.

citing the substantial budgetary allocations it consumed, which could otherwise be redirected to pro-poor interventions and infrastructure.[4]

The debate around fuel subsidy policy extends beyond economics; it embodies broader questions about governance, accountability, and social welfare. While proponents argue that subsidies help maintain economic stability and protect the impoverished from the inflationary impacts of high fuel prices, critics contend that the funds allocated for subsidies disproportionately benefit fuel marketers and political elites rather than the public.[5] In essence, Nigeria's PMS subsidy policy encapsulates the ongoing struggle between neoliberal economic reforms and social protection policies, reflecting the complexities inherent in policy-making within a socio-politically diverse nation.[6] This research examines the political economy of Nigeria's PMS subsidy from 2015 to 2023, analyzing its fiscal implications, policy oscillations, and the underlying factors influencing governmental decisions. It explores how successive governments, including Buhari's administration, grappled with the subsidy dilemma amid global oil price volatility, domestic political pressures, and socio-economic challenges.[7] Through this, the study seeks to offer a nuanced understanding of the PMS subsidy's role within Nigeria's political economy, shedding light on the policy's implications for national development and the welfare of the Nigerian people.

[4] World Bank. "Nigeria Economic Update: Resilience through Reforms." Washington D.C.: World Bank Group, 2021.

[5] Dauda, Risikat Oladoyin. Ph.D. "Fuel Subsidy And Implications For Social Spending In Nigeria: A Research Note." EPR Journal H12022, pp 25 to 36.

[6] Kreston Pedabo. "Assessing the Implication of Fuel Subsidy Removal in Nigeria: Economic, Social, and Political Considerations." krestonpedabo.com, June 21, 2023. Accessed Oct. 28, 2024. https://krestonpedabo.com/assessing-the-implication-of-fuel-subsidy-removal-in-nigeria-economic-social-and-political-considerations/

[7] KPMG Nigeria. "Removing Nigeria's PMS Fuel Subsidies: We Can't Have Our Cake & Still Eat It." home.kpmg/ng, June 2023, pp 9-18.

Muhammadu Buhari Administration

As an opposition figure, while out of government, Muhammadu Buhari adopted a position that subsidy was an illusion. However, since he became president in May, 2015, he has been a champion of subsidy removal. Though under his watch, there has been not been a coherent approach to handling the issue of subsidy on premium motor spirit. Instead, like his predecessors, there has been several policy somersaults, and the approach adopted in the addressing the subsidy regime has not been different from what was previously done by past governments.

Table of Price Changes of Premium Motor Spirit Under the Muhammadu Buhari Administration

Administration	Year	Price	Percentage of Increment/Drop
Muhammadu Buhari	11 May, 2016	N87-N145	66.67% increment
Muhammadu Buhari	Dec 2017-Jan 2018	N145-N300+	Unstable prices due to scarcity[8]
Muhammadu Buhari	19 March, 2020	N145-N125	13.79% price drop[9]
Muhammadu Buhari	May-August 2020	N148-N162	Unstable prices from Marketers[10]
Muhammadu Buhari	November 2020	N125-N165	32% increase

[8] "Fact Check: "Has Nigeria witnessed only one major fuel scarcity under Buhari as claimed by Femi Adesina?"" *Ripples Nigeria*, 25 February, 2022, https://www.ripplesnigeria.com/fact-check-has-nigeria-witnessed-only-one-major-fuel-scarcity-under-buhari-as-claimed-by-femi-adesina/?amp accessed on 4 April, 2022.

[9] Adetayo, O., Adepegba, A., Edema, G. "Fuel price hike: ASUU, TUC tackle FG on refineries, Buhari says subsidy dangerous" *Punch*, 8 September 2020, https://punchng.com/fuel-price-hike-asuu-tuc-tackle-fg-on-refineries-buhari-says-subsidy-dangerous/?amp accessed on 2 April, 2022.

[10] Adetayo, O., Adepegba, A., Edema, G. "Fuel price hike: ASUU, TUC tackle FG on refineries, Buhari says subsidy dangerous" *Punch*, 8 September 2020, https://punchng.com/fuel-price-hike-asuu-tuc-tackle-fg-on-refineries-buhari-says-subsidy-dangerous/?amp accessed on 2 April, 2022.

Muhammadu Buhari	12 March 2021	N165-N212.61	28.48% increase (PPPRA announcement)[11]
Muhammadu Buhari	12 March, 2021	N212.6-N165	Price dropped after government rejected increment[12]
Muhammadu Buhari	February, 2022	N165-N300+	Importation of contaminated fuel results in in scarcity and prices soar[13]

Source: *Compiled by the Author*

A key point to note under Buhari's presidency, is that the sales of Premium Motor Spirit has not always gone for the official price. There have been frequent changes that are not in line with official price owning largely to the activities of marketers and scarcity of the product.

a. Political Argument for Subsidy Reduction

The Goodluck Jonathan government reduced the price of Premium Motor Spirit from N97 to N87 on February, 2015. That was the price until 11 May 2016, when it was increased from N87 to N145, it was the first increment of the Buhari administration. The Minister of State for Petroleum Resources, Ibe Kachikwu announced the increment. At the time, the chairman of the House of Representatives Committee on Legislative Budget and Research, Opeyemi

[11] Ibrahim, M. "We 've seen the change Buhari promised'- Nigerians react to petrol price hike", *The Cable*, 12 March, 2021, https://www.thecable.ng/weve-seen-the-change-buhari-promised-nigerians-react-to-petrol-price-hike/amp accessed on 4 April, 2022.

[12] Izuaka, M. "Nigeria govt apologies, rejects petrol price hike by PPPRA", *Premium Times*, 12 March, 2021, https://www.premiumtimesng.com/news/headlines/448446-breaking-nigerian-govt-apologises-rejects-petrol-price-hike-by-pppra.html accessed on 4 April, 2022.

[13] Nnodim, O., Isenyo, G., Igoni, D. Obianeri, I. "FG admits inspection failure caused dirty fuel imports, prices soar states," *The Punch*, 21 February, 2022, https://punchng.com/fg-admits-inspection-failure-caused-dirty-fuel-imports-prices-soar-in-states/ accessed on 4 April, 2022.

Bamidele, kicked against the removal of subsidy. He was of the opinion that 'if the APC government removed subsidy, it would send a wrong signal that the party was out to deceive Nigerians in order to get their votes and had failed its electoral promises.' [14] Shehu Sani, an APC senator from Kaduna state from 2015-2019 criticized the increment at the time. In his words, 'I stand opposed to the removal of petroleum subsidy and I stand opposed to increase in pump price of petroleum products. It will do nothing other than add to the suffering and further impoverish the masses of our people. It amounts to capitulation and outright deception for those of us who led millions of people, out in the street, few years ago, against pump price increase and against subsidy removal to now give economic excuses to justify same.'[15] Femi Falana, was of the opinion that; 'President Buhari ought to prevent neo-liberal ideologues from hijacking the administration for the purpose of punishing the Nigerian people for the looting of the treasury and mismanagement of the national economy.'[16]

On the same narrative paddled by government over the last couple of years to buttress the removal of subsidy, Farooq Kperogi, opines that the recurring subsidy debate from government reeks of insincerity. According to him; 'petrol is the engine of the Nigerian economy in ways it is not elsewhere. When the price of petrol goes up in Nigeria, everything else goes up—except the already measly salaries of everyday people. This is not the case in many countries. So, you cannot just arbitrarily jack up petrol prices and ignore its other unsettling effects on other facets of the society. A way bigger waste than the "waste" of petrol subsidy is the humongous amounts we expend monthly to subsidize the obscene opulence that Nigeria's political elite—from the president down to a councilor—luxuriate in. Nigerian political elites are some of the most remunerated elites in the world. They

[14] Ekhator, E. "Is Buhari fantastically confused?" *The Cable*, 15 May, 2016, https://www.thecable.ng/buhari-fantastically-confused/amp accessed on 2 April, 2022.

[15] Ekhator, E. "Is Buhari fantastically confused?" *The Cable*, 15 May, 2016, https://www.thecable.ng/buhari-fantastically-confused/amp accessed on 2 April, 2022.

[16] Ekhator E. "Is Buhari fantastically confused?" *The Cable*, 15 May, 2016, https://www.thecable.ng/buhari-fantastically-confused/amp accessed on 2 April, 2022.

even earn more perks than their American counterparts. But no one is talking about this subsidy. Only the comparatively miserly "subsidy" that makes life just a little easier for the common people is subject to scrutiny.'[17]

The president of the Trade Union Congress in September, 2020, asserted that, government policies was at the heart of the premium motor spirit crisis, and not necessarily the subsidy. According to him, 'government should fix the refineries. If we meet the quantity that we need, we won't need to be talking about forex. …they should show us the evidence that the landing cost is what they are subsidising, these people (fuel importers) are sourcing their dollars from the black market and that is the problem; it is not about subsidy.'[18] The president of the Academic Staff Union of Universities (ASUU) argued that lack of domestic refining was at the heart of the problem. He opined that; 'we cannot be an oil-producing country and we remain the only country which has no refinery of our own. Why do we have four refineries in our country and none of them is working. 'Even this thing they are doing [subsidy removal], there, is no end to it. The fate of Nigerians will be hanging in the balance if the cost of crude oil increases in the global market. It means the sufferings of Nigerians will continue to rise along with it.'[19]

b. Economic Argument for Subsidy Reduction

The main opponents as always according to some scholars in this regard comes from 'the labour unions, the Nigeria Labour Congress (NLC) and the civil societies. 'The concern of these stakeholders is that high fuel prices will generate inflationary pressure which will reduce the welfare of their members and public in general. There is also distrust about government commitment to mitigate subsidy effect using social security measures or even if the accruing resources will be judiciously

[17] Kperogi, F. "Same Old Cruel Lies to Justify Fuel Price Hike," *Tribune*, 27 November, 2021, https://tribuneonlineng.com/same-old-cruel-lies-to-justify-fuel-price-hike/ accessed on 2 April, 2022.

[18] Adetayo, O., Adepegba, A., Edema, G. "Fuel price hike: ASUU, TUC tackle FG on refineries, Buhari says subsidy dangerous" *Punch*, 8 September 2020, https://punchng.com/fuel-price-hike-asuu-tuc-tackle-fg-on-refineries-buhari-says-subsidy-dangerous/?amp accessed on 2 April, 2022.

[19] Adetayo, O., Adepegba, A., Edema, G. "Fuel price hike: ASUU, TUC tackle FG on refineries, Buhari says subsidy dangerous" *Punch*, 8 September 2020, https://punchng.com/fuel-price-hike-asuu-tuc-tackle-fg-on-refineries-buhari-says-subsidy-dangerous/?amp accessed on 2 April, 2022.

utilized.'[20] Farooq Kperogi argues that, 'subsidy is not just a moral imperative; it's also an existential imperative. If people are left to grapple with the smoldering violence of unchecked capitalism, they will either die of.' 'Nigeria has one of the lowest and most stagnant wages on earth. A further increase in petrol prices, which will add more fuel to the inflationary fire that is already burning Nigeria to the ground, will only deepen the misery and torment that everyday Nigerians are going through.'[21]

c. Political Argument against Subsidy Reduction

There has been no coherent approach to handling subsidy removal under the Buhari administration. In December, 2015, Minister of state for petroleum who also doubled as the Group Managing Director of NNPC, Ibe Ikachikwu announced that, the Petroleum Support Fund, another name for subsidy on Premium Motor Spirit has been scrapped.[22] He claimed that the government could no longer pay subsidy, because the scheme was tainted with fraud.[23] He said 'We cannot even understand where those subsidies were going to. There are a lot of fraud elements in it so we need to cut that off.'[24] On 11 May, 2016, the price of Premium Motor Spirit was increased from N87 to N145 per litre, the government, announced this through the Vice President, Yemi Osinbajo, that subsidy on Premium Motor Spirit has been

[20] Onyekwena, C., Adedeji, A. Akanonu, C. P., Momoh, A. 2017. *Energy Subsides in Nigeria: Opportunities and Challenges*, Abuja: Centre for the Study of the Economies of Africa (CSEA), p. 27.

[21] Kperogi, F. "Same Old Cruel Lies to Justify Fuel Price Hike", *Tribune*, 27 November, 2021, https://tribuneonlineng.com/same-old-cruel-lies-to-justify-fuel-price-hike/ accessed on 2 April, 2022.

[22] Ibekwe, N. "Nigeria scraps fuel subsidy, cuts petrol price to N85 per litre" *Premium Times*, 26 December, 2015, https://www.premiumtimesng.com/business/195743-nigeria-scraps-fuel-subsidy-cuts-petrol-price-to-n85-per-litre.html accessed on 2 April, 2022.

[23] Ibekwe, N. "Nigeria scraps fuel subsidy, cuts petrol price to N85 per litre" *Premium Times*, 26 December, 2015, https://www.premiumtimesng.com/business/195743-nigeria-scraps-fuel-subsidy-cuts-petrol-price-to-n85-per-litre.html accessed on 2 April, 2022.

[24] Ibekwe, N. "Nigeria scraps fuel subsidy, cuts petrol price to N85 per litre" *Premium Times*, 26 December, 2015, https://www.premiumtimesng.com/business/195743-nigeria-scraps-fuel-subsidy-cuts-petrol-price-to-n85-per-litre.html accessed on 2 April, 2022

"removed for good."[25] Ibe Kachikwu, asserted thereafter that prices of Premium Motor Spirit will collapse six months after the 2016 "removal of subsidy."[26] The Vice President, claimed in December, 2016 that the government had saved N15.4 billion monthly from non-payment of subsidy for the year.[27]

However, following the fuel scarcity that hit the country in December, 2017 and January, 2018, owning to a drop in the importation of the product, the government admitted that it was still paying subsidy.[28] The NNPC later claimed that the landing cost of the Premium Motor Spirit was N171 .40k per litre,[29] To that effect, with the official price of N145 per litre, the government was still paying subsidy to the tune of N26.40 per litre.[30] Following another round of scarcity in 2020, Petroleum Products Pricing Regulatory Agency (PPPRA) claimed that subsidy on petrol had risen to N47.5 per litre.[31] During, the country's 60th independence

[25] Seye, A. "Fuel Subsidy: After seven years of failure, Buhari transfers burden to successor", *Daily Post*, 29 January, 2022, https://dailypost.ng/2022/01/29/fuel-subsidy-after-seven-years-of-failure-buhari-transfers-burden-to-successor/ accessed on 2 April, 2022., Ugwuanyi, S. "FG finally removes fuel subsidy, petrol to sell for N145/litre", *Daily Post*, 11 May, 2016 https://dailypost.ng/2016/05/11/breaking-fg-finally-removes-fuel-subsidy-petrol-to-sell-for-n145litre/ accessed on 2 April, 2022.

[26] Seye, A. "Fuel Subsidy: After seven years of failure, Buhari transfers burden to successor", *Daily Post*, 29 January, 2022, https://dailypost.ng/2022/01/29/fuel-subsidy-after-seven-years-of-failure-buhari-transfers-burden-to-successor/ accessed on 2 April, 2022.

[27] "Fuel subsidy removal: Nigeria saves N15.4 billion monthly – Osinbajo", *Vanguard*, 15 December, 2016, https://www.vanguardngr.com/2016/12/fuel-subsidy-removal-nigeria-saves-n15-4-billion-monthly-osinbajo/ accessed on 4 April, 2022.

[28] Mojeed, A. "Fuel: Buhari's unkept promises, failures and bungled subsidy policy"' *Premium Times*, 1 April, 2022. https://www.premiumtimesng.com/news/headlines/521188-fuel-buharis-unkept-promises-failures-and-bungled-subsidy-policy.html accessed 2 April, 2022.

[29] Mojeed, A. "Fuel: Buhari's unkept promises, failures and bungled subsidy policy"' *Premium Times*, 1 April, 2022. https://www.premiumtimesng.com/news/headlines/521188-fuel-buharis-unkept-promises-failures-and-bungled-subsidy-policy.html accessed 2 April, 2022.

[30] Mojeed, A. "Fuel: Buhari's unkept promises, failures and bungled subsidy policy"' *Premium Times*, 1 April, 2022. https://www.premiumtimesng.com/news/headlines/521188-fuel-buharis-unkept-promises-failures-and-bungled-subsidy-policy.html accessed 2 April, 2022.

[31] Mojeed, A. "Fuel: Buhari's unkept promises, failures and bungled subsidy policy"' *Premium Times*, 1 April, 2022. https://www.premiumtimesng.com/news/headlines/521188-fuel-buharis-unkept-promises-failures-and-bungled-subsidy-policy.html accessed 2 April, 2022.

anniversary in October, 2020, president Buhari, argued against the sustenance of the subsidy regime, 'Nigeria cannot sustain its low pump prices of petrol amid shrinking revenue and poor foreign exchange earnings'[32]

At a Ministerial Performance Review Retreat, he again reiterated this argument that; "there are several negative consequences if government should even attempt to go back to the business of fixing or subsidising the PMS price. "First of all, it would mean a return to the costly subsidy regime. today, we have 60 per cent less revenue, we just cannot afford the cost, the second danger is the potential return of fuel queues – which has thankfully, become a thing of the past under this administration.[33] He further asserted that; 'there is no provision for fuel subsidy in the revised 2020 budget, simply because we are not able to afford it, if reasonable provisions must be made for health, education and other social services.'[34] The government through its Minister of Information, Lai Mohammed, in September, 2020 while defending the hike in the price of Premium Motor Spirit to N162 as part of the subsidy removal, claimed that comparatively, Nigeria had one of the cheapest prices of fuel in West/Central African sub-region.[35] He reeled out these figures.

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[32] Mojeed, A. "Fuel: Buhari's unkept promises, failures and bungled subsidy policy"' *Premium Times*, 1 April, 2022. https://www.premiumtimesng.com/news/headlines/521188-fuel-buharis-unkept-promises-failures-and-bungled-subsidy-policy.html accessed 2 April, 2022.

[33] Adetayo, O., Adepegba, A., Edema, G. "Fuel price hike: ASUU, TUC tackle FG on refineries, Buhari says subsidy dangerous" *Punch*, 8 September 2020, https://punchng.com/fuel-price-hike-asuu-tuc-tackle-fg-on-refineries-buhari-says-subsidy-dangerous/?amp accessed on 2 April, 2022.

[34] Adetayo, O., Adepegba, A., Edema, G. "Fuel price hike: ASUU, TUC tackle FG on refineries, Buhari says subsidy dangerous" *Punch*, 8 September 2020, https://punchng.com/fuel-price-hike-asuu-tuc-tackle-fg-on-refineries-buhari-says-subsidy-dangerous/?amp accessed on 2 April, 2022.

[35] Adetayo, O., Adepegba, A., Edema, G. "Fuel price hike: ASUU, TUC tackle FG on refineries, Buhari says subsidy dangerous" *Punch*, 8 September 2020, https://punchng.com/fuel-price-hike-asuu-tuc-tackle-fg-on-refineries-buhari-says-subsidy-dangerous/?amp accessed on 2 April, 2022.

Nigeria's Government Premium Motor Spirit Comparison with Other Africa Countries: September, 2020

	Countries	Price per litre
1	Nigeria	N162
2	Ghana	N332
3	Togo	N300
4	Niger	N346
5	Chad	N366
6	Cameroon	N446
7	Burkina Faso	N433
8	Mali	N476
9	Liberia	N257
10	Sierra Leone	N281
11	Guinea	N363
12	Senegal	N549
12	Benin	N359

Source: *The Punch*[36]

Throughout the Buhari's presidency, the subsidy regime has been muddled in murky waters, because of the inconsistencies that has followed its policies on whether there was still subsidy on Premium Motor Spirit or not. The information minister claimed that between 2006 and 2019, that subsidy has cost the government, 10.4trillion Naira. He buttressed his argument with the figures from the Nigeria National Petroleum Corporation.

Cost of Subsidy Payment between 2006-2019

	Year	Amount
1	2006	N257bn
2	2007	N272bn

[36] Adetayo, O., Adepegba, A., Edema, G. "Fuel price hike: ASUU, TUC tackle FG on refineries, Buhari says subsidy dangerous" *Punch*, 8 September 2020, https://punchng.com/fuel-price-hike-asuu-tuc-tackle-fg-on-refineries-buhari-says-subsidy-dangerous/?amp accessed on 2 April, 2022.

3	2008	N631bn
4	2009	N469bn
5	2010	N667bn
6	2011	N2.105trn
7	2012	N1.355tn
7	2013	N1.316tn
8	2014	N1.217tn
9	2015	N654bn
10	2016	Unavailable
11	2017	N144.3bn
12	2018	N730.86bn
13	2019	N595bn

Source: *NNPC/Federal Ministry of Information*[37]

d. Economic Argument Against Subsidy Reduction

There have been various proponents within the government and amongst international organization. In March, 2021, the Group Managing Director of the Nigeria National Petroleum Corporation NNPC, Mele Kyari said they can no longer bear the over N120 billion monthly subsidy for Premium Motor Spirit.[38] While the price was fixed at N162 per litre, the importation and discharge cost put the actual cost at N234 per litre with the difference being borne by the NNPC. He argued that the price of Premium Motor Spirit should allowed to be determined by market forces. The National Economic Council NEC ad-hoc committee headed by the Governor of Kaduna state, Nasir El-Rufai in January, 2022 had recommended that subsidy be removed in February, 2022. The committee was set up by the Vice President, the head of NEC to examine the dwindling revenues accruing to states. The report of the NEC committee stated that 'the PMS subsidy is reducing transfers

[37] Adetayo, O., Adepegba, A., Edema, G. "Fuel price hike: ASUU, TUC tackle FG on refineries, Buhari says subsidy dangerous" *Punch*, 8 September 2020, https://punchng.com/fuel-price-hike-asuu-tuc-tackle-fg-on-refineries-buhari-says-subsidy-dangerous/?amp accessed on 2 April, 2022.

[38] Silas, D. "Petrol: NNPC can no long bear N120bn monthly subsidy – MD Kyari warns Nigerians", *Daily Post*, 25 March, 2021, https://dailypost.ng/2021/03/25/petrol-nnpc-can-no-long-bear-n120bn-monthly-subsidy-md-kyari-warns-nigerians/?amp=1 accessed by 3 April, 2022.

into the federation account by about NGN 250 billion per month, and could, if PMS subsidies are not eliminated, result in deductions of NGN 3 trillion in 2022'[39]

With dwindling revenues to states, the Governor's forum is keen for the removal of subsidy and the survival of state at risk financially. A point put forward by Godwin Obaseki, the Edo state governor, was to the effect that, the 'NNPC was supposed to contribute N200 billion a month to Federation Account Allocation Committee FAAC for distribution to the states, but because of the payment of subsidy, NNPC was unable to put that money into FAAC for distribution, which means less money going to the States and less money going to the federal government.'[40] The Major Oil Marketers Association of Nigeria, MOMAN, also rallied the government to remove subsidy and allow market forces to determine the price of Premium Motor Spirit in line with the Petroleum Industry Act. They argued that a liberalized downstream sector will be beneficial to their business and the Nigerian economy.[41]

The World Bank and the International Monetary Fund have been advising the government to remove subsidy. The former through its country director for Nigeria, said in 2021, that they 'were very hopeful PMS subsidy would be removed.'[42] While the latter has openly urged the Nigerian government under Muhammadu Buhari to remove subsidy on Premium Motor Spirit. It urged the 'removal of untargeted fuel subsidies, with compensatory measures for the poor

[39] Ojekunle, A. "EXCLUSIVE: NEC committee recommends N302 per litre petrol price by February", *The Cable*, 19 January, 2022, https://www.thecable.ng/exclusive-nec-committee-recommends-n302-per-litre-petrol-price-by-february accessed on 4 April, 2022.

[40] "Obaseki: NEC still deliberating on recommendations on fuel subsidy removal", *The Cable*, 20 January, 2022, https://www.thecable.ng/obaseki-nec-is-still-deliberating-on-committees-recommendations-on-fuel-subsidy-removal/amp accessed on 29 March, 2022.

[41] Esiedesa, O. PIA: "Oil marketers push for subsidy removal within 6 months" *Vanguard*, 10 September, 2021, https://www.vanguardngr.com/2021/09/pia-oil-marketers-push-for-subsidy-removal-within-6-months/amp/ accessed on 29 March, 2022.

[42] Iyatse, G. "Subsidy removal won't spike inflation, says World Bank", *The Guardian*, 1 December, 2021, https://guardian.ng/news/subsidy-removal-wont-spike-inflation-says-world-bank/ accessed on 4 April, 2022.

and transparent use of saved resources.'[43] The government had put Nigerians on notice that it was going to officially remove all subsidies on Premium Motor Spirit in 2022. This was announced through the Minister of Finance, Budget and National Planning, Zainab Ahmed and that the revenues saved from the subsidy removal would be translated to a five-thousand-naira monthly transport grant to the poor to mitigate the effect of subsidy removal.[44] However, these plans were abandoned weeks into 2022, after series of protestations from the Labour Unions, Civil Societies and concerned Nigerians.

Buhari Administration's Suspension of Subsidy Removal for Eighteen Months until 2023: Pre and Post Responses to the decision.

When Muhammadu Buhari assented to the Petroleum Industry Bill on 16 August, 2021[45] It signalled a move towards the removal of subsidy and full deregulation of the downstream sector. The new Act meant to regulate the petroleum industry, made provisions for removal of subsidy. As part of moves to implement the provisions of the law, the government had planned to remove subsidy and there was no budgetary allocation for it in the 2022 financial year. The government instead had hinted that the price of Premium Motor Spirit could sell for as much as N345. However, after series of protestations from the Nigeria Labour Congress, Civil Society groups and other Nigerians, the government for varying reasons, decided to suspend the subsidy removal and implementation of the Petroleum Industry Act (PIA) for eighteen months. However, days before the government announced its suspension, the inconsistencies of the administration's stands on subsidy removal were evident again when on 20 January, 2022, the National Economic Council (NEC), announced after a meeting that a 'final decision on the

[43] Inokotong, J. "Increase VAT, Remove Fuel Subsidy Now, IMF Tells Nigeria", *Tribune*, 8 February, 2022. https://tribuneonlineng.com/increase-vat-remove-fuel-subsidy-now-imf-tells-nigeria/ accessed on 25 March, 2022.

[44] Oyedeji, O. 2021, "Much Ado about Subsidy: What it Means and Why Nigerians Should Care", *Dataphyte*, 4 December, 2021, https://www.dataphyte.com/latest-reports/extractive/much-ado-about-subsidy-what-it-means-and-why-nigerians-should-care/?amp_markup=1 accessed on 31 March, 2022.

[45] Daka, T. "Buhari Signs PIB into law", *The Guardian*, 16 August, 2021, https://guardian.ng/news/buhari-signs-pib-into-law/ accessed on 4 April, 2022.

removal of subsidy on petroleum will be taken in June when the provision for its payment in the 2022 budget would have lapsed.'[46]

Yet on 25 January, 2022, the Minister of State for Petroleum, Timipre Sylva, officially announced the suspension of subsidy for eighteen months. He said; "President Muhammadu Buhari has agreed to an extension of the statutory period for the implementation of the removal of subsidy on petrol (Premium Motor Spirit, PMS) in accordance with extant laws."[47] We are proposing an 18 months extension but what the National Assembly is going to approve is up to them. We would approve an 18 months extension and then it is up to the national Assembly to look at it and pass the amendment as they see it."[48] The minister gave reasons for the suspension as "this extension will give all the stakeholders time to ensure that the implementation is carried out in a manner that guarantees that all necessary modalities are in place to cushion the effect of the PMS subsidy removal in line with prevailing economic realities."

The suspension of the subsidy removal was welcomed by the Labour Unions, Civil Society groups and others who had earlier opposed it when it was proposed at the end of 2021. The Nigeria Labour Congress and Trade Union Congress had planned a nationwide protest on 27 January, 2022. This was suspended. However, the proponents of the removal wanted clarification on the removal. The Major Oil Marketers Association of Nigeria, MOMAN, a proponent of subsidy released a statement seeking consultation the with the 'Ministry of Petroleum Resources, the Nigerian Midstream and Downstream Petroleum Regulatory Authority and other

[46] Elumoye, D. "NEC: Final Decision on Petrol Subsidy will Be Taken in June", *This Day*, 20 January, 2022, https://www.thisdaylive.com/index.php/2022/01/20/nec-final-decision-on-petrol-subsidy-will-be-taken-in-june/ accessed on 27 March, 2022.

[47] Ujah, E., Young, V., Agbakwuru, J., Ejoh, E. "PIA in limbo as subsidy stays for 18 months", *Vanguard*, 26 January, 2022, https://www.vanguardngr.com/2022/01/pia-in-limbo-as-subsidy-stays-for-18-months/amp/ accessed on 4 April, 2022.

[48] Agbakwuru, J. "Why we're extending time for complete subsidy removal – FG", *Vanguard*, 25 January, 2022, https://www.vanguardngr.com/2022/01/why-were-extending-time-for-complete-subsidy-removal-fg/amp/ accessed on 4 April, 2022.

industry stakeholders to understand exactly how this decision would impact the other provisions in the Petroleum Industry Act as well as market operations.'[49]

The main international proponent of subsidy removal in Nigeria, the International Monetary Fund (IMF) blamed corruption and political resistance as a reason why the government could not implement the subsidy removal. It claimed in a report that 'this fuel subsidy has taken up considerable (explicit or implicit) budget costs, constituting inefficient use of resources that could have been spent more effectively on pro-poor interventions in the economy. 'From the past experiences, the fear of political resistance for large price increase—coupled with widespread corruption and pressure from interested groups—has made the government hesitant to reform this untargeted subsidy.'[50]

Following the decision of the government to suspend the subsidy removal, the Nigeria National Petroleum Corporation NNPC requested for N3 trillion to the Ministry of Finance for 2022 for subsidy payment on Premium Motor Spirit to cover the 18 months period that the suspension would last. Minister of Finance, Budget and National Planning, Zainab Ahmed, justified the huge amount on the grounds that; one, 'only N443 billion is currently available in the 2022 budget meant to accommodate subsidy from January to June', two, that the government has to make incremental provision of N2.557 trillion to be able to meet subsidy requirement, which is averaging about N270 billion per month.' And three, in 2021, the actual under-recovery that has been charged to the Federation was N1.2 trillion, which means an average of N100 billion, but in 2022, because of the increased crude oil price per barrel in the global market, now at $80 per barrel, and also because an

[49] "Oil Marketers Meet Sylva, Seek Explanation On Failed Fuel Subsidy Removal", *Daily Independent*, 1 February, 2022, https://independent.ng/oil-marketers-meet-sylva-seek-explanation-on-failed-fuel-subsidy-removal/ accessed 27 March, 2022.

[50] Tunji, S. "Fear of political resistance, corruption hampering subsidy removal in Nigeria -IMF" *The Punch*, 18 March, 2022, https://punchng.com/fear-of-political-resistance-corruption-hampering-subsidy-removal-in-nigeriaimf/?amp accessed on 29 March 2022.

NNPC's assessment shows that the country is consuming 65.7 million litres per day, we will end up with an incremental cost of N3 trillion in 2022.'[51]

President Buhari subsequently transmitted a letter to the National Assembly seeking an amendment of the 2022 budget to make additional provision of N2.557 trillion for the suspension of the subsidy. The letter read "it has become necessary to present this amendment proposal considering the impacts of the recent suspension of the Petroleum Motor Spirit (PMS) subsidy removal and the adverse implications that some changes made by the National Assembly in the 2022 Appropriation Act could have for the successful implementation of the budget,"[52] The Chairman of Nigeria's Governor's Forum, Kayode Fayemi, called on the federal government to verify the estimates presented by the Nigeria National Petroleum Corporation NNPC 'to ensure that whatever action is taken on subsidy will be to the benefit of the people and not a few wealthy individuals and their cronies.'[53]

The economic arguments for removing fuel subsidies primarily focus on reallocating resources to more productive sectors. Ozili posits that eliminating fuel subsidies would free up financial resources that could be redirected towards critical public infrastructure, thereby fostering economic growth. He argues that this shift could reduce Nigeria's dependence on imported fuel and stimulate domestic refinery production, which has historically been underutilized due to subsidy-induced market distortions.[54] Moreover, Evans et al., noted that the

[51] Jimoh, A. M., Daka, T., Akhaine, S. "Governors, Labour kick as NNPC presents N3tr subsidy bill to FEC" *The Guardian*, 27 January 2022, https://guardian.ng/news/governors-labour-kick-as-nnpc-presents-n3tr-subsidy-bill-to-fec/ accessed on 31 March, 2022.

[52] Aduloju, B. "Buhari asks senate to approve N2.55trn for petrol subsidy payments," *The Cable*, 15 February, 2022, https://www.thecable.ng/breaking-buhari-sends-supplementary-budget-to-senate-proposes-n2-55trn-for-subsidy-payments/amp assessed on 29 March, 2022.

[53] Jimoh, A. M., Daka, T., Akhaine, S. "Governors, Labour kick as NNPC presents N3tr subsidy bill to FEC" *The Guardian*, 27 January 2022, https://guardian.ng/news/governors-labour-kick-as-nnpc-presents-n3tr-subsidy-bill-to-fec/ accessed on 31 March, 2022.

[54] Ozili, Peterson K and Obiora, Kingsley. "Implicationsof fuel subsidy removal on the Nigerian economy." Munich Personal RePEc Archive, 2023. Accessed Nov. 7th, 2024. https://mpra.ub.uni-muenchen.de/118798/

removal of subsidies could lead to a more efficient allocation of resources within the economy. They assert that while initial price increases may cause short-term hardships, the long-term benefits include enhanced government revenues that can be invested in social services such as healthcare and education.[55]

Significant opposition exists against subsidy removal, primarily due to concerns over its immediate impact on the cost of living. A study by Oyinlola and Adetutu reveals that past subsidy removals led to increased transportation costs and food prices, disproportionately affecting low-income households.[56] This sentiment is echoed by McCulloch et al., who argues that widespread perceptions of government corruption undermine public trust in reforms aimed at improving welfare through subsidy removal. Public opinion regarding fuel subsidy removal has been largely negative. Many Nigerians view these subsidies as a vital support mechanism amidst economic instability. A nationally representative survey conducted by McCulloch and Moerenhout indicates that less than 30% of Nigerians supported subsidy reforms due to fears about corruption and inadequate government capacity to manage funds effectively.[57] Furthermore, Evans et al., notes that the socio-economic implications are profound; removing subsidies without adequate compensatory measures could exacerbate poverty levels among vulnerable populations who rely heavily on affordable fuel for their livelihoods.[58]

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[55] Evans, Olaniyi and Nwaogwugwu, Isaac and Vincent, Olusegun and Wale-Awe, Olawale and Mesagan, Ekundayo and Ojapinwa, Taiwo. "The socio-economics of the 2023 fuel subsidy removal in Nigeria." Published in: BizEcons Quarterly , Vol. 17, 22 January 2023, pp 12-32.

[56] Onyambayi, Edward T., Aliyu Abdullahi, Cynthia Unekwu Alogwuja, Yusuf T. Adejo & Audu Esther. "An Ex-Ray of Fuel Subsidy Removal and Deepening of Poverty Among Vulnerable People in Nigeria." International Journal of Democratic and Development Studies (IJDDS), vol. 7 (2), 2024, pp 29–42, Njoku, Kenneth Chukwudi, Dike, Oluchi Gabriela, and Anyanwu, Rosita Chinwe. "Fuel Subsidy Removal as a Correlate of Sustainable Organizational Agility In Owerri-based Health Facilities." 2023 West African Journal on Sustainable Development (WAJSD), Vol. 1 (2), 2024, pp 105–120.

[57] McCulloch N, Moerenhout T, Yang J. "Fuel subsidy reform and the social contract in Nigeria: A micro-economic analysis." Energy Policy, 2021. https://pmc.ncbi.nlm.nih.gov/articles/PMC8359919/

[58] Evans, Olaniyi and Nwaogwugwu, Isaac and Vincent, Olusegun and Wale-Awe, Olawale and Mesagan, Ekundayo and Ojapinwa, Taiwo. "The socio-economics of the 2023 fuel subsidy removal in Nigeria." Published in: BizEcons Quarterly , Vol. 17, 22 January 2023, pp 12-32.

The Minister of Finance during President Muhammadu Buhari's administration, Zainab Ahmed, was a prominent advocate for subsidy removal. She argued that the economic burden of fuel subsidies was unsustainable, stating that "the cost of fuel subsidies has grown exponentially, consuming a significant portion of our national budget."[59] Ahmed emphasized reallocating these funds towards critical sectors such as education and healthcare to foster long-term economic growth. Timipre Sylva, the Minister of Petroleum Resources under Buhari, provided a counterpoint by highlighting the potential backlash from subsidy removal. He noted that "while the government aims to eliminate wasteful spending, we must consider the immediate impact on ordinary Nigerians who rely on affordable fuel for their livelihoods." Sylva's perspective reflects a cautious approach to subsidy removal, advocating for gradual reforms rather than abrupt changes. With the inauguration of President Bola Tinubu in May 2023, the stance on fuel subsidies shifted dramatically. Tinubu declared an end to fuel subsidies, asserting that they "increasingly favoured the rich more than the poor." [60] His administration's commitment to redirecting savings from subsidy removal into public infrastructure was met with mixed reactions. The Minister of State for Petroleum Resources, Heineken Lokpobiri, supported this move by emphasizing that "the removal is essential for economic recovery and sustainability."[61]

The World Bank has consistently advised against maintaining fuel subsidies in Nigeria. In its reports, it highlighted that "fuel subsidies are a source of wastage and leakage," urging the Nigerian government to adopt more sustainable fiscal

[59] KPMG Nigeria. "Removing Nigeria's PMS Fuel Subsidies: We Can't Have Our Cake & Still Eat It." home.kpmg/ng, June 2023, pp 9-18. https://assets.kpmg.com/content/dam/kpmg/ng/pdf/removing-nigerias-pms-fuel-subsidies23.pdf

[60] Yusuf, Kabir. "ANALYSIS: As Fuel Subsidy Goes, Nigerian Government Must Cut Cost of Governance." Premiumtimesng.com, June 11, 2023. Accessed on Nov. 7th, 2024. https://www.premiumtimesng.com/news/603753-603753.html

[61] KPMG Nigeria. "Removing Nigeria's PMS Fuel Subsidies: We Can't Have Our Cake & Still Eat It." home.kpmg/ng, June 2023, pp 9-18. https://assets.kpmg.com/content/dam/kpmg/ng/pdf/removing-nigerias-pms-fuel-subsidies23.pdf

policies.[62] The organization posited that removing these subsidies could enhance fiscal space for essential public services. The IMF echoed similar sentiments, arguing that "subsidy reforms are critical for Nigeria's economic stability."[63] The IMF suggested that reforms should be accompanied by social safety nets to mitigate adverse effects on vulnerable populations. They emphasized that without such measures, the removal could exacerbate poverty levels.

Opposition leaders have been vocal against subsidy removal. Atiku Abubakar of the People's Democratic Party (PDP) criticized Tinubu's approach as "rushed and insensitive," arguing that it disregards the socio-economic realities faced by many Nigerians.[64] His position reflects a broader concern among opposition figures regarding the potential rise in living costs following subsidy removal. Labour unions have historically opposed subsidy removals due to fears of increased living costs. The Trade Union Congress (TUC) stated that "the government must provide a comprehensive plan to cushion the effects of subsidy removal on workers and their families."[65] This sentiment underscores the need for dialogue between the government and labour representatives to address concerns over job security and wage adjustments.

The socio-economic implications of fuel subsidy removal are profound. Research indicates that while removing subsidies can lead to improved fiscal health and investment in public goods, it also risks increasing inequality. Evans et al. noted

[62] World Bank Report. (2022). Global Outlook for Africa.

[63] International Monetary Fund. "NIGERIA: 2022 ARTICLE IV CONSULTATION—PRESS RELEASE; STAFF REPORT; STAFF STATEMENT; AND STATEMENT BY THE EXECUTIVE DIRECTOR FOR NIGERIA." IMF Country Report No.23/93, Washington, D.C, February, 2023. https://www.imf.org/en/Publications/CR/Issues/2023/02/16/Nigeria-2022-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-529842

[64] Yusuf, Kabir. "ANALYSIS: As Fuel Subsidy Goes, Nigerian Government Must Cut Cost of Governance." Premiumtimesng.com, June 11, 2023. Accessed on Nov. 7th, 2024. https://www.premiumtimesng.com/news/603753-603753.html

[65] AriseNews. "Nigerian Trade Unions Kick against Petrol Subsidy Removal." Arise.tv, 31st May, 2023. Accessed Nov. 7th, 2024 https://search.app?link=https%3A%2F%2Fwww.arise.tv%2Fnigerian-trade-unions-kick-against-petrol-subsidy-removal%2F&utm_campaign=aga&utm_source=agsadl1%2Cagsadl4%2Csh%2Fx%2Fgs%2Fm2%2F4

that "the elimination of subsidies could exacerbate socio-economic disparities if not managed carefully."[66] This highlights the importance of implementing supportive measures to protect low-income households from rising fuel prices. Moreover, historical precedents indicate that previous attempts at subsidy removal have often led to widespread protests and unrest. For instance, in 2012, former President Goodluck Jonathan faced significant backlash after announcing a similar policy change, resulting in nationwide strikes and protests.[67]

The concept of a social contract plays a crucial role in understanding public resistance to subsidy reforms. According to research by Nwachukwu et al., effective communication from the government regarding the reasons for subsidy removal is essential for gaining public support.[68] The study suggests that transparency in how savings from subsidy removal are utilized—especially if directed towards improving public services—could enhance acceptance among citizens. The Nigerian government's position on fuel subsidy removal has evolved over time. Initially resistant to change due to widespread public dissent, recent administrations have increasingly recognized the need for fiscal reform. The Petroleum Industry Act (PIA) of 2021 was introduced as part of broader efforts to restructure the oil sector and reduce reliance on subsidies while promoting investment in domestic refining capabilities.[69] Opposition parties and civil society organizations have been vocal against subsidy removal, arguing it disproportionately affects the poor while failing to address underlying issues such

[66] Evans, Olaniyi and Nwaogwugwu, Isaac and Vincent, Olusegun and Wale-Awe, Olawale and Mesagan, Ekundayo and Ojapinwa, Taiwo. "The socio-economics of the 2023 fuel subsidy removal in Nigeria." Published in: BizEcons Quarterly , Vol. 17, 22 January 2023, pp 12-32.

[67] Yusuf, Kabir. "ANALYSIS: As Fuel Subsidy Goes, Nigerian Government Must Cut Cost of Governance." Premiumtimesng.com, June 11, 2023. Accessed on Nov. 7th, 2024. https://www.premiumtimesng.com/news/603753-603753.html

[68] McCulloch N, Moerenhout T, Yang J. "Fuel subsidy reform and the social contract in Nigeria: A micro-economic analysis." Energy Policy, 2021. https://pmc.ncbi.nlm.nih.gov/articles/PMC8359919/

[69] Musa, A. U., & Abubakar, S. "Fuel Subsidy Removal in Nigeria and Cross-Border Smuggling." Energy Research Letters, 5(Early View), 2024. https://doi.org/10.46557/001c.120190

as corruption within the oil sector. Protests erupted following announcements of subsidy cuts, reflecting widespread dissatisfaction with government policies perceived as neglectful towards marginalized communities.[70]

The implications of fuel subsidy removal extend beyond immediate economic adjustments; they also encompass broader concerns about inflation and economic stability. Ozili warns that while removing subsidies may initially lead to higher energy prices and inflationary pressures, it could ultimately stabilize the economy by reducing fiscal deficits and enhancing government capacity to invest in critical infrastructure. Conversely, studies indicate potential risks associated with such reforms. Omotosho cautions that abrupt changes in fuel pricing can lead to macroeconomic instability if not managed properly, emphasizing the need for gradual implementation accompanied by safety nets for affected populations.[71]

Effects of Subsidy Reduction

Majority of the increases initiated by the Buhari government on the price of Premium Motor Spirit was not greeted by a strong response from the Labour Unions and Civil Societies by way of street protest. Instead, protest was mainly reduced to statements released criticizing the government. However, the planned removal of subsidy in early 2022 as a result of the implementation of the Petroleum Industry Act was dropped, as a result of protest rallies planned by The Nigeria Labour Congress, Trade Union Congress and Civil Society groups. After the government suspended the subsidy removal, the speaker of the House of Representatives called 'for an investigation of the current state of Nigeria's four refineries and the actual volume of petrol being consumed by the country daily.'[72]

[70] John Agbonifo. "Fuel subsidy protests in Nigeria: The promise and mirage of empowerment." The Extractive Industries and Society, Vol. 16, 2023. https://www.sciencedirect.com/science/article/pii/S2214790X23001235

[71] Ozili, Peterson K and Obiora, Kingsley. "Implicationsof fuel subsidy removal on the Nigerian economy." Munich Personal RePEc Archive, 2023. Accessed Nov. 7th, 2024. https://mpra.ub.uni-muenchen.de/118798/

[72] Akinkuotu, E. *et al.* "How security report forced Buhari to cancel planned subsidy removal", *The Punch*, 28 January 2022, http://punchng.com/how-security-report-forced-buhari-to-cancel-planned-subsidy-removal/?amp?espv=1 accessed on 1 April, 2022.

Along the same line, the Senate president cast doubt on the volume of Nigeria's Premium Motor Spirit consumption. He said "I know and I agree that the subsidy is very heavy. But I think we must never transfer the burden to the citizens. I believe that we need to look at the quoted figure of maybe 100 million litres that people claim we are consuming. "Is it real? I mean is it either under-recovery of subsidy? Is it really 100 million litres per day? How on earth are we consuming that? We need to look at this critically and see how we can find the truth. "I am not convinced that within the boundaries of Nigeria we are consuming 100 million litres, probably neighbouring countries may be benefiting from this. Can't we do something about it? It is a failure on us if we are not able to control it."[73] Of greater effect of the subsidy, is the continued borrowing by the Federal government to fund the subsidy payments. Minister of Finance Budget and National Planning, Zainab Ahmed confirmed in March that the Federal government plans to use the $2.2billion Eurobond to fund subsidy.[74]

The reasons the Buhari administration have advanced for the removal of subsidy on Premium Motor Spirit has not been different from the others canvassed by past governments. The reasons have been cyclic in the last third decade. In the musings of Farooq Kperogi, the reasons are the same and, have always ranged from 'subsidy is bad because its wasteful and benefit only fuel marketers; the government need money saved from fuel subsidy removal to invest in education and infrastructure, Nigeria has the cheapest petrol price in Africa; as a result, it is smuggled to other parts of the continent, so we must increase petrol prices to stop this; we will come out with palliatives to ease the hurt that increases in fuel prices will exact on the poor.'[75] These same reasons have been advanced by every Nigerian government since the Babangida military regime first raised prices in 1986. The major difference

[73] "Senate President, Ahmed Lawan, says Buhari never directed fuel subsidy removal", *Nairametrics*, 19 January, 2022, https://nairametrics.com/2022/01/19/senate-president-ahmed-lawan-says-buhari-never-directed-fuel-subsidy-removal accessed on 27 March, 2022.

[74] "Fed Govt to tap into $2.2B Eurobond to fund subsidy", *The Nation*, 16 March, 2022, https://www.google.com/amp/s/thenationonlineng.net/fed-govt-to-tap-2-2b-eurobond-to-fund-subsidy/amp/?espv=1 accessed on 4 April, 2022.

[75] Kperogi, F. "Same Old Cruel Lies To Justify Fuel Price Hike", *Tribune*, 27 November, 2021, https://tribuneonlineng.com/same-old-cruel-lies-to-justify-fuel-price-hike/ accessed on 2 April, 2022.

from the military era has been that the country's refinery has grinded to a complete halt. Despite the furore of the subsidy removal suspension, little has been said of the $1.5 billion approved by the Federal Executive Council in March 2021 for repair of the Port Harcourt Refinery.[76]

The bottom line is that, neither the government and the Nigeria National Petroleum Corporation NNPC knows the actual figure of Nigeria's actual daily consumption of Premium Motor Spirit. All the figures are purely estimates not based on coherent data, which makes it difficult to ascertain who is actually benefitting from the subsidy payment? With the subsidy removal now on hold for another eighteen months, it will now be left to a new administration in May, 2023 to take up the gauntlet in finding a lasting solution to the issues surrounding subsidy on Premium Motor Spirit.

Conclusion

The trajectory of Nigeria's Premium Motor Spirit subsidy highlights the intricate nexus between political interests, economic imperatives, and social welfare concerns. Over the years, attempts at subsidy removal have been stymied by political resistance, public apprehension, and a lack of robust infrastructural alternatives that could cushion the populace from fuel price fluctuations.[77] Buhari's administration, much like those before it, found itself trapped in a cycle of policy reversals, underscoring the complex nature of subsidy politics in Nigeria.[78] Despite calls for its removal from international bodies and local advocates of economic

[76] Adegboyega, A. "FEC approves $1.5billion for repair of Port Harcourt Refinery", *Premium Times*, 17 March 2021, https://www.premiumtimesng.com/news/headlines/449474-breaking-fec-approves-1-5-billion-for-repair-of-port-harcourt-refinery.html accessed on 3 April, 2022.

[77] Kreston Pedabo. "Assessing the Implication of Fuel Subsidy Removal in Nigeria: Economic, Social, and Political Considerations." krestonpedabo.com, June 21, 2023. Accessed Oct. 28, 2024. https://krestonpedabo.com/assessing-the-implication-of-fuel-subsidy-removal-in-nigeria-economic-social-and-political-considerations/

[78] Ori, Ogbonnaya Eze, Obidebube, Emerem Jennifer & Richard Obongha. "Fuel Subsidy Debate: The Nigerian Experience from 1999-2023." International Journal of Advanced Research in Accounting, Economics and Business Perspectives, Vol. 7 (2), September, 2023, pp 180 to 191 and Esther, Ekoko. "Corruption in Nigeria: An Assessment of Fuel Subsidy in the Buhari Administration." International Journal of Humanities Management and Social Science (IJ-HuMaSS), 2024, pp 161-173.

reform, the subsidy persisted as a symbol of state intervention in an economy deeply reliant on petroleum.[79] It is evident that a sustainable resolution to the subsidy issue lies in a comprehensive overhaul of Nigeria's petroleum sector. This involves both transparent governance reforms and infrastructure development—particularly in domestic refining capabilities—to reduce dependence on imported fuel.[80] Additionally, enhancing policy coherence and ensuring the accurate assessment of PMS consumption data will be crucial in developing a pragmatic subsidy strategy.[81] Ultimately, the PMS subsidy remains a critical point of intersection between Nigeria's economic policy and social responsibility, highlighting the need for policies that balance fiscal discipline with the imperative of social equity.[82]

[79] World Bank. "Nigeria Economic Update: Resilience through Reforms." Washington D.C.: World Bank Group, 2021.

[80] Dauda, Risikat Oladoyin. Ph.D. "Fuel Subsidy And Implications For Social Spending In Nigeria: A Research Note." EPR Journal H12022, pp 25 to 36.

[81] KPMG Nigeria. "Removing Nigeria's PMS Fuel Subsidies: We Can't Have Our Cake & Still Eat It." home.kpmg/ng, June 2023, pp 9-18.

[82] Kreston Pedabo. "Assessing the Implication of Fuel Subsidy Removal in Nigeria: Economic, Social, and Political Considerations." krestonpedabo.com, June 21, 2023. Accessed Oct. 28, 2024. https://krestonpedabo.com/assessing-the-implication-of-fuel-subsidy-removal-in-nigeria-economic-social-and-political-considerations/