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NIGERIAN POLITICAL ECONOMY AND THE FUEL SUBSIDY REMOVAL: A MARRIAGE OF INCONSEQUENTIAL PHENOMENA

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Abstract

The removal of fuel subsidies has been a contentious issue which often brings up arguments on its economic and social implications on the citizenry. This paper delves into the multifaceted aspects of removing the fuel subsidy, considering the effects on the society. Economically, the removal of fuel subsidies can lead to increased government revenue reduced fiscal burden and improved resource allocation. However, it may also result in short-term inflationary pressures and heightened transportation cost. Subsidy exists where citizens are assisted by the government to pay less than the market price of a given commodity. In respect of subsidy, it means that citizens would pay below the market price per liter of petroleum product. In addition, the proceeds from the removal have never been translated into the development of basic infrastructure and could ordinarily add value to the lives of Nigerians. This situation notwithstanding, some stakeholders were not comfortable with the continuity syndrome of payment of fuel subsidy in Nigeria. It is against this backdrop that this paper seeks to examine the issue of fuel subsidy and find out the extent to which it has impacted on the lives of the citizens in Nigeria. Hence, policy makers must adopt a comprehensive approach, integrating targeted social assistance programs and structural reforms to mitigate the negative effects of subsidy removal, ensure social inclusivity and promote sustainable economic growth.

Keywords: subsidy removal, Economic insensibility, Nigeria, Common good.

INTRODUCTION

It is on record that Nigeria is endowed with a lot of natural resources, which unfortunately, have remained untapped except petroleum. In the same vein, agriculture which was the mainstay of Nigeria's economy prior to the discovery of petroleum in commercial quantity in 1956 was equally abandoned. This was as a result of rapid inflow of oil revenue to the country in the early 1970's (Ovaga, 2010:115). Since Nigeria's first export of crude oil in 1959, it has become the major contributor to the country's economy and that is why over 80 percent of the country's foreign exchange earnings come from the oil sector today. For instance, following the steady increases in the sales of this particular product, receipts swelled from 300 million dollars in 1970 to 4.2 billion dollars at the end of 1974, when oil production stood at 2.3 million barrels per day (Asimi, 2005:8). Even after this period, oil revenue continued to rise consistently such that in 1976, 6.3 billion dollars was realized and in 1980, the peak of 12 billion dollars was achieved (Nigerian Oil Directory, 1993:52). Today, the price of oil is still rising to the extent that a barrel costs above 104 dollars in the international market thereby leading to a corresponding increase in revenues to the country.

It is interesting to note that Nigeria is being rated as the Africa's second largest producer of crude oil after Libya, eightieth largest exporter in the whole world and the tenth largest oil reserves (Omotoso, 2010:2). But this situation does not prevent Nigerians from getting worried over the fact that they are yet to have positive impact of the huge revenues that are realized since the inception of production and exportation of oil in the country. It has been wide protests of various degrees from different quarters against short supply and steady increases in the pump prices of refined products.

Sequel to this ugly situation, the Federal government had to come up with the policy of fuel subsidy, with the aim of reducing the prices of the products, thereby minimizing the direct burden on the masses. The introduction of this policy brought a down of huge expenses on the part of the Federal government. This is evident on the sum of about 2.5 trillion naira spent on fuel subsidy alone between 2006 and 2009, and 600 billion naira budgeted for the fiscal year 2010 (Movement for Economic Emancipation, 2010:10). In the 2011 fiscal year, the Presidency and National Assembly approved 240 billion naira as oil subsidy in the Appropriation Act (Folasade-Koyi, 2011:6), but as at October 2011, the subsidy scheme has gulped about 1.5 trillion naira showing extra-budgetary spending of 1.2 trillion naira. This is scandalous. No wonder why many Nigerians are asking, who is responsible for flouting section 81 (4a) of the 1999 constitution, which states that if the amount appropriated by the Appropriation Act for any purpose is insufficient, a supplementary estimate showing the sums required shall be laid before each House of the National Assembly (Federal Republic of Nigeria, 1999:37). The violation of this part of the constitution is evident on the 625 percent already spent above the amount provided for the subsidy in the Appropriation Act of 2011.

In reaction to this ugly situation, Senate President, David Mark (2011) in Folasade-Koyi, 2011:6), accused "a cabal" in the petroleum industry to be responsible for the mismanagement of oil subsidy. This goes to prove that the problem of Nigeria does not rely on the withdrawal of oil subsidy but how well funds are managed. That is why many Nigerians remain skeptical about removal of oil subsidy because over 17 times now, past administrations had removed subsidy in the downstream oil sector at one time or the other, but up till today, there is nothing to show for it (Amos, 2011) in (Akinola, 2011:8). Amos reiterated that the issue of fuel subsidy removal has never been ordinarily adding value to the lives of Nigerians.

From the forgoing, is the issue of withdrawal of subsidy as being clamoured by some Nigerians, in the interest of the masses? It is the focus of this paper to provide answer to the question.

HISTORY OF FUEL SUBSIDY REMOVAL IN NIGERIA

The history of fuel subsidy removal in Nigeria is rather a long one particularly with the negative effects it has on the policy; specifically, the story of subsidy removal dates back to 1978 when the then Military government of Gen. Olusegun Obasanjo reviewed upward the pump price of fuel which was at 8.4 kobo to 15.37 kobo, 83& increased. The concern was for government to generate enough money to run the administration particularly when it was preparing for the 1979 democratic elections and also to cater for the social needs of Nigerians. In January 1982, the civilian regime of Alhaji Shehu Shagari also raised the pump price to 20 kobo from 15.37 kobo, 30& increased. Money realized from the fuel increase was used by members of the regime to buy properties in major capitals of European nations (USA,UK, Spain, France and others), as against using same to put in place social services that Nigerians badly needed then. The inept leadership of the then NPN national government and the corruption that bedeviled the administration led to its overthrow.

Then came the military junta of General Babangida who also increased the pump price of fuel to 39.50 kobo in March 31st, 1986, 98 and increased. This regime was notorious for numerous pump price increases. On April 10th, 1988, the regime increased it to 42 kobo from 39.50 kobo per litre, 6& increased and then again to 60 kobo for private for private cars on January 1st, 1989. These increases came at the time the regime chose to adopt a home grown Structural Adjustment Programme (SAP) as against external borrowing. His decision was greeted with massive protests by Nigerians. The economic down torn coupled with the increases made life really unbearable and Nigerians reacted angrily. Again, on the 6th of March, 1991, the Babangida administration raised the group price from 60 kobo to 70 kobo, 17% increased. Not too long the Nigerian nation was subjected to another round of fuel increase, when in November 8, 1993, the pump price was raised to ₦5.00, 613% increased and confronted with mass protests across the length and breadth of Nigeria, the price was reduced to ₦3.24, 35% decreased on November 22, 1993. A year later, on October 2nd 1994, it was again raised to ₦15.00 362% increased only to be reduced two days later to ₦11.000, 27% decreased by the Gen. Abacha's regime. The reduction was as a result of mass protests and coupled with the need to win the support of Nigerians. On December 20, 1998, the pump price was also increased to ₦25, 127% increased but again reduced to ₦20, 20% decreased on January 6th, 1999 just a month later. This was during Gen. Abdulsalam Abubakar brief transitional reign as a military ruler. He like other before him did not spare Nigerians the pains of fuel price increase. The decision witnessed sustained protests by Nigerians, the organized labour and the Civil Society Organization (CSOs).

It is necessary at this point to place on record that it was only the military junta of Buhari/Idiagbon and Umaru Shehu Yar'Adua that Nigerians were spared the ordeal of price increase; others before and after them inflicted enormous pains on Nigerians as a result of the increases in fuel prices. This however may be because of the brief tenure of the regime and ill health of Buhari and Yar'Adua respectively, and its focus on fighting corruption and indiscipline in the Nigerian society.

Gen. Olusegun Obasanjo second coming as a civilian president did not help matter as he unleashed a reign of terror on Nigerians. In his eight year reign, the nation witnessed several rounds of fuel price increases. The first started on June 1st, 2000, where the petrol price per litre. was raised to ₦30.00 but only to be reduced to ₦25.00, 17% decreased one week after due to massive protests by organized labour, civil society organizations and the ordinary Nigerians. Five days later, on June 13, 2000, the pump price was further adjusted to ₦22.00, 12% decreased per litre. On January 1st, 2002, Obasanjo regime increased the price from ₦22.00 to ₦26.00, 18% increased and to ₦40.00, 54% increased on June 23, 2003 just one year after. In June 2007, also the same regime raised the price of fuel per liter to ₦70.00, 75% increased but the Yar'Adua's regime later reviewed it downward to ₦65.00, 7% decreased on assumption of office in May 2007. This was how it remained until President Goodluck Jonathan regimes decision at an outright removal of fuel subsidy from ₦65.00 to between ₦138.00 naira and ₦250 naira which is 112.31 to ₦284, 62% increased. Interestingly the then Nigerian Labour Congress, President, Comrade Adams Oshiomole who had led several fights against fuel subsidy removal including fighting Olusegun Obasanjo, and as a sitting governor of Edo State, joined his fellow governors and the Federal Government to argue strongly for the complete removal of fuel subsisdy.

The issue was that, while the nationwide consultations and discussion on fuel subsidy removal was still going on, the Petroleum Product Pricing Regulatory Agency (PPPRA) on January 1st, 2012, announced the outright removal of fuel subsidy. This decision by the Goodluck Jonathatn administration did not go down well with the masses of Nigerians. It resulted in massive strike actions and protests by the Nigerian Labour Congress (NLC), Trade Union Congress of Nigeria, PENGASAN, Civil Society Organization, Academic Staff Union of Universities ASUU and the generality of Nigerians. This prompt the government to enter into a negotiation with the organize labour and rescinded its decision of an outright removal to a partial removal and reduced the pump price to ₦97.00 between ₦138.00 and ₦250. On February 2015, Election approaches, the price reduced to ₦87.00 that is during Jonathan administration.

On Thursday May 12 2016, the federal government of Nigeria announced the removal of subsidy for the sale of petrol with immediate effect, placing the price at ₦145.00 per litre from ₦86.00. The Federal Government increased the price of petroleum from ₦86.50 to a maximum of ₦145.00 per liter. The 80% increase was announced to State House reporters by the Minister of State for Petroleum, Ibe Kachikwu (Daily Trust, 2016).

The glorious days of fuel subsidy removal was able to see the light of the day on 29th May, 2023 during the inaugural speech of the elected president of Nigeria Asiwaju Bola Ahmed Tinubu made it clear to the whole nation that" the era of subsidy has gone".

CONCEPTUAL CLARIFICATIONS

According to Section 16 (2c) of the 1999 constitution of Nigeria, the country's economic system shall not be operated in such a manner as to concentrate wealth or means of production in the hands of few individuals, and government shall manage and operate the major stay of the economy (FGN, 1999:11). Under this circumstance, there is no way fuel subsidy is withdrawn in Nigeria without violating this section of the constitution, since oil is the major stay of the country's economy. In addition, this particular section reminds us that it is the primary duty of the federal government to control the national economy such that the maximum welfare, freedom, security and most importantly happiness of every citizen are adequately secured and taken care of.

It is believed among renowned economists that income should be distributed evenly to narrow the exiting gap between the rich and the poor. They argued that, it is unfair for people to be rich just because they are lucky enough to either inherit wealth or intelligence (Ruffin and Gregory, 1983:52). Sequel to this situation, the market system emerged to allocate resources efficiently, but according to Agu (2009:235), it does not necessarily ensure that the resources are allocated fairly; in order to achieve a fairly redistribution of income in the society, Agu advocated for government intervention. This is because there is no guarantee that resource allocation through the market or price system will solve the "for whom" problem in such a way as to satisfy the ethical beliefs of members of society (Ruffin and Gregory, 1983:51). Similarly, price system cannot supply public goods (defense, legal system, highways, public education, etc) that are of great necessity to the society. This is because these goods are enjoyed by all and sundry including the tax evaders. That why subsidies are given by government itself the world over, including the developed nations, either as incentives to some sectors of the economy or for social protection of the vulnerable groups (Soyinbo, 2011 in Mordi, 2011:50). After all, the practice of subsidization policy is not peculiar to Nigeria alone. The western economic system, which is adopted today in Nigeria, is purely characterized by continuous subsidization of various sectors of their economies. For instance, in Britain, public transportation, health, housing and other social services are currently being subsidized by the government. Furthermore, America, which is the citadel and apostle of unbridled capitalism and so called market forces, continues to subsidize heavily the housing and agricultural sectors of her own economy.

The above views are no doubt relevant to the prevailing controversies surrounding fuel subsidy in Nigeria. The activities of powerful mafia group within the oil industry continue to generate the lingering fuel crisis in the country (Onyekwere, 2009:18). The members of this group are not willing to see to the end of the importation and supply of fuel in the country. For instance, major oil marketers import about 60 percent of the 30-35 million liters of fuel consumed daily in the country. The authority asserted by this group was demonstrated, when in 2009, the marketers deliberately halted the importation of fuel thereby, holding Nigerians to ransom. According to them, their action was prompted by the allegation that the federal government was indebted to them to the tune of 70 billion naira on petroleum subsidy.

From the forgoing, it becomes pertinent to agree with Agu (2009:235), that market or price system cannot solve the problem of subsidy in Nigeria. Rather, government intervention is the answer since it is the government's responsibilities to control the national economy and ensure that maximum welfare, security and happiness of all citizens, most especially the poor masses, are adequately provided.

FUEL SUBSIDY IN NIGERIA: The changing Scenario

The issue of fuel crisis has become a common phenomenon in Nigeria that is richly endowed with large crude oil deposit and a greater exporter of the God-given commodity. It is pathetic to observe that no other OPEC member or even country that does not produce oil, share similar ugly experience with Nigeria (Badmus, 2009:25). Prior to this situation, there were moments of joy among Nigerians, when the four refineries were working at full capacities. But according to Badmus, the local refineries could not be managed properly and they produced below the installed refining capacities, thereby making it imperative for demand to be met through importation.

The impact dependency which constituted over 82 percent of the total supply petroleum products consumed locally invoked protests from different quarters in the country. The undesirable situation led to the introduction of the controversial issue of subsidy in the downstream oil sector, which nearly tore the country into pieces, and is still threatening the peace and the existing democratic structure in Nigeria.

Subsidy, in economic sense, exists when consumers of a given commodity are assisted by the government to pay less than the prevailing market price of same. In respect of fuel subsidy, it means that consumers would pay less than the pump price per liter of petroleum product. On the other hand, fuel subsidy could be described as the difference between the actual market price of petroleum products per liter and what the final consumers are paying for the same products. Today, the difference, which is borne by the government, is caused by eight 'import-induced costs'. These costs, according to Afonne (2011:18) have been discovered to be responsible for the high prices of petroleum products in present day Nigeria. The costs include:

i. The freight, which is the cost transporting petroleum products from North West Europe to West Africa. Trader's margin of 10 dollars per MT is the major component of the freight cost.
ii. There exist littering expenses incurred on the trans-shipment of imported petroleum products from the "mother" vessel into "daughter" vessel. The rate of 28 dollars per day is charged as mother vessel expenses which are based on the allowable 10 days demurrage. In addition, two naira is the shuttle vessel's chattering rate from Lagos offshore to Lagos and 2.50 naira as the rate from offshore Lagos to Port Harcourt.
iii. There is the NPA charge, which is the cargo due charged by the NPA for use of port facilities. This service attracts 10.50 dollars per MT on the pricing template.
iv. Included in the import-induced costs is the stock finance, which is the cost of fund for the imported products. This includes the cargo financing based on the international London inter- bank offered rates.
v. Here, there is the jetty depot, which is the tariff paid for the facilities at the jetty by the marketers to move products to the storage depots. The current charge is 80 kobo per litre.
vi. There is current charge of 3 naira per litre for depot operations covering storage charges and other services rendered by the depot owners.
vii. Landing cost is the cost of imported products delivered into the jetty depots. This comprises all other costs mentioned above.

The last induced cost is the distribution margins, which amount to 13.20 naira per litre on the template. The components include: retailers (₦4.60), transporters (₦2.75), dealers' margin (₦1.75), Bridging fund (₦3.95), a and administrative charges (₦0.15), [Petroleum Products Pricing Regulatory Agency (PPPRA) in Afonne, 2011:18-19]. All the eight import-induced costs mentioned above constitute the difference, which the federal government describes presently as fuel subsidy. This, according to Prof. Tam David-West in Afonne, (2011:19), is man-made and would have been eliminated if Nigeria was refining her products locally. In other words, the so called subsidy of the downstream oil sector will be removed instantly, should the importation of the petroleum products be stopped. Thus, resuscitating and revamping of the country's ailing refineries is the answer to the problem of fuel crisis in Nigeria.

SUMMARY

The federal government unequivocally state that by removing fuel subsidy, it would be saving about ₦1.3 trillion per annum, which it plans to use to shore up other sectors of the economy, such as infrastructure provisions particularly for effective downstream operations (Nwachukwu, 2011:4). But the question is, can the federal government convince Nigerians that the oil subsidy, if withdrawn will be judiciously utilized for the interest of the masses? It is on record that fuel subsidy has been consistently removed from 1986 during the President Babangida administration, yet Nigerians have no cause to smile. For instance, the table below depicts the various fuel subsidies removed by the past regimes in Nigeria.

Table 1: Removal of Fuel Subsidies between 1986 and 2011

Year	Regime	Process of withdrawal	Subsidy withdrawn
1986	President Babangida	23kobo – 70 kobo	47kobo
1993	Chief Earnest Shonekan	70kobo - ₦5.00	₦4.30
1994	Gen. Sani Abacha	₦5.00 - ₦11.00	₦6.00
1998	Abdulsalami Abubakar	₦11.00 – ₦25.00	₦14.00
1998	Abdulsalami Abubakar	₦25.00 - ₦20.00	Due to public outcry
1999	President Olusegun Obasanjo	₦20.00 - ₦30.00	₦10.00
2000	President Olusegun Obasanjo	₦30.00 - ₦22.00	Due to public outcry
2002	President Olusegun Obasanjo	₦22.00 - ₦26.00	₦4.00
2003	President Olusegun Obasanjo	₦26.00 - ₦40.00	₦14.00
2003	President Olusegun Obasanjo	₦40.00 - ₦34.00	Protest from the Organized Labour
2006	President Olusegun Obasanjo	₦34.00 - ₦40.00	₦6.00
2007	President Olusegun Obasanjo	₦40.00 - ₦75.00	₦35.00
2009	President Yar'Adua	₦75.00 - ₦65.00	(-₦10.00)
2010	President Jonathan	₦65.00	-
2011	President Jonathan	₦65.00	-

Source: *Adapted from Afonne E., (2011:14-15)*

From the table above, it is observed that the prices of Petroleum products have been on the increase since 1986 due to withdrawal of subsidies, except during 1998 and 2000 when as a result of public outcries and protests, prices went down momentarily.

Furthermore, the protest by the organized labour in 2003 had a little impact as the price equally fell from ₦40.00 to ₦34.00 a litre. Since then, prices of fuel continued to rise until the emergence of Yar'Adua's administration, when it (price) stabilized at ₦65.00 a litre.

In view of the foregoing, it is not out of place to state without mincing words that, during these periods of subsidy withdrawals, Nigerians never experienced good times or moments of joy, instead their demands eluded them. In other words, the benefit expected from the removal of fuel subsidy was vividly lost. This was followed by rise in the poverty level among Nigerian masses due to increase in unemployment rate, uncontrolled inflation, lack of health facilities and other social vices.

Withdrawal of fuel subsidy translates into automatic increase in the pump price per litre of the commodity. It is in this context that one may be forced to ask, why does federal government of Nigeria plan to increase its pump price of fuel when it is observed to be selling its petroleum product (fuel) at the price higher than their exporting counterparts? In other words, the pump price per litre of fuel in Nigeria is the highest among the oil exporting nations available in this study. Below is the table showing the pump price per litre in some oil exporting countries.

The opponents of fuel subsidy removal contend that there is nothing like subsidy in the petroleum sector in Nigeria. Rather, what the government describes as subsidy is the actual difference between the price of imported fuel in Nigeria and what the final consumers pay for same. The opponents were of the view that the price of imported fuel was caused by the eight import-induced costs, which include:

i. Freight
ii. Lightering Expenses
iii. NPA Charges
iv. Stock Finance
v. Jetty Depot
vi. Storage Charges
vii. Landing Cost and
viii. Distribution Margins

these costs are responsible for what the federal government believes to be the fuel subsidy. For instance, the federal government pays import-induced costs to the tune of ₦79.70 per litre of petrol imported into this country. This amount is the actual difference between the expected pump price of ₦144.70 and the current official pump price of ₦65.00 per litre. It is in this respect that the opponents are advocating for the stoppage of further importation of fuel and concentrate on the turnaround maintenance of our ailing refineries. This country has no reason whatsoever not to resuscitate these refineries that can produce enough for local consumption and exportation. Also, Nigeria has no reason to complain of lack of wherewithal to do this when a total of over ₦1.2 trillion was spent by the NNPC on the disguised subsidy for just ten months, instead of the ₦ 240 billion only approved by the National Assembly in the 2011 budget. How the excess fund was sourced and spent remains a mystery to most Nigerians.

It is observed that groups of syndicates are at work to undermine the downstream oil sector in Nigeria. It is disheartening to note that these groups otherwise known as "Cabals" or

"Mafias" are accused of being responsible for the dysfunctional state of the country's refineries. According to Onyekwere (2009:19), this act gives them the opportunities to continue to sell crude oil and at the same time import finished products at prices determined by them. This is evident in all sorts of frauds committed by them. For instance, the Atlas Cove in Lagos and Mosimi in Sagamu are the two major facilities used for the storage of imported fuel. But instead of using these official facilities, these cabals would resort to patronizing private jetties such as Yinka Folawiyo and Capital Oil (Onyekwere, 2009:19). The most worrying aspect of the illicit game is that out of every ₦3.00 charged per litre of fuel stored in these private jetties, the fraudsters are entitled to ₦1.00. it is on record that the two private jetties have combined storage capacity of about five million litres, thereby translating into ₦5.00 million which goes into private pockets of the groups on daily basis. At this juncture, it is pertinent to remind those proponents of subsidy removal that these cabals and their dissidents are not working for the interest of Nigerians but for their selfish motives. In view of the forgoing, it seems that the federal government is an accomplice and equally provides underground support for the cabals. This is because, the members are known, yet the government has refused to dislodge them.

It is believed among many Nigerians that it was corruption that crippled the country's refineries. One school of thought was of the view that unless corruption is wiped out in Nigeria, there is no way Nigerians will progress as a people. How can Nigeria progress when an oil rich nation like Nigeria should go to Senegal, a small country that does not have oil deposit to import refined petroleum? (Ature 2009:20).

In the same vein, why should the federal government propose to build refineries in Indonesia? According to Afonne (2011:19), it is the federal government's decision to negotiate an investment of ₦428.8 billion in three refineries deal in Indonesia, South East Asia. These have been the handiwork of the dissident groups in the country that have been undermining the efforts of the government to resuscitate the existing refineries or build new one. Such proposals were always nipped in the bud for fear of losing their source of income. They believe that such proposals would affect them negatively by putting an end to their import racketing, thus taking business away from their outside collaborators (Onyekwere, 2009:23). Their nefarious activities in the downstream oil sector have been causing a lot of worries in the country. It is disheartening to observe that Nigeria is the only country that produces oil and has the highest poverty rate in the whole world (Sani, 2006:3). Therefore, the public's distrust on the President's assurances in this regard should be fully understood, as is based on the existing doubts that the incumbent President will this time be able to keep his promise to the nation (Fafowora, 2011:64). In other words, how could Nigerians be assured that they will not have repeat of their past ugly experiences, which were full of falsehood and unfulfilled promises, should the subsidy in the oil sector be withdrawn?

CHALLENGES OF FUNDING FUEL SUBSIDY IN NIGERIA

Unsustainable financial cost of subsidy

According to the World Bank, Nigeria's total revenue in 2000 was USD10.8 billion. By 2010, this amount increased to USD 67.9 billion. Yet the Nigerian government has spent over USD 30 billion on fuel subsidies over the past 18 years. This has had a significant impact on funds available for critical infrastructure and other essential sectors such as education, health and defence. According to the Debt Management Office, the country's public debt stock is being increased as the government had to borrow ₦1trillion to finance fuel subsidy in the year 2022.

Economic Distortion

According to a report, households in the bottom 40% of the income distribution account for less than 3% of all fuel purchases. Furthermore, it is reported that three-quarters of all fuel sold in Nigeria is consumed by private firms, public transportation services, government agencies, and other business. Most vehicles used for carrying large numbers of people (such as molue) and goods are diesel powered which is already deregulated. Also, Household Kerosene which is mostly used by the poor is no longer subsidized, meaning that the poor are already to a large extent paying market prices for their fuel. This effectively means that the government is subsidizing mostly those who can afford fuel (PMS) at market rates and not the poorest of the poor who need subsidy. This is one of the major problems with the way fuel subsidy is being implemented in Nigeria. For the benefit of subsidy to reach its intended recipients, the current structure will need to be reviewed and creativity restructured.

Smuggling

The porous borders between Nigeria and neighbouring countries have created an enterprise for smugglers who purchase large volumes of petrol at a subsidized rate in Nigeria and sell at market prices in neighbouring countries.

In June 2022, the Managing Director of NNPC Limited indicated that daily consumption of PMS had increased to over 103 million litres per day and that at least 58 million litres were being smuggled. This means that smugglers and other West African countries benefit more from fuel subsidy than Nigerians. A report published by Chapel Hill Denham, estimates that 15.64 million litres of petrol are smuggled out of Nigeria daily as the retail price of Nigerian petroleum products on average is 3.7 times cheaper than those of its neighbours, and this has given smugglers undue opportunities for arbitrage. The Nigeria Customs Service also affirmed that PMS was being smuggled out of the country in large quantities after it has been subsidized by the federal government, adding that the petroleum product is being diverted to as far as Mali.

Economic Corruption

The subsidy point for fuel is importation (or supply) rather than at the pump for eligible users only. Subsidy in the current form encourages arbitrage and other forms of corruption.

Investment

Nearly 70 years after the discovery of crude oil in commercial quantity in Nigeria, Nigeria's oil and gas downstream sector is yet to develop to the desired levels, despite the recent enactment of the Petroleum Industry Act (PIA). The downstream sector of the oil and gas industry had had the least foreign direct investment compared to the midstream and upstream sectors, and the reason for this is not far-fetched. The current subsidy regime and the legal framework of the downstream sector generally discourage investments. The downstream sector needs full deregulation if it would attract more private investors, and one of the impediments that will need to be removed upon full implementation of the Petroleum Industry Act is fuel subsidy.

Climate Change Commitments
At the COP26 which was held in Glasgow, Scotland in 2021, the President of Nigeria, Muhammadu Buhari signed the Climate Pact thus committing Nigeria to achieving net zero emissions by 2060. A week after the conference, President Buhari signed the Climate Change Bill into law demonstrating the country's commitment to truly achieve net zero carbon emissions. It is contradiction for a country's carbon footprint. Rather than subsidizing fossil fuel, the country should encourage green and renewable energy.

BENEFITS OF SUBSIDY REMOVAL
Reduces Government Borrowing and Huge Debt
Fuel subsidy has been a major source of government expenditure in Nigeria, with huge sums being spent annually to keep petrol prices artificially low. This has led to the government borrowing heavily to finance the subsidy, which in turn increases the country's debts profile. By removing the subsidy, the government can reduce its borrowing and the associate huge deficit, freeing up resources for other important sectors.

Massive investment in other critical sectors of the economy
With the removal of fuel subsidy, the government can free up resources that would have been spent on the subsidy to invest in other critical sectors such as education, healthcare, security and infrastructure. This will not only improve the standard of living for citizens but also enhance economic growth.

Reduce **incentive for smuggling and associated security risk**. Subsidy has created a huge incentive for smuggling of fuel to neighbouring countries where they can be sold at higher prices. This has resulted in security risks, as smuggling has also led to illegal refining. Pipeline vandalism, and other criminal activities. By removing the subsidy, the incentive for smuggling will be reduced or eliminated, which will lead to a reduction in security risks associated with fuel smuggling.

Stronger Naira and Decline in Imported Inflation
The massive importation of fuel increases the demand for foreign exchange. One of the medium to long term impacts of the subsidy removal is the reduction of fuel purported consumed in Nigeria as cheap subsidized fuel will no longer be available for smuggling. This reduced volume will translate to a reduction in demand for foreign exchange which will lead to a stronger Naira. This will also reduce imported inflation and its pass through effect, as the cost of importing petroleum products is a major contributor to inflation in Nigeria.

Investment Flow to the Downstream Sector
Removal of subsidy will create an enabling environment for private sector investment n the downstream sector, leading to the development of \local refineries and the creation of jobs. This will enhance the country's energy security and reduce dependence on imported petroleum products. More profitable downstream players along with the increase in investment flow to the downstream sector deregulation of the downstream sector will stimulate increased activities that will lead to more profitable downstream companies. This will result in improved tax revenue both from the companies, their employees, vendors and other players across the value chain.

Product Availability
Removal of subsidy will incentivize private sector investment in the downstream sector, leading to increased local refining capacity and improved product availability.

Improved Sovereign Credit Rating
Nigeria sovereign credit rating has been adversely affected by its low revenue, high debt levels, rising deficit and vulnerability to oil price shocks. Removal of the subsidy will increase government revenue, reduce borrowing and the associated deficit leading t tan improvement in the country's sovereign credit rating and lower cost of borrowing

Conclusion
This study has been able to confirm that fuel subsidies have negative effects on the Nigerian economy as it reduces total welfare in most cases and promotes certain "economy-diminishing" activities as a result of inflation. Although majority of the population are against the removal of fuel subsidies due to distrust between the masses and the government, and lack of information with respect to the economic burden of fuel subsidies, the need for the immediate removal of fuel subsidies cannot be over-emphasized. A major concern that arises in the minds of many is the ability of the country to survive in a subsidy-free oil and gas sector given the level of poverty in the country. However, countries like Ghana successfully removed subsidies on fuel in 2003 yet experienced a relatively stable economy (Reuters, 2013).

Recommendations
This paper recommends the following:
1. Government must see the need to be consistent in the implementation of a particular policy until every gain derivable from such policies has been exhausted and another credible policy formulated. If this is not done, the apparent inefficiencies of government policy will continue.
2. Government should embrace agricultural production of our food stables instead of importing them and focusing on oil revenue only. Agricultural, manufacturing and industrial sectors should be more funded and equipped to ensure good outputs and contributions likewise Government should create good atmosphere to encourage youth to go into agriculture and farming. Our agriculture would benefit to a great extent from modern farming practices and biotechnological advancements.

3. Until the virtue of transparency and accountability is imbibed, there cannot be economic growth and development in any nation of the world. The government (all arms) of Nigeria should strive at ensuring that they are answerable and transparent in the administration of the savings from fuel subsidy removal. This will go a long way in bridging the gap of the limited trust between the people and the government and this will also erase negative opinion of the people concerning government policies.

4. Efforts should be made at sensitizing the populace on the already completed projects from savings derived from fuel subsidy removal so that the people may be carried along as the policy of the government is being executed and that the level of trust may be increased.

5. Our faulty refineries should be repaired and be made to function at their full capacity and also to create an avenue to attract private investors to build refineries.

6. Government should invest massively on transportation system for commuters not to be exploited by the private operators.

7. Power generation for various households should be made stable and less expensive.

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