Politics of Fuel Subsidy Regime in Nigeria and Its Implications: An Assessment of President Bola Ahmed Tinubu's Administration

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Abstract

The fuel subsidy removal in Nigeria by President Bola Ahmed Tinubu's administration had continued to raise serious questions and concern among her citizens of its economic, social and political implications. This study examined the politics of fuel subsidy regime and its implications in Nigeria. The study relied on qualitative approach to gather and analyzed its data. This study adopted the Neo-Liberalism theory as the theoretical framework of analysis. The major finding of the study revealed that fuel subsidy removal had freed up financial resources for other sectors of the economy. Other findings are that fuel subsidy removal had decreased economic growth in the short term; increased inflation; increase the prices of petroleum products and loss of jobs in the informal sector. The study concluded by recommending among others, that the government should provide critical public infrastructures and other economic relief programmes to cushion the adverse effect on individuals and firms.

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1. Introduction

Petroleum (oil) products continue to serve as the cornerstone of Nigeria's socio-economic, educational, foreign, and defense policies. For anyone familiar with Nigerian politics, oil resources hold a pivotal role in shaping the nation's power dynamics (Okokon, 2023). The quest for political power often revolves around controlling oil resources to secure development opportunities and advance the interests of one's ethnic group. In Nigeria, politics is inextricably tied to oil, with both national and individual dreams, hopes, and aspirations deeply rooted in this critical resource (Abubake, 2021).
Nigeria stands as Africa's largest oil producer and ranks sixth globally in oil production. The nation's economic strength is predominantly rooted in its oil and gas sector, which accounts for 99% of government revenues and 38.8% of its GDP (FGN, 2020). Over the past fifty years since the discovery of oil, billions of dollars in revenue have been generated. However, like many developing nations, this wealth has not significantly improved the welfare of the populace. Instead, inefficiencies, corruption, abuse of state monopoly powers, mismanagement, smuggling, bureaucratic bottlenecks, and excessive subsidies have led to the near-collapse of refined crude oil product supply in the country (Ibanga, 2021; Balouga, 2022).

The pricing of petroleum products remains a highly sensitive issue in Nigeria, requiring careful and tactful management. Given the low income levels of the population and poor infrastructure—particularly in transportation, communication, and electricity—the impact of price increases on petroleum products is deeply felt. For over five decades, Nigeria's economic policies, growth, and related activities have been largely driven by the oil industry. To describe the economy as heavily dependent on oil would be an understatement; the oil sector functions as the lifeblood of Nigeria's economy (Adelabu, 2023).

Despite Nigeria's status as the largest oil producer in Africa and the sixth largest in the world, successive governments have struggled to harness its oil wealth to significantly reduce poverty or provide essential social and economic services to its citizens (Ering & Akpan, 2012). Before the Goodluck Jonathan administration, fuel subsidy was a policy designed by the Federal Government to alleviate the economic hardships faced by Nigerians. However, successive administrations, including those of Jonathan and Buhari, persistently advocated for the removal of fuel subsidies, citing the need for economic reforms.

The issue of fuel subsidy removal has long been a contentious topic in Nigeria, sparking widespread debate and resistance. Over the years, various administrations attempted to implement this reform but were met with fierce public outcry and mass protests. Citizens and civil society groups have consistently viewed the removal of fuel subsidies as a policy that deepens the economic struggles of ordinary Nigerians, further marginalizing and impoverishing the masses.

It was not until the administration of President Bola Tinubu that the removal of fuel subsidies was fully implemented, despite significant public opposition and demonstrations. This research aims to examine the politics surrounding Nigeria's fuel subsidy regime and assess its far-reaching implications, focusing specifically on the decisions and outcomes of President Bola Tinubu's administration.

1.2 Statement of the Problem

The Nigeria fuel subsidy removal has been a contentious issue and its problems are multifaceted ranging from socio-economic, political, cultural and environmental, owing to the fact that the fuel subsidy was not well-targeted and that it had little impact on poverty reduction in the country. The government's inability to address critical public infrastructure deficits and provide sufficient palliatives to mitigate the hardships caused by subsidy removal has further exacerbated the situation, disproportionately affecting vulnerable populations who bear the burden of rising prices.

The removal of the subsidy has also exposed deeper structural issues within the Nigerian economy, particularly the country's heavy reliance on imported petroleum products and the insufficient capacity of domestic refineries. These challenges underline the incomplete nature of the subsidy removal, as the resultant hardships, including inflation and heightened economic vulnerability, remain unresolved.

Addressing the complexities of subsidy removal necessitates a thoughtful and balanced approach that reconciles economic realities with social welfare imperatives. It is within this context that this study seeks to examine the politics surrounding Nigeria's fuel subsidy regime and its broader implications, with a particular focus on the policies and outcomes of President Ahmed Bola Tinubu's administration.

From the foregoing problem, the study is guided by the following questions:

1. What are the effects of fuel subsidy removal on citizen's cost of living in Nigeria?
2. What are the impacts of fuel subsidy removal on Nigeria economic development?
3. What are the measures put in place by government in alleviating the pains of fuel subsidy removal in Nigeria?

1.3 Research Objectives

1. To examine the effects of fuel subsidy removal on citizen's cost of living in Nigeria.
2. To assess the impacts of fuel subsidy removal on Nigerian economic development.
3. To explore the measures put in place by government in alleviating the pains of fuel subsidy removal in Nigeria.

2. Review of Related Literature

Conceptual explanation

Concept of Subsidy

A subsidy can be defined as a financial contribution provided by the government, state, or an organization to assist an industry, individual, or public officials in maintaining lower prices for certain goods or services. It can also be considered as a financial grant from the government or parliament to the state for addressing specific needs. A subsidy represents a concession or privilege granted, either directly or indirectly, by the government to businesses, households, or other government entities to achieve a public goal. Additionally, subsidies can be direct or indirect payments made to firms, individuals, or industries, often in the form of grants, loans, cash transfers, or targeted tax relief. This mechanism is employed by governments or individuals to correct market failures and externalities, thereby promoting economic growth (Esekpa et. al. 2024).

Concept of Palliative

Palliative care encompasses various definitions across multiple disciplines, reflecting its broad application in addressing immediate needs and alleviating suffering. Medically, palliative refers to interventions aimed at relieving pain and symptoms without addressing the root cause of a disease, focusing on improving the quality of life for patients with chronic or terminal illnesses (World Health Organization, 2021). From an ethical perspective, it involves measures intended to provide comfort and reduce suffering while respecting the dignity and autonomy of individuals (Cassell, 2004). In the social welfare context, palliative refers to short-term relief measures provided to individuals or communities to mitigate the adverse effects of crises, such as economic hardship or natural disasters, without offering long-term solutions (National Policy on Social Welfare, 2018). Economically, it relates to temporary policies, such as subsidies or emergency aid, designed to address immediate financial or social problems without tackling systemic issues (Krugman, 2020).

Public health perspectives define palliative strategies as temporary relief measures, such as emergency healthcare services or vaccine distribution, aimed at managing crises until sustainable solutions are implemented (Rosen et al., 2020). Culturally, palliative practices include rituals or traditions that provide psychological or emotional relief during times of grief, loss, or stress (Durkheim, 1912). Lastly, in psychology, palliative care refers to interventions that focus on providing emotional and mental relief for individuals facing trauma, stress, or terminal diagnoses, often through counselling or supportive therapies (APA, 2019). These diverse definitions underscore the multifaceted nature of palliative care and its critical role in improving quality of life across different contexts.

Concept of Inflation

Inflation can be defined as a sustained increase in the prices of goods and services, typically occurring when demand exceeds supply. It can also be viewed as a rise in prices accompanied by a decline in the purchasing power of money. In many developing countries, such as Nigeria, inflation is often linked to the hardships of poverty and unemployment, as the continuous rise in prices strains the cost of living. Inflation is also an economic indicator of an imbalance where excessive money supply chases a limited number of goods, leading to a reduction in the currency's purchasing power.

Empirical Review

Omotosho (2019) conducted an in-depth analysis of the macroeconomic implications of oil price shocks and the fuel subsidy regime in Nigeria. The study utilized a New-Keynesian DSGE model to estimate the effects of international oil price fluctuations on the retail price of fuel. The findings revealed that oil price shocks significantly impacted Nigeria's economic output, accounting for around 22 percent of output variations over a four-year period. In the benchmark model, which included fuel subsidies, a negative oil price shock led to a contraction in aggregate GDP, stimulated non-oil GDP, increased headline inflation, and depreciated the exchange rate. However, when the model was analyzed without fuel subsidies, the negative effect on GDP was reduced, while headline inflation decreased. Notably, the exchange rate experienced a more pronounced depreciation in the short term. Counterfactual simulations indicated that the removal of fuel subsidies resulted in greater macroeconomic instability, presenting substantial challenges for monetary policy responses to oil price shocks. The study emphasized the need for comprehensive fuel subsidy reforms, including the implementation of targeted safety nets and sustainable adjustment mechanisms (Abu Idris et al., 2024).

While Omotosho's study provides valuable insights into the macroeconomic dynamics of oil price shocks and fuel subsidy removal, it overlooks some critical aspects. It does not address the social and political consequences of fuel subsidy reform in detail, particularly regarding the impact on vulnerable segments of society. Additionally, the study does not explore the potential obstacles to the successful implementation of fuel subsidy reforms, such as political resistance, public protests, and governance challenges.

Iwayemi and Fagbenle (2012) explored the economic consequences of fuel subsidy removal in Nigeria, particularly its impact on inflation, government revenue, and the welfare of the population. The study used econometric models to analyze pre- and post-subsidy removal data.

Obasi et al. (2023) investigated the political economy of fuel subsidy removal in Nigeria, focusing on its economic implications and the well-being of the population. Their research examined both the pros and cons of subsidy removal, highlighting the pervasive corruption in Nigeria's oil sector and its negative effects on economic development. While the study provides a comprehensive political analysis, it lacks a detailed examination of specific corruption cases and their direct economic consequences. It also advocates for the revitalization of refineries and the fight against corruption but does not thoroughly explore the strategies and policies needed to achieve these goals. Furthermore, while the study references Ghana's approach to cushioning the effects of fuel subsidy phase-out on the poor, a more detailed comparative analysis of policies in other countries facing similar challenges would have been beneficial.

Ikenga and Oluka (2023) (cited in Abu Idris et al. 2024) examined the benefits and challenges of the fuel subsidy removal on Nigeria's economy during the Fourth Republic. The study employed descriptive analysis and a qualitative data collection method. Neo-Liberalism theory served as the theoretical framework for the study. The paper concluded that previous administrations' attempts to reverse the fuel subsidy policy had significant negative effects on citizens, as they led to increased prices of petroleum products, food, and transportation. The study recommended that the central government pay closer attention to the policy's impact on the masses by providing palliatives to alleviate their suffering. Additionally, it suggested that the government ensure a stable electricity supply, essential amenities, and infrastructure to mitigate the negative effects on citizens. Antimiani (2023) analyzed the implications of fossil fuel subsidy removal for the EU's carbon neutrality policy. The study used the computable general equilibrium (CGE) model to analyze the data. The paper concluded that while subsidy removal supports carbon neutrality goals, it can have significant impacts on energy prices, industrial competitiveness, and households.

Greve and Lay (2023) assessed fossil fuel subsidies in developing countries. The paper utilized a dynamic general equilibrium model for data analysis. The study concluded that subsidy removal could alter citizens' consumption patterns, impact GDP, and affect welfare, with varying consequences for different income groups. The paper recommended that governments use the funds saved from subsidy removal to provide basic necessities to citizens. It also suggested that governments diversify across various sectors of the economy to reduce unemployment rates.

Prabaw et al. (2022) examined the economic impact of liquid petroleum gas prices, poverty, and subsidy removal compensation in Indonesia. The study employed an econometric analysis approach to analyze data collected from primary and secondary sources. The findings indicated that subsidy removal could have adverse economic implications, particularly for low-income households. The paper recommended that the government use the savings generated from subsidy removal judiciously to alleviate the suffering of the population (Abu Idris et al. 2024).

Several other studies have also addressed the implications of fuel subsidy removal in Nigeria. For instance, Umar and Umar (2013) and Siddig et al. (2014) analyzed how Nigeria's subsidy framework distorts fiscal planning, encourages inefficient consumption, and exacerbates income inequality, with wealthier households benefiting disproportionately. Siddig et al. (2014) further concluded that reducing subsidies could boost GDP, though it may reduce household income. These studies employed various methodologies, such as the computable general equilibrium (CGE) model (Siddig et al., 2014; Adenikinju, 2009), survey data analysis, and the narrative approach (Bazilian and Onyeji, 2012), to comprehensively assess these impacts.

In a comprehensive study, Musa et al. (2014) examined the effects of fuel subsidy removal on Nigeria's socio-economic development. Using a price pass-through model and error correction method, they analyzed data from 1980 to 2012. Their findings showed that, in the short term, fuel subsidy removal had no immediate effect on Nigerians' social well-being. However, in the long term, deregulating the downstream sector could foster economic development. This conclusion aligns with theoretical and empirical insights suggesting that eliminating market distortions can promote economic growth. However, Musa et al.'s study does not address the practical challenges of implementing subsidy reforms, such as political resistance and governance shortcomings. A deeper exploration of the social and political consequences of subsidy reform, especially for vulnerable groups, would have strengthened the study.

On an international scale, Beers and Moor (2001) used simulation analysis to show that removing consumer subsidies in non-OECD countries could increase global welfare by $35 billion annually. This shift would raise global real income by 0.7% per year and improve the terms of trade by 0.5% annually. These gains were largely attributed to the inefficient structure of subsidies and the palliative measures designed to mitigate the direct impacts of subsidy removal. However, the study also highlighted that reducing fuel subsidies could worsen poverty levels in Nigeria, especially in rural areas (Afonne, 2011).

Nuliu-Koko (2008) emphasized the significant financial burden placed on the national treasury due to subsidies for petroleum product marketers, amounting to an extraordinary $10.7 billion between 2008 and 2010. This expenditure surpassed the total capital allocated to priority sectors in Nigeria's 2009 budget, highlighting the substantial cost of such subsidies. Internationally, removing fossil-fuel subsidies is often seen as a policy with numerous advantages, including economic, environmental, and fiscal benefits. By eliminating subsidies, governments can increase fossil-fuel prices, thereby reducing consumption and greenhouse gas (GHG) emissions. Additionally, the removal of subsidies alleviates financial strain on government budgets, allowing for reinvestment in other developmental initiatives. However, debates around the timing and necessity of subsidy removal persist due to concerns over its potential adverse effects on vulnerable populations.

Ogundipe and Amaghionyeodiwe (2013) examined the macroeconomic effects of fuel subsidy removal in Nigeria, focusing on aspects like inflation, government revenue, and employment. Using computable general equilibrium (CGE) modeling, their research simulated various scenarios to assess the policy's outcomes. Similarly, Obiora and Ozili (2023) analyzed the macroeconomic and microeconomic impacts of the 2023 fuel subsidy removal in Nigeria through discourse analysis. Their findings highlighted several benefits, such as freeing financial resources for critical sectors, boosting local refinery operations, reducing reliance on imported fuel, and addressing infrastructure deficits. However, the study also acknowledged potential drawbacks, including short-term economic growth decline, inflation spikes, increased poverty, fuel smuggling, and job losses in the informal sector. Notably, the study's limitations included a lack of empirical data and insufficient exploration of practical implementation challenges or the social and political implications.

A broad spectrum of opinions exists regarding fuel subsidies. Omitogun et al. (2021) emphasized the environmental advantages of subsidy removal, suggesting it could reduce carbon emissions in Nigeria. Adekunle and Oseni (2021) argued that eliminating subsidies would encourage reduced energy consumption, albeit at the cost of higher energy prices. Asare et al. (2020) advocated redirecting subsidy savings toward immediate and long-term recovery efforts, including addressing crises like COVID-19. Conversely, other studies have underscored the negative consequences of subsidy removal. Umeji and Eleanya (2021) argued that Nigeria's oil wealth has not translated into improved living standards, and while subsidy removal could have severe impacts, transparency in utilizing saved funds could mitigate these effects. Ovaga and Okechukwu (2022) linked fuel subsidies to corruption, claiming that vested interests hinder refinery improvements and perpetuate subsidy reliance. Similarly, Omotosho (2020) cautioned that subsidy removal could exacerbate macroeconomic instability in Nigeria, with rising energy costs and inflation. McCulloch, Moerenhout, and Yang (2021) noted public skepticism about subsidy reforms, rooted in doubts about the government's capacity to implement transparent changes.

Internationally, numerous studies have explored fuel subsidy removal. Earring et al. (2023) found that public support for subsidy removal increases when fiscal savings are effectively utilized. In Malaysia, Chatri (2014) examined the economic ripple effects of gas subsidy reduction, including higher electricity prices and a drop in GDP. Within the EU, Antimiani et al. (2023) noted ongoing discussions on redirecting subsidy savings to foster a sustainable economy. Sampedro et al. (2017) highlighted that fossil fuel subsidies hinder climate change mitigation by diverting investment from renewable energy, though subsidy removal may only slightly reduce CO2 emissions. Erickson et al. (2017) argued that eliminating fossil fuel subsidies could accelerate progress toward G20 climate goals, while Lin and Li (2012) explored the mixed impacts of subsidy removal in China.

Although these studies make significant contributions, they often depend heavily on theoretical discussions and overlook the lived experiences of those most impacted by policy changes. Future research should focus on integrating the perspectives of vulnerable populations to offer a more inclusive and holistic understanding of subsidy reforms. Addressing this gap would enable policymakers to develop strategies that account for the needs and well-being of all societal groups in the decision-making process. Directly engaging with the affected population strengthens the credibility of the study and provides valuable insights into the ongoing discourse on fuel subsidies in Nigeria. Oyinlola and Alimi (2014), in *"The Political Economy of Fuel Subsidy Removal in Nigeria: Lessons from the January 2012 Protest," analyze the political and economic dynamics surrounding the attempted removal of fuel subsidies in 2012. Their study examines the impact of public protests and highlights the potential implications for economic hardship and subsequent policy decisions.

Theoretical Framework

The study utilized the theory of Neo-liberalism to analyze the impact of fuel subsidy removal on socio-economic development in Nigeria. Neo-liberalism is a political and economic ideology that emphasizes free-market capitalism, deregulation, trade liberalization, privatization, and a reduction in government expenditure. It is founded on the belief that unregulated markets and limited state intervention lead to maximum efficiency, economic growth, and enhanced individual freedom. The roots of this ideology can be traced to classical liberal economic thinkers such as Adam Smith, Friedrich Hayek, and Milton Friedman. They argued that markets possess an innate ability to self-regulate through price signals and competition. In their view, the state’s role should be restricted to protecting property rights, enforcing contracts, and maintaining monetary stability, as excessive government involvement through regulations, subsidies, and welfare programs could disrupt market efficiency.

From the 1970s onwards, under the leadership of figures like Ronald Reagan and Margaret Thatcher, neoliberal policies gained traction, leading to widespread deregulation, privatization of public enterprises, cuts in subsidies, lower corporate taxes, and limits on union influence and welfare programs. Developing countries were also influenced by these policies, often adopting similar reforms through structural adjustment programs promoted by international financial institutions. Despite its widespread adoption, Neo-liberalism has faced criticism for concentrating power within corporations and financial institutions, increasing inequality, weakening social mobility and cohesion, threatening environmental sustainability, and fostering the financialization of economies. Consequently, there is growing advocacy for balanced approaches that combine market efficiency with regulation, redistributive measures, and public investment to ensure equitable and sustainable development (Abu Idris et al. 2024).

Neo-liberalism emphasizes the primacy of competitive markets in driving socio-economic development but often underestimates the complexities of market failures and externalities that can hinder long-term growth. In reality, no contemporary economy operates under a purely neoliberal framework devoid of regulations and social welfare programs. Instead, the focus is on finding an optimal balance between market-driven incentives, private property rights, and the broader public good.

Key tenets of neo-liberalism include, first, the supremacy of market mechanisms, advocating for the removal of government-imposed restrictions on private enterprises. This perspective prioritizes "free" or private enterprise over state intervention, even when such policies may lead to social or environmental harm. It has led to practices such as wage suppression through the weakening of labour unions and the erosion of workers' rights won over decades of struggle. Neo-liberalists argue against price controls and champion unrestricted movement of capital, goods, and services, asserting that an unregulated market fosters economic growth that benefits society as a whole.

Second is the reduction of public spending on essential social services such as healthcare, education, and infrastructure maintenance. By cutting back on government-funded safety nets for vulnerable populations, neo-liberal policies often leave the poor more exposed. While subsidies and tax incentives for businesses remain supported, the focus shifts to reducing the state's direct involvement in service provision.

Third, neo-liberalism promotes privatization-the transfer of public assets and services to private ownership. This includes critical sectors such as banking, transportation, utilities, education, healthcare, and even water resources. While privatization is often justified in the name of improving efficiency, it frequently results in wealth concentration among a select few, increasing costs for the general population. This is evident in Nigeria, where privatization efforts, particularly in the power sector, have resulted in higher costs for citizens without corresponding improvements in service delivery (Prasad, 2006).

This has led the current administration to critically question the sustainability of the country's fuel subsidy regime. Deregulation, which involves reducing government oversight on activities that might affect profits-such as environmental protections and workplace safety-has sparked significant public concern. A functioning fuel subsidy regime is often seen as beneficial for both the private sector and the general populace, as it helps lower fuel prices and ensures a more stable supply of the product.

However, the removal of subsidies presents both challenges and opportunities. While it may lead to short-term economic strain and public discontent, it also offers potential long-term benefits. Funds saved from subsidy removal can be redirected toward critical sectors such as education, healthcare, and infrastructure development, fostering broader socio-economic growth. This dual-edged nature of subsidy policies highlights the need for a balanced approach that carefully weighs the immediate impact on citizens against the potential for sustainable development in other vital areas.

3. History and Evolution of Fuel Subsidy in Nigeria

Fuel subsidies in Nigeria date back to the 1970s, introduced to mitigate the impact of rising global oil prices on Nigerians. The policy became more structured in the 1980s with the establishment of the Petroleum Products Pricing Regulatory Agency (PPPRA), responsible for regulating petroleum product prices like gasoline and diesel. The government justified the subsidy as a means to keep petroleum products affordable and accessible, given their critical role in transportation, cooking, and power generation. It also functioned as a tool for redistributing oil wealth to support other sectors of the economy.

Over time, the fuel subsidy regime has seen various adjustments, with increases or reductions tied to economic conditions. For instance, during the oil boom of the 1970s, Nigeria’s robust revenue from oil exports rendered extensive subsidies unnecessary. However, in the 1980s and 1990s, the nation faced economic challenges such as high inflation, rising foreign debt, and currency devaluation, prompting the government to expand subsidies to alleviate the economic difficulties experienced by citizens.

The fuel subsidy became increasingly controversial in the 1990s as government spending on it grew. It was viewed as a method of keeping fuel prices artificially low, but this practice was criticized for draining national resources. Following Nigeria's return to democratic rule in 1999 after years of military dictatorship, the subsidy emerged as a significant political issue. Since then, successive Nigerian governments have struggled with the fuel subsidy dilemma, with some attempting to eliminate it entirely, while others have sought to reduce its economic impact. In recent years, the subsidy regime has faced heightened scrutiny due to Nigeria’s economic challenges and concerns over its inefficiency. Critics argue that the system is plagued by corruption, rent-seeking, and waste, benefiting only a small group of individuals while contributing little to the nation’s economic progress (Ori O. et al, 2023).

Fuel Subsidy Challenges in Nigeria

The Nigerian fuel subsidy policy has been a subject of considerable debate and critique over the years, and its implementation has faced a range of challenges that have compromised its intended objectives. These challenges have stemmed from systemic inefficiencies, corruption, and economic distortions, which have collectively undermined the effectiveness of the subsidy regime. One of the most prominent issues has been the persistent corruption associated with the subsidy system, with several studies and reports highlighting how public funds intended for fuel subsidies have been misappropriated by individuals and organizations involved in the process.

For instance, the Nigerian Extractive Industries Transparency Initiative (NEITI) report (2018) provided an alarming assessment of the scale of fuel subsidy fraud in the country. It revealed that Nigeria lost over $16 billion to fraudulent activities between 2011 and 2015 due to overpayments, under-recoveries, and the lack of transparency in the subsidy process. These findings pointed to a lack of effective monitoring and regulatory frameworks that should have ensured the correct disbursement of funds for the subsidy. The report also indicated that certain individuals and companies involved in the distribution of fuel subsidies manipulated figures, resulting in the diversion of funds that were meant to subsidize the price of petroleum products for ordinary Nigerians. This corruption has not only drained public resources but has also eroded public trust in the government’s ability to manage national resources efficiently (Ori, O. et al, 2023).

In addition to corruption, inefficiencies within the downstream sector of Nigeria’s petroleum industry have contributed to the challenges of fuel subsidy implementation. The downstream sector, which includes refining, distribution, and retailing of petroleum products, has suffered from inadequate infrastructure, insufficient refining capacity, and persistent issues of pipeline vandalism. These factors have resulted in a situation where fuel shortages are a frequent occurrence, despite the large sums allocated to the subsidy regime. Nigeria’s dependence on fuel imports to meet domestic demand exacerbates these issues, as the country lacks sufficient domestic refining capacity to process all its fuel needs. Importing fuel has proven to be not only costly but also highly inefficient, as it is often subject to delays and irregularities in the supply chain. These inefficiencies have created a vicious cycle, where the fuel subsidy regime, instead of alleviating fuel scarcity, often exacerbates the problem by contributing to supply shortages and delays.

The fuel subsidy regime has also had significant fiscal implications for Nigeria's economy. The government has consistently allocated a substantial portion of its national budget to fuel subsidies, diverting resources from other critical areas such as infrastructure development, education, and healthcare. As a result, the subsidy policy has been viewed as a drain on public finances, particularly in a country with scarce resources and pressing developmental needs. Several scholars argue that the continued expenditure on fuel subsidies has hindered the government's ability to invest in other sectors that are essential for long-term sustainable growth. The fiscal burden of maintaining the subsidy regime has led to budget deficits and an accumulation of public debt, further straining the country's financial position.

Moreover, the subsidy has disproportionately benefited a small fraction of the population, particularly the wealthy, who have greater access to petroleum products. The widespread benefits to the poor, which the subsidy was initially intended to target, have been limited. Critics argue that the subsidy system has served as a regressive policy, benefiting those who consume more fuel, such as affluent urban dwellers and large industries, rather than the rural poor who are less likely to have access to the subsidized fuel. As a result, the subsidy regime has been accused of exacerbating inequality by perpetuating wealth distribution that favours the already privileged segments of society.

The inefficiency of the fuel subsidy has also deterred private sector investment in the downstream petroleum sector. The uncertainty surrounding the policy, including the fluctuation of subsidy payments and the lack of a clear regulatory framework, has made investors wary of committing capital to the sector. The lack of transparency and the vulnerability of the subsidy system to abuse and mismanagement have created an unstable environment, which discourages long-term investment. Consequently, the private sector has been hesitant to engage in refinery construction, infrastructure development, and distribution, which has contributed to the country's reliance on imports and the inability to meet domestic fuel demand through local production.

The fuel subsidy regime has also contributed to the distortion of market forces within the Nigerian economy. By artificially lowering the price of petroleum products, the subsidy has disrupted the natural functioning of supply and demand. This has led to overconsumption of petroleum products, as consumers are incentivized to use more fuel than they would if market prices were allowed to reflect true costs. Furthermore, the policy has prevented the development of alternative energy sources, as the artificial pricing of fuel has reduced the incentive for innovation in renewable energy and more sustainable energy solutions.

The overall effect of these challenges has been a cumulative drain on Nigeria's economic resources, with the subsidy regime failing to meet its original objectives of providing widespread access to affordable fuel and supporting the country's socio-economic development. While the subsidy has been designed to cushion the impact of rising fuel prices on the population, the failure to address corruption, inefficiency, and fiscal imbalances has resulted in a policy that is often seen as counterproductive. As such, the fuel subsidy system remains a contentious issue in Nigerian policy discussions, with many questioning its sustainability and impact on long-term national development.

Nigerian Experience with Fuel Subsidy
Since Nigeria's return to democratic rule in 1999, successive governments have struggled to strike a balance between keeping fuel prices low and mitigating the economic burden of the fuel subsidy. This challenge has been a persistent issue in Nigerian politics and economics, as the subsidy has often been seen as both a tool for social stability and a drain on public resources. In 2012, the government attempted to remove the fuel subsidy entirely, a decision that ignited widespread protests and a nationwide strike.

The protests were fuelled by the belief that the removal of the fuel subsidy would lead to a significant increase in fuel prices, which in turn would escalate the cost of living for Nigerians. Given that fuel is a critical component of daily life in Nigeria—impacting transportation, cooking, and even power generation—the public feared that such a move would disproportionately hurt low-income citizens. The protests were not only against the price hikes but also highlighted the deep-seated corruption within the subsidy system. Many Nigerians believed that the subsidy had been manipulated by powerful elites and businesses, who profited from the scheme at the expense of the average citizen. For example, a report by the Nigerian Extractive Industries Transparency Initiative (NEITI) in 2018 revealed that the country lost over $16 billion to fuel subsidy fraud between 2011 and 2015, underscoring the scale of corruption in the subsidy system. Additionally, the subsidy had been criticized for inefficiencies, such as overpayments and fraudulent claims, leading to a situation where only a few individuals benefited from a policy that was meant to assist the general public (Ori, O. et al, 2023).

One significant case that contributed to the public's frustration was the 2012 strike organized by labour unions, which brought the country to a standstill. The strike, known as the "Occupy Nigeria" movement, was sparked by the government's decision to remove the subsidy and its potential implications for everyday Nigerians. The strikes and protests were not only about the removal of the subsidy but also about the broader issues of governance, corruption, and economic inequality in the country. During the protests, demonstrators voiced their discontent with the government's handling of public resources and the lack of accountability in the fuel subsidy regime.

In response to the public outcry and the widespread strike, the government eventually backed down and reinstated the fuel subsidy, though at a reduced rate. The decision to reinstate the subsidy, while politically expedient, did little to quell the controversy surrounding it. Critics argued that the temporary reversal failed to address the root causes of the inefficiencies and corruption inherent in the subsidy system. Some Nigerians, particularly in the middle and lower classes, continued to argue that the fuel subsidy was necessary to maintain affordable fuel prices and protect them from the volatile global oil markets. On the other hand, opponents of the subsidy continued to highlight the need for structural reforms in the energy sector to reduce reliance on imports and address inefficiencies in domestic refining capacity.

Despite the government's temporary decision to reinstate the subsidy, the controversy surrounding fuel subsidies has persisted. The question remains whether the subsidy, in its current form, is sustainable in the long term or whether the country must pursue more comprehensive reforms in its energy sector. In recent years, governments have continued to propose subsidy removal or reduction, arguing that the funds saved could be better utilized in critical sectors such as infrastructure, education, and healthcare. However, each attempt to remove the subsidy has led to protests, as many Nigerians remain deeply divided on whether it should be eliminated or maintained.

The ongoing debate and the complexity of the fuel subsidy issue highlight the challenges that Nigeria faces in balancing social policies with economic sustainability. With billions of naira spent on fuel subsidies each year, the need for a more transparent and efficient policy has never been more pressing. Moving forward, the Nigerian government will likely continue to grapple with the delicate task of reforming the fuel subsidy while addressing the broader systemic issues of governance, corruption, and economic inequality.

Politico-Economy of Fuel Subsidy in Nigeria

The fuel crisis has become a recurrent issue in Nigeria, despite the country's substantial reserves of crude oil and its position as one of the largest exporters of this vital resource. It is striking that no other member of the Organization of the Petroleum Exporting Countries (OPEC) or even nations without oil resources experience a similar scale of fuel crisis as Nigeria does (Badmus, 2009). Fuel subsidy, in economic terms, refers to the financial assistance provided by the government to ensure that consumers pay less than the actual market price for petroleum products. This subsidy essentially reduces the price burden on consumers by covering the gap between the market price and the subsidized price.

Fuel subsidy, therefore, represents the difference between the true market price of petroleum products per litre and the amount consumers actually pay at the pump. In Nigeria's case, this subsidy is funded by the government, which absorbs the cost of this difference. The subsidy has become a contentious issue, especially due to the rising costs and inefficiencies associated with it (Victoria U., et al, 2017).

Currently, the fuel subsidy is influenced by several factors, including the high cost of imported petroleum products and logistics. As Afonne (2011) points out, import-induced costs are significant contributors to the rising price of petroleum products in Nigeria today. These costs include the price of crude oil in international markets, the cost of refining, and the logistics costs related to importing refined fuel, which are all passed on to consumers. Despite being an oil-producing nation, Nigeria lacks sufficient domestic refining capacity to meet its energy demands, forcing the country to rely heavily on imported refined petroleum products, thereby increasing the burden of the subsidy on the national economy.

Historically, fuel subsidy was implemented as a policy by the federal government to help alleviate the economic challenges faced by the Nigerian people. The subsidy aimed to cushion the effects of rising fuel prices, especially in the face of economic difficulties, by making fuel more affordable to the general population. Before the administration of former President Goodluck Jonathan, the fuel subsidy was widely accepted as a means to reduce the financial strain on citizens, particularly those from lower-income backgrounds who were most affected by high fuel prices. However, the effectiveness of this policy has been increasingly questioned, given the inefficiencies and corruption that have characterized its implementation over the years.

Despite the good intentions behind the fuel subsidy, it has come to be seen by many as a burden on the country's finances, diverting much-needed resources from critical areas such as infrastructure, healthcare, and education. The complex dynamics of fuel subsidy, with its high financial costs and management challenges, have led to ongoing debates about its sustainability and whether alternative policies might better serve the interests of the Nigerian people.

Fuel subsidy in Nigeria is designed not only to enhance the financial capacity of consumers but also to absorb the implied financial losses associated with it, all in the spirit of national responsibility. Essentially, the subsidy allows the government to step in and mitigate the impact of fuel price fluctuations on the general population's well-being. For instance, if the market price of fuel is set at N141 per litre, but the government determines that it must be sold at a lower price, say N97 per litre, the government covers the N44 difference between the two prices. This means the government effectively subsidizes the fuel price, allowing consumers to pay less than the actual cost, which in this case is N85 per litre (Onyishi, 2012).

The Nigerian oil and gas downstream sector is heavily influenced by cartels that manipulate fuel prices through artificial supply restrictions. These cartels control the volume of fuel imported and the proportion that is released to the market, often creating scarcity by limiting supply. At times, only a few fuel distributors are allowed to supply the market, while others hoard stock, exacerbating the situation. Peter Akpatasan, former president of the Nigeria Union of Petroleum and Natural Gas Workers (NUPENG), has argued that deregulation is unlikely to succeed in a market dominated by cartels, stating that "this cartel is so strong that it can continue to manipulate prices out of the reach of the common man. You cannot deregulate when you have no refineries. There will be a serious economic crisis" (Democratic Socialist Movement, 2009).

Nigeria's refineries, the primary source for domestic fuel production, have a combined maximum nominal capacity of processing 445,000 barrels of crude oil per day. This is less than 40% of the country's daily consumption needs. The limited refining capacity is compounded by frequent maintenance issues and operational inefficiencies, resulting in persistent product shortages. Furthermore, the price disparity between Nigeria and its sub-regional neighbours creates an incentive for fuel smuggling, further exacerbating the supply shortage and widening the gap between the available supply and local demand. This complex interplay of market manipulation, infrastructure challenges, and economic imbalances has made fuel subsidy a contentious issue in Nigeria, as the government struggles to balance financial support for consumers with the need to address inefficiencies in the sector.

Currently, more than 90% of the petroleum products consumed within Nigeria are imported, and these imports are typically priced according to the fluctuating international crude oil prices. This situation highlights a significant dysfunction in a policy for a country that is among the top ten oil producers globally. The history of fuel subsidy removal in Nigeria is a prolonged and contentious one, marked by its adverse effects on the political landscape and the populace.

It was only during the administration of President Umaru Musa Yar'Adua that Nigerians were spared the burden of price hikes. In contrast, previous and subsequent administrations have caused considerable hardship for the public by raising fuel prices. The political and economic implications of fuel subsidy removal are deeply entrenched, both within the country and on the international stage. Domestically, there are fierce debates between proponents and opponents of the fuel subsidy, each with valid arguments and an unwavering stance on the issue.

The government has often maintained that the removal of the fuel subsidy is essential, arguing that it is the only viable solution to address the economic imbalances created by the subsidy system. Meanwhile, opponents of the subsidy removal insist on negotiating with the government to reinstate the subsidy, which was first removed on January 1, 2012. The tension surrounding the fuel subsidy is not just a matter of economic policy but also a highly politicized issue, with both sides unwilling to compromise.
On one hand, proponents of subsidy removal argue that it is a necessary step for the country's long-term economic health. They contend that eliminating the subsidy will reduce incentives for corruption and curb the excessive profiteering by unpatriotic cartels within the petroleum sector. These cartels, they argue, have long exploited the system, enriching themselves at the expense of the Nigerian people and

undermining the nation's development goals. By removing the subsidy, proponents claim that the government can allocate resources more effectively, redirecting funds to crucial sectors such as education, healthcare, and infrastructure development, which would benefit a larger portion of the population.

However, the debate remains contentious, as both sides maintain strong positions, with significant national and international consequences. The issue of fuel subsidy removal, its economic impact, and the question of political will continue to shape the discourse around Nigeria's oil sector, making it a crucial matter for policymakers and citizens alike.

Subsidy Removal in Nigeria: Stating the Obvious

It is argued that developing countries are generally less energy-efficient than they could be, largely due to the presence of subsidies (Okogu, 1993). While subsidies are often justified on the grounds of income redistribution, they tend to disproportionately benefit the wealthy, as they own more cars and consume more fuel than the poor (Nwachukwu & Chike, 2011). In this regard, the Nigerian National Petroleum Corporation (NNPC) (1993) suggests that subsidies would be more beneficial if directed towards sectors such as healthcare, mass transit, and education, rather than fuel.

Hotelling (1931) emphasized the importance of pricing fuel in a way that reflects its finite nature, as once oil is extracted, it cannot be replenished for future use. This calls for a "user" cost to account for the fact that future generations will be permanently deprived of access to the same oil reserves. Implementing a consumption tax or phasing out subsidies could help generate resources that could be reinvested to transform the economy. Given that oil and fossil fuels are exhaustible resources with limited lifespans, they belong to a category of resources that must be managed with consideration for their eventual depletion.
In this vein Akhaine (2010:90) (cited in Victoria U. et al, 2017) notes that:

> As for Nigeria, its proven reserves are estimated at 40 billion barrels. This figure could be augmented by new offshore findings. At the rate of 2.5 million barrels per day, the life index of the oil can be put about 43 years. This merely brings home the fact that oil is finite and that the well will soon dry up. The common argument advanced for having subsidy for fuel in Nigeria is that it is endowed with huge oil reserves and thus making energy cheap could enhance economic growth and protect the populace from needless hardships arising from exorbitant prices.

This position is unsustainable, as it fails to benefit future generations. The most effective approach to ensuring long-term sustainability and equity between generations is to utilize resources efficiently and invest the revenue in transforming the economy. This way, even after the resources are exhausted, the society can remain self-sufficient (Solow, 1986; Hartwick, 1977). It is illogical to heavily invest in oil production only to recover production costs with no additional long-term benefits. Soyodo (2001: 55) argues that "the cost of producing crude is irrelevant in the calculation of fuel subsidy" and describes the subsidy as the lost revenue that would have been directed to the federal account had the crude allocated for domestic consumption been sold at international market prices, rather than at the price it was sold to the NNPC.

The need for proper fuel pricing is further emphasized by the fact that low domestic prices create opportunities for arbitrage. Marketers can buy oil at lower prices within the country and resell it at inflated prices across borders. Therefore, it is widely accepted that rational energy pricing, which avoids subsidies, is the most effective long-term solution for achieving efficiency, as low domestic prices hinder efforts to improve efficiency (Okogu, 1993). Additionally, subsidies are believed to fuel smuggling activities, particularly to neighbouring countries like Chad and Cameroon, where fuel prices are significantly higher. This cross-border smuggling results in lost revenue for the National Treasury, with part of the subsidy funds potentially ending up in the hands of smugglers, who profit from the price disparity (Akhaine, 2010).

The classic argument for fuel subsidies revolves around promoting rapid development and improving income distribution. However, the income distribution argument is criticized, as petroleum subsidies disproportionately benefit urban areas. As a result, it has been concluded that the fuel subsidy policy tends to favor the wealthy over the poor (Kosmo, 1989). Consequently, diverting resources from other vital sectors, such as education and healthcare, in favor of fuel subsidies is believed to exacerbate inequality and poverty (Victoria U. et al, 2017).

4. Research Methodology

The research methodology adopted a documentary and qualitative research design, enabling a thorough exploration of the topic. Secondary data was collected from diverse sources, including textbooks, academic journals, official government reports, mainstream media, and seminar papers related to the subject matter. This approach ensured a wide range of perspectives and insights were captured. The content analysis method was selected for its structured and precise approach to analyzing the gathered data in relation to the three research questions. This method allowed for the identification of key themes, patterns, and meanings within the data, facilitating well-supported conclusions that effectively addressed the research objectives.

Evaluation of Research Questions

Evaluation of Research Question 1: What are the effects of fuel subsidy removal on citizen's cost of living in Nigeria?

The removal of the fuel subsidy has a negative microeconomic impact, particularly in the short term, as it is likely to increase poverty levels (Rajin, 2018). This change will cause immediate suffering, leading to hunger and hardship for many families. On a personal level, without adequate support measures, the subsidy removal will reduce disposable incomes, limiting access to food, healthcare, and education, especially in the northern regions of Nigeria. As a result, more families will experience hunger, children will face the pain of hunger, and parents will feel helpless as they watch their children suffer (Okongwu & Imoisi, 2023). The poor and middle-class will see their purchasing power decrease, while small businesses will struggle with higher costs and reduced sales. Moreover, vulnerable groups could be disproportionately impacted if there are no social safety nets or assistance programs to cushion the effects of the subsidy removal.

Houeland (2020) argues that job losses will be particularly high in the informal sector, which relies heavily on petrol. While the formal sector mainly uses diesel, the informal sector is more susceptible to price hikes in petrol. This will likely lead to the closure of many small businesses that cannot cope with the rising fuel costs, further squeezing their already tight profit margins.
Since the removal of the fuel subsidy, households in Nigeria have experienced a decline in their quality of life, with transportation costs being a major factor. As fuel prices climb, transportation costs for essential activities such as commuting to work, school, and healthcare have increased, straining household budgets, particularly for low-income families who depend on affordable transportation.

Rising Cost of Living
The surge in fuel prices has triggered an upward shift in the prices of goods and services throughout Nigeria’s economy. As transportation costs rise, they are inevitably passed on to consumers, making it more difficult for residents to afford basic necessities such as food, shelter, and healthcare. This increase in prices is significantly affecting the overall cost of living, straining households across the country (The Punch Newspaper, 2023). For many Nigerians, these rising costs are putting an unbearable pressure on their daily lives, leaving them with fewer resources to meet essential needs.

Decline in Purchasing Power
As fuel and transportation costs consume a larger portion of household incomes, many Nigerian families are left with significantly less disposable income for other essential expenses. This redistribution of financial resources has resulted in a noticeable drop in the standard of living for many, as families find it increasingly difficult to keep up with everyday costs. Basic expenditures such as groceries, healthcare, and education are becoming less affordable, leading to a decline in overall well-being. The reduction in available income has created a ripple effect, worsening the quality of life for many Nigerians as they struggle to maintain their financial commitments (National Bureau of Statistics, 2024).

Impact on Businesses
The sharp increase in fuel prices is also taking a toll on Nigerian businesses. Production costs have risen, and small businesses in particular are feeling the strain as they struggle to absorb these additional expenses. With higher costs of raw materials, logistics, and transportation, businesses are forced to either pass these expenses onto consumers or cut back on their operations. This has led to a decrease in employment opportunities, with many companies reducing staff or cutting down on working hours to cope with the rising costs. As a result, workers are facing job insecurity, and the reduced income levels are further contributing to the financial hardships that households are already experiencing. The economic strain on businesses is compounding the difficulties faced by families, as they navigate both job losses and increasing living expenses (National Bureau of Statistics, 2024).

5. Analysis of Research Question Two: What are the impacts of fuel subsidy removal on Nigeria’s economic development?

Macroeconomic Implications of Fuel Subsidy Removal

i. **Allocation of Saved Funds to Critical Public Infrastructure Development**
One of the key positive macroeconomic outcomes of the removal of the fuel subsidy in Nigeria is the potential redirection of the funds previously allocated for subsidy payments toward the development of vital public infrastructure. Economists broadly agree that the resources freed up from eliminating fuel subsidies could be more effectively used to invest in essential infrastructure such as roads, bridges, and energy systems (Bazilian & Onyeji, 2012; Majekodunm, 2013). Prior to the subsidy removal, Nigeria struggled with insufficient funds to meet its infrastructure needs, which often led the government to rely on external loans, further exacerbating the country’s debt burden (Olugbenga, 2023). However, with the subsidy eliminated in 2023, the government now has an opportunity to allocate these funds more efficiently toward building and improving Nigeria's critical infrastructure. This positive outcome hinges on the government’s commitment to transparency, fiscal accountability, and proper oversight, ensuring that the savings from the subsidy removal are directed toward the most impactful infrastructure projects.

ii. **Reallocation of Financial Resources to Other Economic Sectors**

In addition to funding infrastructure, other research suggests that the savings from removing the fuel subsidy could also be used to develop other key sectors of the Nigerian economy (Gidigbi & Bello, 2020; Ogunode, Ahmed & Olugbenga, 2023). These sectors include agriculture, healthcare, education, tourism, and even funding initiatives such as the implementation of the Student Loan Act. By investing in these diverse sectors, Nigeria could stimulate economic growth, improve public services, and enhance the overall quality of life for its citizens. For instance, funds redirected to agriculture could improve food security and boost domestic production, while investments in healthcare could lead to better health outcomes and reduce the strain on the healthcare system. The removal of the fuel subsidy could thus create a broad-based economic transformation, with funds moving from consumption-based subsidies to productive investments across multiple sectors.

iii. **Job Creation and Increased Employment**

Another potential positive macroeconomic effect of the fuel subsidy removal is job creation. The full deregulation of the downstream petroleum sector allows for increased competition, enabling more companies to enter the market and import fuel at competitive prices (Olujobi, 2022). As these companies expand their operations, they will need to hire more workers, thus contributing to employment growth. Moreover, the revival and modernization of Nigeria's domestic refineries would create additional job opportunities. For example, the operation of the Dangote refinery, once fully functional, is expected to generate over 10,000 direct jobs in Lagos alone, with up to 30,000 indirect jobs across the country. These new jobs would help reduce unemployment, boost household incomes, and improve economic conditions for many Nigerians. The combined effect of deregulation and refinery development could significantly raise employment levels, providing new opportunities for the workforce.

iv. **Strengthening the Exchange Rate or Reducing Pressure on the Exchange Rate**

The removal of the fuel subsidy presents an opportunity for the Nigerian government to take strategic steps to strengthen the national currency and reduce the pressure on the exchange rate. A crucial move in this regard is to allow domestic refineries to increase their production of crude oil and refined petroleum products. By ramping up local production, the need to import petroleum products would significantly decrease, and Nigeria could even begin to export surplus refined products (Akinola, 2018). This would have a dual effect: first, it would conserve foreign exchange that would otherwise be spent on importing petrol; and second, it would generate additional foreign exchange through the export of refined petroleum products. The increased supply of foreign exchange would ease pressure on the forex market, contributing to a stronger Naira and improving the exchange rate. For instance, the Dangote Refinery, with its capacity to refine 650,000 barrels of crude per day, could not only meet domestic demand but also reduce the need for petrol imports and generate surplus exports. This could save the government billions of dollars currently spent on petroleum imports, and these savings could be used to alleviate pressure on the exchange rate while improving trade balances.

V. Market-Determined Pricing

Another positive macroeconomic implication of the fuel subsidy removal is the shift to a market-determined price for petrol, or Premium Motor Spirit (PMS), which would be governed by the forces of supply and demand rather than by government-set prices or subsidies (Su et al., 2020). This transition would allow petrol to be priced according to international market conditions, eliminating the distortions caused by underpricing and subsidized rates. It would prevent the artificial inflation of the quantity of imported PMS, which has been a major source of corruption under the previous subsidy regime. With market-based pricing, petrol prices would more accurately reflect the global cost of crude oil, reducing the potential for manipulation or fraud. This would promote greater transparency, curtail inefficiencies, and enhance the overall functioning of the energy market, aligning domestic fuel pricing with international standards and fostering a more competitive and efficient economy.

Some Adverse Macroeconomic Implications

i. **Short-Term Decline in Economic Growth**

A potential negative macroeconomic consequence of removing the fuel subsidy is the possibility of a decrease in the rate of economic growth (Houseland, 2020). The elimination of the subsidy would lead to higher prices for essential goods and services, reducing the disposable income available to individuals and small businesses. This is exacerbated by stagnant wages and the fixed national minimum wage, which means that as prices rise, people have less to spend. The resulting decline in consumption would dampen aggregate demand, which could slow down economic activity. The reduction in consumer spending would lead to weaker demand for goods and services produced by businesses, ultimately causing a contraction in economic output and GDP, thus hindering overall economic growth.

Rising Prices of Petroleum Products

The removal of the fuel subsidy has already caused an increase in the prices of petroleum products. This price hike has resulted in a decrease in petrol consumption, as consumers purchase less fuel due to higher costs. The reduced demand is expected to narrow the profit margins of small businesses that rely on petrol for their operations. While some have argued that the removal of the subsidy might encourage competition among petrol marketers, driving prices downward, this scenario remains theoretical and unlikely to materialize in the short term. This is because the price of crude oil on the global market plays a dominant role in determining the cost of petroleum products in Nigeria. Consequently, the current high prices of fuel are expected to persist for the foreseeable future (Raji, 2020)**.**

Analyses of Research Question 3: What are the measures put in place by government in alleviating the pains of fuel subsidy removal in Nigeria?

In Nigeria, the removal of the fuel subsidy is seen as a significant obstacle to development due to its negative economic impacts. These include inflation, rising transportation costs, increased prices of goods, challenges in education and industry, a decline in living standards, poverty, and issues with healthcare services. To mitigate the adverse effects of the subsidy removal, the government introduced various measures such as palliatives, grants, loans, and scholarships (Punch, 20th August, 2023, cited in Esekpa et al., 2024).

In August 2023, the federal government, led by President Bola Tinubu, announced a set of palliative measures aimed at easing the immediate hardships, including poverty and inflation, following the subsidy removal. This announcement came after the 139th National Economic Council meeting held in Abuja, which was chaired by Vice President Senator Kashim Shettima (Punch, 20th August, 2023) (cited in Esekpa et al, 2024). As part of this initiative, a total of 180 billion naira was allocated to be shared among the 36 states of the federation, including the Federal Capital Territory, Abuja. However, issues arose during the distribution, with allegations of underhanded dealings and insufficient resources to meet the needs of the population. Despite these challenges, some states successfully received the funds and food items, distributing them as palliatives to citizens. Each state was expected to receive five billion naira and 180 trucks of rice to help alleviate the suffering caused by the removal of the fuel subsidy.

i. **Grants:** The Minister of Finance announced that approximately $180 million was allocated for national social programs in June 2023. He further explained that the government was considering measures such as cash transfers, mass transit buses for workers, and the registration of 10 million households and 50 million people on its list of vulnerable citizens to alleviate the hardships caused by the fuel subsidy removal (Felix, 2023). On the other hand, federal government grants are financial awards provided to support individuals or groups undertaking beneficial projects. These grants include the survival funds, youth investment funds, and agricultural grants Wilk (2023) confirmed that the federal government plans to reduce the number of transporters operating in the Federal Capital Territory. The introduction of buses and taxis is expected to address challenges related to the fuel subsidy removal and help curb criminal activities within the area. These measures are expected to reduce transportation costs, increase government revenue, and create employment opportunities. Despite these benefits, he acknowledged that while the situation is painful, it is an inconvenience that citizens must endure as part of the broader economic transformation (Esekpa, O. et al, 2024).

ii. **Wage Award Measure:** According to Kelvin (2023), the wage award was first introduced into the Nigerian economy following an agreement between the federal government and organized labor in response to the challenges posed by the fuel subsidy removal in 2023, which contributed to increased hardship, economic instability, inflation, and higher commodity prices. This agreement resulted in a 35% wage increase, a suspension of the value-added tax (VAT) on diesel, a 100 billion naira allocation for purchasing high-capacity CNG buses, and the provision of 55,000 CNG conversion kits (Business Day, 2023).

iii. **Tax Incentive Measure:** Another significant measure introduced by the federal government following the fuel subsidy removal was tax incentives for both individuals and businesses. These incentives were designed to encourage spending or saving by reducing the tax burden. Tax incentives are grants provided by the government to stimulate industrialization, economic development, and cultural investments. These incentives include foreign direct investment (FDI) allowances, deductions for research and development, investment allowances for reconstruction, rural investment allowances, and various tax reliefs. The aim of these incentives is to foster economic, social, and cultural investments, thereby expanding existing industries and driving economic development plans that stimulate growth (Esekpa, O. et al, 2024).

Additionally, taxes are essential for funding public services such as salaries for public servants, security, and infrastructure development (including clean water, healthcare, roads, electricity, and education). Through tax incentives, the government encourages the development of basic infrastructure, which contributes to poverty reduction, stimulates the expansion of mobile networks, and promotes economic growth. Therefore, tax incentives are a crucial strategy introduced in response to the fuel subsidy removal to support economic development and alleviate some of its negative impacts.

6. Conclusion

The politics of fuel subsidy regime in Nigeria that led to the removal of the fuel subsidy in Nigeria has had significant implications for the country's socio-economic development. Although the policy was intended to reduce government spending and enhance economic efficiency, its negative effects on the population are considerable. To pacify these consequences, the government should focus on introducing targeted social safety programs to support vulnerable groups, including low-income families and small businesses. Moreover, investing in public transportation infrastructure and exploring alternative energy solutions could help ease the financial strain caused by rising fuel costs in the long term. A well-rounded approach that addresses the needs of the people, while also promoting sustainable economic policies, is essential for ensuring the enduring socio-economic progress of Nigeria.

Recommendations

i. The Nigerian government should prioritize the construction of additional refineries through public-private partnerships (PPP), while also ensuring proper maintenance of existing facilities. Efforts must be intensified to strengthen the fight against corruption and to establish a robust regulatory framework that protects citizens. These measures will enhance capacity utilization in existing refineries, reduce the reliance on imported petroleum products, and help improve Nigeria's struggling economy.

ii. The government can as a matter of policy promote effective energy efficiency, thereby emboldening the utilization of efficient appliances and renewable energy wellspring.

iii. The savings and windfall generated from the fuel subsidy removal should be redirected toward revitalizing and expanding the country's refineries, constructing new ones, and upgrading critical infrastructure. Key areas for investment include the development of waterways, rail systems, and mass transit networks, providing more affordable and efficient transportation options. Furthermore, increased funding should be allocated to improving the education and healthcare sectors to enhance the overall well-being of the population.

iv Finally, the removal of the petroleum subsidy must be accompanied by sufficient financial measures to safeguard the purchasing power of the local currency, ensuring that the economic impact on ordinary citizens is minimized.

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