

## Subsidy Removal or Deregulation: Investment Challenge in Nigeria's Petroleum Industry

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### ABSTRACT

The work was to examine the various regimes of petroleum products price increases, subsidy payments and its effectiveness or otherwise in stimulating investments in the industry in Nigeria and make recommendations on how to attract private investments. Secondary data were collected from the Nigerian National Petroleum Corporation (NNPC), Central Bank of Nigeria (CBN), Petroleum Products Pricing and Regulatory Agency (PPPRA), and government records. Goggle alert and social network sites were established to generate real time primary data which was supplemented with data obtained using structured questionnaire and interview. Subsidy removal had not generated investment in the downstream of the petroleum sector. Rather, it had generated violent reactions from the people. Investors who got licences for the construction of new refineries failed to take off for various reasons. Deregulation was recommended. Deregulation would have immediate negative effects on real household incomes. Negative reactions can be mitigated with adequate palliative measures and effective education and public enlightenment. On the short run, the prices of petroleum products would go up significantly but would drop when the products of the new refineries are released into the market. This study went beyond subsidy removal. It conducted empirical study on its effectiveness or otherwise on investment generation and proffer alternative. It revealed that subsidy removal did not stimulate investment. Alternative course of action was recommended.

**Key Words:** Subsidy, Petroleum, Investment, Refinery, Production, Tax moratorium, Deregulation, Downstream, Corruption, Catalyst.

### INTRODUCTION

Subsidy has many interpretations. It may be an assistance paid by government to a business or an entire economic sector or producers of goods and services to offset part of their production costs. It could be in form of government subventions given to a producer that experiences continuous unprofitable operations, but are of strategic importance to the nation. It could be in the form of financial assistance given to farmers, healthcare providers, ailing factories and many others that are of strategic importance to the government. It may be by way of; tax allowance, duty rebate, tax holiday, tax moratorium, tax exemptions, grant, or soft loan that is designed to maintain; desired prices of essential products, incomes of producers of critical or strategic products or employment levels or induce investments to reduce unemployment. Subsidy can also come as indirect financial contribution by a firm to its employees' welfare in the form of low costs of; meals, accommodation, medicals, insurance or

transportation. The basic characteristic of all subsidies is to reduce the market price of an item below its cost of production (Business Dictionary, 2012).

**Consequences Of Petroleum Subsidy:** Petroleum Subsidies removal in countries had caused widespread protests. Coady et al. (2006) and Bacon and Kojima (2006) argued that subsidy had been a very inefficient policy tool for poverty reduction since the better-off households had usually disproportionately benefited most from petroleum subsidies, thus undermining social equity. In their study of six-countries, Coady et al. (2006) found that real incomes of the poorest household groups declined between 1.8 percent in Mali and up to 9.1 percent in Ghana. This, they found consistent with empirical evidence from Hope and Singh (1995), who found decreases in real household incomes of 1–3 percent due to subsidy reform. Petroleum subsidy reform is increasingly seen globally as an opportunity

for consolidating public finances and fostering sustainable economic development.

In countries such as Azerbaijan, Bolivia, Ecuador, Egypt, Indonesia, and Jordan, petroleum subsidies had been reported to account for more than 3 percent of GDP and were comparable in size to public spending on health and education combined (World Bank, 2007 and Coady et al. 2006).

**Table 1: The PPPRA Pricing Template**

Source: PPPRA Releases

Import landing cost (₦/litre)	Marketer Markup Margin (₦/litre)	Expected Open Market Price (₦/litre)	Approved Retail price (₦/litre)	Government Subsidy (₦/litre)	Dealer's Official Profit (₦/litre)	Current Market Price (₦/litre)
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Varied sums had been removed as petroleum subsidy in Nigeria through the continuous increase of petroleum products prices by the various governments. Each administration had initiated programmes for the utilization of the removed subsidy for the benefit of the poor. These included; the Babangida's Directorate for Food, Roads and Rural Infrastructure (DIFRRI, 1986), Abacha's Petroleum Trust Fund (PTF) Vision 2010 (Aluko, 2006) and Obasanjo's programme (Vision, 20:2020). Obasanjo had opined that, fuel price increase did not translate to poverty. He explained that, the problem was the non-judicious use of additional revenue that accrued there from. Obasanjo listed the following indicators of poverty to include: lack of health care delivery, lack of portable water, lack of education for the children and lack of good roads. He promised to channel the removed subsidy to address the listed areas of the economy and the rehabilitation of the refineries (Simon-Reef et.al., 2005).

With the increase of price in January 2012, the Jonathan administration established the Subsidy Reinvestment and Empowerment Programme (SUREP, 2012), which objective was to stimulate the economy and alleviate poverty through development of critical infrastructural projects that would transform the economy.

Yet, the objectives of government had not been achieved. Scarcity of fuel had been persistent, resulting in long queues, wasted man-hours on queues, fuel adulteration resulting in fire incidences and the consequent loss of lives, loss of production facilities and loss of production arising from increased cost of infrastructural facilities. In spite of all these, investment in the downstream had not been

**Petroleum products subsidy in Nigeria:** In Nigeria, the Petroleum Products Price Review Agency (PPRA) had been regulating the selling prices of petroleum products. It reimbursed the differential between the unprofitable prices that importers of these petroleum products sell to the public. This differential had been referred to as the subsidy. The agency prepared daily and monthly pricing templates in the form shown in table 1.

stimulated. The local refineries had virtually been out of production. Poverty had increased among the people. Oil subsidy remains one of the most intricate socio-economic policy issues in Nigeria.

In India, subsidy scheme had not accomplished its stated objectives. It had not benefited the poor because of corruption at all levels of the society. Instead, the subsidy system had provided ample opportunity for rampant corruption (Shenoy, 2009). Shenoy reported that licences to own and operate gasoline service stations were a largesse doled out to politically connected people. It was discovered that, many of the service station owners in India dealt in kerosene due to easy access to subsidized kerosene. He added that some time past, the Supreme Court had to cancel the licences of more than 2000 owners of service stations when it was discovered that the award of these licences was "due to collecting bribes". He noted that, one of the licencees was the daughter of one of the former Prime Ministers of India.

**Objective of Study:** The objective of this work was to examine the various regimes of petroleum products price increases, particularly Premium Motor Spirit (PMS), subsidy payments and the effectiveness or otherwise of the subsidy removed in stimulating investments on the downstream sector of the petroleum industry in Nigeria.

**MATERIALS AND METHODS**

Secondary data were collected from the Nigerian National Petroleum Corporation (NNPC), Central Bank of Nigeria (CBN), Petroleum Products Pricing and Regulatory Agency (PPPRA), and government records. Goggle alert and social network sites were

established to generate real time primary data which was supplemented with data obtained using structured questionnaire and interview. Questionnaires were administered to two groups of Nigerians made up of; stakeholders in the petroleum oil industry and the elites. Some other members of the same group and the peasants were interviewed using some of the questions in the questionnaire. Their responses and other findings were summarized and discussed below.

**FINDINGS:** The price of PMS remained stable until the entry of the military into the administration of the country when the then military head of state arbitrarily increased the prices of petroleum products. The price of PMS rose from six naira to eight naira, forty five kobo, a significant increase of 40.83%. The government did not give a meaningful reason for the increase. Since then, the price had been reviewed

upwards several times for various reasons. The major reason was to attract investors to build private refineries. The subsidy removed was to be used for the improvement of infrastructure, provision of welfare facilities for the people and reduction of poverty. Table 2 showed the regime of price increases.

**Refineries in Nigeria:** The NNPC had established and operated four refineries with combined installed refining capacity of 445,000 barrel of crude petroleum oil per day (bpd). All the refineries had been operating sub-optimally because of poor maintenance (NEIC, 1998). They all had suffered from the same lack of Turn Around Maintenance (TAM) (Nuhu-Koko, 2008). In the last ten years, the refineries were jointly producing at less than twenty percent of capacity. See Table 3.

**Table 2: Subsidy Removal Regime in Nigeria**

Year	President	Justification by government	Old price	New price
1973	Yakubu Gowon		6.00k	8.45k
1976	Murtala Mohammed		8.45k	9.00k
1978 Oct 1,	Olusegun Obasanjo		9.00k	15.37k
1982 april 20	Shehu Shagari		15.30k	20.00k
1986 March,31	Ibrahim Babangida	Devaluation of the Naira	20.00k	39.50k
1988 Apri,10	Ibrahim Babangida	Subsidy is a burden to government's purse	39.50k	42.00k
1989 Dec,19	Ibrahim Babangida		42.00k	60.00k
1991 March,6	Ibrahim Babangida		60.00k	70.00k
1993 Nov,8	Ernest Shonekan	Subsidy is primary budgetary burdens	70.00k	N5.00
1993, Nov,22	Sani Abacha	To gain public support	N5.00	N3.25
1994 Oct,2	Sani Abacha		N3.50	N15.00
1994 Oct,4	Sani Abacha	Response to labour and public resistance	N15.00	N11.00
1998 Dec,20	Abdulsalami Abubakar		N11.00	N25.00
1999 Jan,6	Abdulsalami Abubakar	Response to labour and public resistance	N25.00	N20.00
2000 June,1	Olusegun Obasanjo	To eliminate waste	N20.00	N30.00
2000 June,8	Olusegun Obasanjo	Respond to labour and public resistance	N30.00	N22.00
2002, Jan,1	Olusegun Obasanjo	Free government funds	N22.00	N26.00
2003 June 06	Olusegun Obasanjo	Encourage foreign and local investment in upstream sector	N26.00	N40.00
2003 Oct,1	Olusegun Obasanjo	Respond to labour and public resistance	N40	N34
2004 May,29	Olusegun Obasanjo		N34	N50.00
2005 Aug	Olusegun Obasanjo		N50.00	N65.00
2007 May,27	Olusegun Obasanjo		N65	N75
2007	Umoru Musa Yar'adu	Compassion for Nigerians	N75	N65
2012 Jan, 1	Goodluck Jonathan		N65	N141
2012 Feb	Goodluck Jonathan	Respond to labour and public resistance	N141	N97

Source: Computed from Various Sources

**Table 3: Nigeria's Refineries Production Performance**  
**Source: Compiled from Various NNPC Annual Statistical Bulletins**

Annual Refinery Production (%) of Installed Capacity				
Year	PHRC	WPRC	KPRC	Combined
	Operating capacity %	Operating capacity %	Operating capacity %	Operating capacity %
2001	60.73	48.29	31.39	25.10
2002	52.17	55.53	34.95	35.67
2003	41.88	14.27	15.96	18.03
2004	31.04	9.10	26	16.54
2005	42.18	54.85	33.08	32.53
2006	50.26	3.85	8.34	15.61
2007	24.87	0.00	0.00	6.22
2008	17.84	38.52	19.56	18.98
2009	9.08	43.01	20.02	18.03
2010	9.17	43.36	20.46	18.25
Mean over the period				20.50

Whereas, NNPC had been allocated 445,000 bpd of crude regularly for refining by the local refineries, yet the combined mean refining level of all refineries in Nigeria was 20.50%. NNPC had placed the surplus crude on SWAP/Offshore processing which is an arrangement whereby it received refined products in exchange for crude that it gave some foreign refiners. NNPC had given the impression that, it made some savings of about N11.00 per litre. The savings did not reflect in its claims to subsidy, which could mean that, the claim was either not true or that the savings had been mismanaged.

**New Refineries:** The federal government of Nigeria as part of its effort to boost the local production of petroleum products issued 23 licences for the construction of new refineries. While 20 of these went to private investors, the government entered into partnership with some Chinese investors to build one refinery each in Kogi, Lagos and Bayelsa States. Only the 1,000 bpd private refinery owned by the Niger Delta Petroleum Resources (NDPR) has commenced production (Okere, 2012). It produces 120,000litres of diesel per day using crude oil from its country's flow station. It produces only diesel which price is not regulated by government. The company utilizes some portion of the diesel for its internal consumption and invests the excess into the national output. All others failed to take off for various reasons. Some of which included:

**Capital**

- the huge upfront start up fee mandatory requirement which most of the investors could not afford

- difficulty in raising funds locally at the bank interest rates of above 20%
- unwillingness of banks to support investors because of the bank's lack of confidence in government's inconsistent policies on the petroleum oil industry.

**Government**

- the uncompromising position of government which required the investor to provide sovereign guarantees for foreign loans
- failure of government to accede to investors' demand for a free market pricing policy that would eliminate subsidies.

**Subsidy Payments:** The estimated daily consumption of PMS is 40 Million Litres Per Day (MLPD) but there had been no accurate records of the actual quantity of imported PMS. Hence, there existed varied subsidy repayment values in the records of the various government agents. For the year 2012, the values of the subsidy funds as recorded by the various relevant agencies are shown in table 4.

**Table 4: Subsidy Computation for 2012**

**Source;** Subsidy Probe Report (2012)

Agency	Subsidy Sum
2012 Appropriated sum by National assembly	₦245 billion
Government	₦1.3 trillion
Accountant-General of the Federation	₦1.6 trillion
Central Bank of Nigeria (CBN)	₦1.7 Trillion
Probe Committee	₦2,587.087 trillion

### **Causes of Negative Reaction to Subsidy Removal:**

It was found that in spite of all the promises of government to use the removed subsidy to improve the welfare of the people, the citizens rose stoutly to protest the increase and expressed their skepticism about the sincerity of government to deliver on its promises. According to Ering and Akpan (2012), massive protests by the Nigerian Labour Congress, Civil Society Organizations and the Nigerian masses that usually accompanied fuel subsidy removal announcement, was consequent upon the fact that it benefited the rulers of the country and multinational companies and not the citizen. Several production days were lost to strikes, violent demonstrations and many human lives were lost during the protests. Ninety percent of the respondents made up of the peasants, labour and the Civil Society organizations deposed that they resisted subsidy removal and consequently mobilised protesters. The findings are discussed under the following headings; lack of trust in government, high level of corruption in the industry amongst others.

### **Lack of Trust in Government**

- insincerity by removing fuel subsidy which was a negation of the President's 2011 campaign promise to improve the general welfare of Nigerians using his seven point agenda,
- inconsistent policies on all matters of state and lack of confidence of Nigerians in government,
- government could not be trusted because of its consistent failures to honour previous promises,
- labour and the University workers had been frustrated, with hopes for improved better conditions of service haven been previously dashed by the government's consistent failures to honour past signed agreements.

### **High Level of Corruption in the Industry**

On corruption in the industry, 89% of the respondents agreed that, government was aiding corruption by:

- its lack of action on some NNPC officials who had been found to be frustrating the maintenance of the refineries to provide avenue for making money from importation of finished products and the SWAP/Offshore processing arrangement,

- appointment of political associates, cronies and family members as importers of petroleum products for political patronage,
- subsidizing petrol importers and not the public,
- its lack of diligent prosecution of marketers who had been indicted for over-invoicing and fraudulent overpayment of subsidies,
- its lack of political will to compel the marketers with proven evidence of subsidy overpayment to make refunds,
- its lack of action on those who have continuously abused subsidy payment with impunity.

### **Lack of Access by the Target Beneficiaries to the Benefits of Subsidy:**

On the benefits of subsidy to the peasants, 88% of respondents agreed that;

- many households had been unable to benefit from the supposed welfare gains of cheap fuel,
- the poor distribution of the products frustrated access by consumers in local areas to subsidized products,
- government's inadequate effort to cushion the attendant increased cost of transportation caused increase in the general price level of all products, goods and services.

**Government Position:** From the government various public releases, the federal government defended its position and argued that, subsidy of petroleum products had created substantial loss of revenue which was not sustainable and that, the petroleum products importers were creating artificial fuel shortages to blackmail government and some times to cream off supernormal profits at festive periods. Government added that, fuel price subsidies diverted resources away from more productive uses and encouraged unnecessary wastes, an argument which aligned government position with the findings of UNEP, (2003) and Ellis (2010). Government's position agreed with the finding of Lawal (2011) that, fuel subsidy had been found to stimulate fuel adulteration and smuggling.

**Effect of Subsidy on Investment:** On the effect of subsidy on investment, ninety percent of the responses from the stakeholders revealed that:

- the low price of products encouraged excessive and inefficient usage of fuel,
  - absence of competitive market price discouraged entry of private investors,
  - the large price differential between the price in Nigeria and its neighbouring countries encouraged smuggling across borders for profit, thus depleting the local supply,
  - the large differential price between the price of the subsidized products and other products encouraged product adulteration,
  - the price regulation regime of government had stifled investment in the petroleum sector,
  - subsidy had discouraged competition and stifled private investment in the downstream sector such as investment in the development of refineries, petrochemicals and fertilizer plants,
  - insecurity in the petroleum industry consequent upon the frequent kidnappings, pipeline vandalisation and crude oil bunkering, generally referred to as “crude oil theft” had discouraged investment.
- lack of clear and quantifiable plans of government on the utilization of the removed subsidy as most of the items listed to be financed in the SURE programme were mere political statements that were not quantifiable. Dissatisfied with the implementation and the lack of transparency in the utilization of the removed subsidy, the Governors of the 19 Northern states resolved to ask the Federal government to explain what it was doing with the oil subsidy money (Umoru, 2013),
  - lack of political will of government to fight corruption since most of those recently exposed by the subsidy probe reports were either relatives or proxies of influential persons in government,
  - absence of records of the actual cost of subsidy, production output of the refineries and crude oil Swap arrangement and national fuel consumption.

Generally, the workers in the oil industry agreed that:

- Other Factors:** We found other factors responsible for the people’s lack of support for the removal of petroleum products subsidy to include:
- absence of reliable record keeping of the actual subsidy funds by the relevant government agencies,
  - PPPRA’s markup margin for marketers and dealers were arbitrarily determined to give supernormal profit to importers,
  - lack of government’s political will to implement reports and recommendations of past probes which agreed with the report of Edukugho (2012),
  - inconsistent policies of government posed threats and dis-incentive to capital investment,
  - lack of transparency and inefficiency of government in the management of subsidy funds,
  - inability of government to remove some of the supply chain bottlenecks,
- pipeline vandalisation and petroleum oil posed threat and dis-incentive to capital investment,
  - beneficiaries of subsidy payments sabotaged local refineries operations,
  - administration of the past subsidy removed was beset with inefficiencies, leakages and corruption,
  - those currently benefiting illegally from the subsidy funds were sponsoring miscreants to embark on violent protests against subsidy removal,
  - the privileged government officials and importers who had enjoyed subsidy refunds for fuels not imported were frustrating the efforts of government as it was found in India (Shenoy, 2009),
  - business men and marketers involved in the diversion of subsidized fuel across borders had created scarcity in return for personal economic gain.

**Subsidy Removal or Deregulation Which Way for Nigeria?:** Most of the respondents did not support subsidy or deregulation for so many reasons which had been enumerated above. One major factor is the peoples lack of confidence in the government

statements. Seventy seven percent of the respondents did not understand the difference between subsidy removal and deregulation. However, 78% would not support further subsidy removal. Sixteen percent would support deregulation while 32% would, on the conditions that;

- the palliative measures would get directly to low income earners who actually deserve it,
- there would be an implementation time table,
- and a task force comprising purely technocrats shall be constituted to implement the deregulation programme,
- government must show clear evidence of accountability and the political will to attack corruption frontally,
- government would have the political will to deal decisively with oil thieves and oil pipeline vandals.

**RECOMMENDATIONS:** Subsidy removal is not an end but a means to an end. The continued removal of subsidy in the past had not attracted investments into the industry and it would not in the future. Subsidy removal is not the answer. Deregulation is the solution to attracting investment to the industry. Subsidy is a subset of deregulation which is necessary for deregulation. Subsidy would be removed as part of the deregulation programme.

Government should deregulate the sector to attract investors. There definitely would be the initial pain of increased general prices consequent upon increase in the price of the petroleum products but on the long run the price would stabilise with the interaction of the market forces. The following are recommended:

**Deregulation as a Catalyst for Investment in Refineries.**

- Government should deregulate the downstream sector of the petroleum industry to attract investment as no investor that buys crude oil at international market price would be willing to refine and sell its products in a regulated market. The sector must be attractive enough to guarantee fair returns on investment.
- Government should encourage establishment of skid mounted modular refineries which can be brought in smaller units, set up and put to operation

within few weeks, after arrival at a site where the foundation and storage tanks had been in place.

- Government should also back the rules and regulations on the licensing, establishment and operations of the refineries by legislation to ensure long term stability in the business. Directives on these should not be by simple proclamation of the president which could be changed at will by succeeding presidents.
- Government should empower the National Orientation Agency (NOA) to embark on mass mobilization and education of Nigerians on the planned deregulation programme of government, the palliative measures and the benefits inherent therein.
- It should issue time-table for the deregulation programme to allow the present price to run for another three years, during which time, the new refineries would have been constructed and ready for production. Thereafter, government should dismantle the PPRA Mechanism to allow the free market forces to determine prices, when the products of the new refineries would be released to the market.
- It should provide attractive tax incentives such as tax holidays, waiver on import duties of refinery machineries and components, attractive capital contribution allowances, ease of repatriation of profits amongst others to investors to guarantee returns on their investment.

**Measures to boost production of petroleum products on the short run**

- The old refineries should be handed over to private investors to facilitate the repair, operate and pay dividend to government thereafter.
- Government should provide guidelines and standards for operators of illegal refineries to enable them operate legally as destroying the facilities amounts to waste of capital to the operators and the

nation. The legal operation of these refineries would stimulate employment and boost immediate local supply capacity of petroleum products.

- Government should provide legal framework for the establishment and construction of micro petroleum refineries at the very local level.

#### **Efficient Uses of petroleum products**

- Government should vigorously pursue the revitalization of the railways as an alternative to road transportation. This will reduce the incidence of illegal diversion of fuel through tankers and the demand for fuel for road haulage and mass transportation.

#### **Enforcement of Government Discipline**

- Government should tighten its disciplinary apparatus such as;
  - making the process for the registration of fuel importers transparent and competitive to encourage efficiency,
  - provision of scientific method of computation of all added charges on importation to determine the actual level of subsidy,
  - enactment of legislations to guide operators of refineries on the need to meet with their social responsibilities to their communities.
- Though, some respondents suggested that crude petroleum should be sold to the proposed private refineries at a discount. This is not recommended as it is subject to abuse. Some corrupt refinery operators may buy excess crude at a discount only to resell it at the international market price to make cheap economic gains. Some privileged political office holders, government functionaries and NNPC personnel would likely take advantage of the Nigerian factor to sell to non-existing refineries for personal economic benefit.
- Petroleum thieves and pipeline vandals are economic saboteurs and they should be so treated.

- Government should legislate on the modalities to fight corruption in the petroleum industry.
- It should consider the state governors' appeal to prosecute and punish the numerous oil thieves that had been caught to serve as deterrent to others in the bad business.
- It should set up a special court to prosecute economic saboteurs and persons involved in petroleum related corruption cases.
- Government should extend its fight against oil thieves by seeking the support of all nations that are buying Nigerian crude to discourage them from buying Nigerian crude that has no proper documentations, as such products could have been stolen. That way, if the thieves have no market for their stolen products, they would have no incentive to steal.
- It should engage local traditional leaders to provide security for petroleum facilities within their domain instead of Abuja based contractors who are not familiar with the local terrain.
- Government must improve on the security in the country. The incessant kidnappings and attacks by the various militant groups of foreigners and business men had driven away many investors out of the country for other countries that are relatively safe for investment.
- It should as a matter of policy, sponsor research to develop alternative sources of fuels and renewable sources of energy to redress the current over dependence on petroleum fuel.

#### **Palliative Measures of Deregulation**

- Several countries had successfully applied direct cash transfers to protect the most vulnerable household groups from the negative consequences of reforms. Ghana used a more indirect approach and abolished fees for all public primary and secondary schools and a program to improve public



transportation (Bacon and Kojima, 2010). Cash transfer that is targeted at the poor had been a more effective way to help the poor in Brazil (Devarajan, 2013).

- Protecting the poor from the negative impact of reform is most important for success. The immediate negative effects of petroleum subsidy reform on real household incomes, especially those of the poor had elicited social tensions or even riots. However, social unrest can be mitigated, if the deregulation programme is preceded by effective publicity campaigns to raise awareness of the masses on the short and long run benefits of deregulation and the proposed palliative measures are clearly enumerated.
- The government should work out direct cash transfer programme such as subsidized inputs to farmers who are physically working in the farms, effective free education at primary, secondary and vocational levels in public schools, free tuition in the public tertiary institutions, free medical services to all students with school identity cards and certified senior nationals above the age of sixty five years.
- Government must involve both labour and civil society organizations at the very early stage of drafting the programme.

## CONCLUSION

The Federal Government of Nigeria had for many years been removing subsidy in bits. Every subsidy removal and announcement had generated violent reactions from the people because of the negative consequences on their lives. The question that the government needs to answer is whether the government is simply interested in removing subsidy so as to channel the removed subsidy fund to finance other projects or to deregulate the petroleum industry in order to stimulate investments and create jobs. With the imported petroleum products subsidized, the local producer would not be able to supply its products into the same market except the local production is also subsidized. This should not be encouraged again. Subsidy removal had not stimulated investment and cannot. Deregulation of the downstream of the petroleum sector would. Deregulation is a necessity that must be religiously

pursued. Deregulation of the petroleum downstream would attract investors to build and operate refineries. Government should deregulate the sector.

In order to ensure efficient and effective implementation of the programme, government should assemble a consortium of professionals, irrespective of their political leanings to address the modalities for the deregulation of the downstream of the petroleum sector.

The prices of petroleum products on the short run would go up significantly. Supply of the products would be cut back by those importers who had been benefiting from the payment of unearned subsidy fund to create artificial scarcity. They would attempt to sabotage the process so as to give credence to their position that the masses would be worse off by deregulation. With the commencement of local production and release of the products from the proposed private refineries into the market, there would be competition and consequent drop in prices. Construction and operation of the refineries would create employment opportunities with its ripple effects on the economy.

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