DEREGULATION OF THE DOWNSTREAM OIL SECTOR AND
CHALLENGES OF NATIONAL DEVELOPMENT, 1999 -2012.

BY

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PG/M.Sc./11/59787

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This research project work has been examined and approved by the Department of Political Science for the award of Master of Science (M.Sc.) Degree.

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DEDICATION

This work is dedicated to God Almighty and to the evergreen memory of my loving mother (Louisa Chioma Ezu-like).
ACKNOLEDGEMENT

A work of this magnitude will be incomplete without the acknowledgement of my most amiable supervisor, Dr. Aloysius Michael Okolie, for his guidance both morally and intellectually. Most importantly for making me sound and more grounded in my chosen field of study and for making me desert the peasant way of reasoning. You will forever remain my role model and mentor.

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My humble appreciation equally goes to my parents Mr. & Mrs. George Ezu-like, my elder brother Chelsma, my younger brother Ekene and to my sisters, Chinenyhe, Chialuka, Chisom, Chioma and Azawom. Also to my friends, Clinton, Obinna, Mmuo, Austin and Ify.

Finally my appreciation goes to God Almighty for making me see to the end of this project work.
ABSTRACT

The oil industry has been contributing immensely to the Nigerian economy and that is why over 80 percent of the country’s foreign exchange earnings come from this sector. Since the discovery of oil in commercial quantity, Nigeria has been experiencing consistent increase in revenue earning. Even with this increase, Nigerians are yet to enjoy the basic necessities of life. We have witnessed strikes and demonstrations against poor supplier’s incessant increase in the pump price of refined products. In a bid to reduce the burden on the citizenry, the federal government introduced subsidy, which was to make prices of petroleum in the country cheaper for consumers to buy. But, alarmingly the price of the product continues to escalate even with the huge amount of about 1.7 million naira spent on subsidy. It is against this background that this work seeks to examine the issue of deregulation in the downstream oil sector and to find out if the partial removal of fuel subsidy has enhanced government funding on social welfare. The method data collection we used was based on observation and the sources of data collection were secondary. We also used liberal political economy theory to show the logical interrelatedness of the research question and the hypothesis. During the course of this research, we found out that the enormous amount of money spent on fuel subsidy resulted to poor funding of social welfare and the partial removal of fuel subsidy has enhanced government funding on transport, health and education. This work therefore recommended that The SURE-Program of reinvestment and empowerment from the subsidy removal proceeds should be used to revamp the economy and federal government should monitor the state and local governments on how the make use of the funds.
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CHAPTER ONE: INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Nigeria is endowed with vast resources including such minerals as petroleum, limestone, tin, natural gas and others (Anyanwu et al, 1997). All these minerals have remained untapped, except petroleum which has dominated Nigeria’s economy since the 1970s. Today, petroleum is by far the most widely used energy resource world wide. Its production and distribution, according to Asimi (2005), affects the relations among nations and even the purchasing power of some individual citizens. The first discovery of oil in commercial quantity in Nigeria was made in 1956. Shell-Bp was the principal company undertaking oil exploration and production activities in the country, although there were sporadic explorations by other companies, prior to that date (Gidado, 1999). According to him, Nigerian government did not embark on serious oil policies for the country until 1967. The rapid inflow of oil revenue to the country in the early 1970s, led to the complete abandonment of agriculture which was Nigeria’s economic mainstay. It was observed that since the beginning of oil production in commercial quantity, Nigeria has been rated high, the world over, such that she is declared Africa’s second largest producer after Libya, eight largest exporter in the world and the worlds tenth largest oil reserves (Omotogo, 2010:2).

Since Nigeria’s export of first crude oil in 1959, it has become the major contributor to the country’s economy, and that is why over 80% of the country’s foreign exchange earnings come from the oil sector. Nigeria has been enjoying consistent increase in the revenue from oil. For instance, a barrel of oil was sold at 3.00 dollars per
barrel in 1971, 12.42 dollars and 37.00 dollars a barrel in 1971 and 1980 respectively. Following steady increases in the sales, receipts swelled as well from 300 million dollars in 1970 to 4.2 billion dollars by the end of 1974, when oil production was 2.3 million barrels per day. (Asimi, 2005). By 1976, oil revenue had risen to 6.3 billion naira and in 1980, the peak of 12 billion naira was achieved (Nigeria oil Directory, 1993) considering the current price of crude oil in the international market, which stand above 70 dollars a barrel, the revenue accruing to the country, has equally increased correspondingly.

Many hold the view that for the down stream sector in Nigeria to satisfy the yearnings and aspirations of the citizenry the sector should be deregulated and privatized. Deregulation and privatization like we stated earlier is a global phenomena. They are the offshoot of economic globalization. Many developed and developing countries have experienced one form of economic reforms or the other as a result of the global economic demands. The attitude of some Nigerians towards deregulation of the down stream sector has been indifferent as many hold the notion that such government policies will lead to job losses as well as high cost of living. This negative attitude or posture; poses the greatest problem to the Nigerian economy. Many have argued that the non-deregulation of the sector will lead to negative consequences such as wanton diversion of petroleum products to neighboring countries, perpetrated in the system. The country has four oil refineries and these refineries have been bedeviled by fire, sabotage, poor-management, lack of turn-around maintenance as well as corruption. The challenges have made it difficult for the refineries to operate beyond 40% of their capacities (Adewumi & Ademugba, 2010).
From 1986 to date the debate for deregulation of the downstream sector has clouded its performance but now, it is a reality but the issue is this, does this deregulation mean well for the citizens? Many are of the view that it will bring/result to untold hardship on the poor masses. This sticky issue of oil is no longer a new phenomenon in the global politics. Oil is buried beneath the earth as debris, it had enjoyed a steady metamorphose into what we all refer to as crude oil. Oil is also a popular item because of the inevitability of its usage, which as a doubt-entendre has become a major bane contributing to a “Rat race” which has reduced the entire humanity into a village. Oil accounts for 75% of the worlds total source of revenue. Nigeria, as a part of global politics has had her reforms including liberalization and deregulation in the downstream sector driven by the oil phenomenon.

However deregulation policy has globally been embarrassed by several countries like Peru, Argentina, Pakistan, Chile, Philippines, Thailand, Mexico, Canada, Venezuela, Japan and U.S.A. In order to lessening public sector dominance and for developing a liberalized market while ensuring adequate supply of products.

From the countries so far enumerated Nigeria is not alone in this global trend of attempting to develop its downstream sector through liberalization and deregulation and increased private sector participation. Deregulation of the downstream sector, as conceived in 2012 involved not just the removal of government control on petroleum product prices, but also the removal of restrictions on the establishment and operations including refining, jetties and depot, while allowing private sector players to be engaged in the importation and exportation of petroleum products and allowing market forces to prevail.
In this study therefore, we shall explore the strengths and weaknesses of deregulation and the implications for sustainable development in Nigeria.

1.2 STATEMENT OF THE PROBLEM

The nation spends 1.7 million naira on fuel subsidy annually according to the CBN Governor. This represents almost half of the budget for the fiscal year of 2011. This has slowed the rate of economic development. That is why Ayankola (2010) advocated for its removal and the introduction of deregulation in its place. Arguing on this Gwegwe (2012) noted that the removal of fuel subsidy would lead to a number of ripple effects which includes increase in pump price, transportation fare, school fees, house rent, food stuffs and health care services. Arguing in favor of Gwegwe, Olarnrenwaju (2012) opines that fuel subsidy removal was an invitation to anarchy, death, discomfort, anger, anguish and poverty. Stressing further on the issue of subsidy, Oketola (2010) contended that it would be difficult to get adequate financing and investment in refineries in a regulated pricing regime. He observes that this country spends approximately 600 million naira per day on oil subsidy, while government struggles to fund infrastructure, health, transport and other competing needs in the economy. Nigeria, ever before this reform had weighed its pros and cons and there is no place in the world where reforms are embraced without agitation. If statistics of nations already adopted deregulation is taken, it will be shocking to know that its take-off met with lots of road blocks.

Nigeria economy is almost singularly hinged on crude oil export and therefore, highly sensitive to internal and external market shocks in the oil sector. What this means
is that a fractional rise in cost of fuel has unmitigated ripple effect on the industrial sector and key components of basic need indicators such as food, housing and health.

Secondly, the ripple effects are without boundary as social liberties for example, become less accessible to the average Nigerian and well removed from the less privileged who consist the vast majority of the over 145 million population. If Nigeria should borrow a leaf from this nations and allow the down stream sector to be fully deregulated, we are sure to have a success story to tell. Otherwise, Nigeria becomes an on-looker in the polity of oil producing nations. As the recent event unfolds, deregulation becomes inevitable. There is no point running away from grasping reality, efforts should instead be made to face challenges stoically. It is of a paramount importance that petroleum tax be implemented because it is a must food to be eaten one day. Nigeria’s daily fuel imports are down 45 percent this year, or by 27 million litres a day, on the back of the partial removal of petroleum subsidies by the Federal Government. Meanwhile government is said to have borrowed N850 billion in 2011 to import products. A look at the pricing template of the Petroleum Pricing Regulatory Agency (PPPRA) for PMS for December 2011 showed that the landing cost of a litre of petrol is N124.76 while the distribution margin for transporters, retailers, bridging fund, marine transport average (MTA) and administrative charge is put at N15.49. This however brought the total cost of petrol to N140.25.

Meanwhile, when the initial official pump price was N97 per litre, the government is said to subsidize the difference of N43.25. (Chiejine, 2012). Most of the scholars were talking about how subsidy removal will lead to employment, some are of the opinion that it would bring hardship and others were talking about the inflation rate
going up and coming down in the long run. They failed to tell us if the partial removal of fuel subsidy would lead to increase in government funding on social welfare, if corruption is the reason why government can no longer maintain fuel subsidy and if regulation of the downstream oil sector has undermined the revenue generated from the sector.

In view of the above outlined issues, we outline the following questions:

- Has the partial removal of fuel subsidy enhanced Nigeria government funding on social welfare?
- Is the persistence corruption in the downstream oil sector responsible for the inability of the government to maintain subsidy on fuel?
- Has government regulation of the downstream oil sector enhanced the revenue generated from the sector?

1.3 OBJECTIVES OF THE STUDY

The broad objective of this study is to appraise the deregulation exercise of the downstream sector and the challenges on national development. The specific objectives of this study are:

- To investigate the effect of the partial removal of fuel subsidy on government spending on social welfare.
- To establish if the persistence of corruption in the downstream oil sector amounts for the government’s inability to maintain subsidy fuel.
• To ascertain if government regulation of the downstream oil sector has enhanced the revenue generated from the sector.

1.4 SIGNIFICANCE OF THE STUDY

The significance of this study is both practical and theoretical. The relevance of this research will be of immense benefit to the wider society, the government and policy makers to assess and reassess the deregulation exercise of the downstream sector and partial fuel subsidy removal. This study would enhance policy formulation by exposing the huge amount spent on fuel subsidy with the intention of alleviating the suffering of the masses by government improvement on social welfare funding. Also the study will help every one in the society understand the implications of deregulation.

The significance of the study also lies in the fact that it would contribute to existing literature on the subject by contributing in filling the gap that has been created by non-availability of objective text on deregulation of downstream sector and hence contribute to the store house of knowledge.

Above all, it would also be an invaluable tool for students, academic, institutions and individuals that want to know more about the deregulation of the downstream sector in Nigeria and it hopes to provide basis further research on the topic.

1.5 LITERATURE REVIEW

In a bid to understand the deregulation of the down sector a review of the pertinent literature by scholars who have written on the subject matter is necessary to investigate the effect of fuel subsidy and government funding of social welfare, corruption and
management of fuel subsidy and to look into the government regulation policy and revenue generation in the downstream sector. With a view to locating the gap in the literature.

According to Kupoloku, (2004) sees deregulation as the dismantling of the natural monopoly of the state owned enterprises by privatizing and deregulating price controls. He argues that this would lead to the creation of competition in the downstream by encouraging more companies to get involved and eventually supplying the market at competitive pricing levels. Thereby reducing the cost government spends on subsidizing the sector.

Idumange (2011) argues that deregulation would not boost in foreign direct investment to the Nigerian economy and reduce transportation costs of products and people but rather it will create a class of thieving compradors and hawks in the oil industry. He further argues that deregulation presupposes a condition of full employment or the implementation of some welfare package in an economy where so more than 85% of graduates are unemployed.

Ugwuanyi (2009) sees the need for deregulation, in his argument he says that regulation and payment of subsidy encourages lack of competition, corruption and wastage because of lack of plan, which has been responsible for demurrage and other factors that inflate the cost of fuel. To him, this is because importers know the government will certainly pay the extra cost through subsidy.

Ndiribe (2011) was of two views. He opined that proposal should be carefully considered before a decision is taken on it. He supports those who do not want the
deregulation of the downstream sector from the perspective of the government’s credibility. He says that government is talking about economic growth that is not seen. On the other hand he posited that government deregulation of the downstream sector is good from the point that whatever is realized from the exercise will be ploughed back into the economy for the benefit of Nigerians.

Anthony (2011) is of the view that Deregulation of the downstream sector will be too harsh to the majority of the citizens of the country. She goes on to say that deregulation in the face of the present hardship being experienced daily by Nigerians. It will also make nonsense of the new minimum wage approved by the federal government because it is just like giving something with right hand and taking it back with the left considering that the percentage of working Nigeria are below 20%.

Koyi (2011) says that Nigerians are not impressed with the decision by government to deregulate the downstream sector. He calls it a political suicide and he admonished the federal government to handle the issue with caution because if not handled properly, it might cause a series that would hamper the country’s economy.

Okafor (2011) opined that the deregulation of the downstream sector would create jobs and grow the economy. She continued by saying that, it is better to manage the economy and use the resources appropriately, by using the money saved on subsidy to grow the economy. In the area’s of huge public transportation and the railways.

Iba (2009) argues that deregulation and removal of government subsidy on products like petrol, obviously, would lead to increase in the price of the petroleum products, as market forces will determine prices. And with local manufacturers already
attributing their plants because of and diesel generators to power their plants because of the inability of PHCN to guarantee stable electricity supply, and further increase in the prices of petrol and diesel would certainly wreak more havoc on the manufacturing industry.

Nwachukwu (2010), is of the opinion that if the government will be prudent, committed and adhere strictly to the necessary steps and recommendations in the process, deregulation will be good for the country economically and politically.

Ladan (2012) averred that the speedy implementation of the deregulation policy would go a long way in encouraging inflow of private sector and international investment in the downstream sector. He goes on to say that deregulation is the only way majority of Nigerians will derive fair deal from the abundant petroleum resources in the country. He continues by saying that, with deregulation, consumers will enjoy fair product prices and operators will be in a position to recover full cost and reasonable margins on their operations.

Sobowole (2012) argues that Deregulation of the downstream sector would give rise to efficiency in product usage, product availability and effective competition among investors hence putting an end to the so called NNPC monopoly. He observed that it is only when deregulated regime is put in place that the private refineries that have been licensed can really take off, nothing that investors who have been given licenses to build refineries are scared of venturing into the multi-million naira project because of the regulated regime in Nigeria. He informed that deregulation is the bedrock for the transformation and growth in the downstream sector.
Ikuomola (2011) says that, if annual fuel subsidy money alone will equal the capital budget (what federal government budget in one year for education, health, Agric and all other forms of social services) then we are finished. Therefore he supports the removal of fuel subsidy and deregulation of the downstream sector. Though it will cause a lot of hardship for the citizens in the beginning but subsequently, it will managed to create great market competition, will cause these increased prices to find their real value level. When the economy becomes open market operational, the competitions will create more jobs.

Ibikiowubo (2011) is of the view that, whatever the reason for removal of fuel subsidy and the deregulation of the downstream sector, indications are that for a country with a reserve portfolio in excess of 36 billion barrels of oil and daily output capacity put at about 3million barrels per day, a deregulated environment would engender an environment conducive for investments to thrive. Refineries would start springing up across the country, jobs would be created and the country would become a petroleum products refining and petrochemicals hub, at least in the West Africa sub-region. He goes on to say to that prices of petroleum products would increase in the short run. In the medium to long term, investment in development of infrastructure would go up owing to the large volume of human and vehicular traffic, jobs would be created, technology would be domiciled and under such circumstance, the Gross Domestic product, GDP of the country can only go up.

Okafor (2012) says that the major reason for deregulation of the downstream sector is to save the economy from total collapse, that the liberalization of the sector is to attract investors because subsidy has been a drain pipe as the poor masses that are
supposed to benefit from fuel subsidy are not feeling the impact rather very few individuals are corruptly enriching themselves. He says that the money that will be saved from subsidizing will be used to create jobs and help in infrastructural development and also small and Medium Enterprise will be better.

Ebegbulem (2011) says that Deregulation of the downstream sector and the subsidy removal will pose a challenge to monetary policy authority due to its inflationary impact in the short run. He said, “Though the ministry of finance has plans to rein in government spending, it can only be realized in the medium to long term. He said in practice fiscal retrenchment cannot hold in the short term. He said that the implementation of this policy has a potential of pushing up prices of goods and services in the country. He said that, in the interest of the economy and the nation, there is urgent need for greater collaboration and coordination between fiscal and monetary authorities to deliver better policies to move the economy forward.

Ahmad (2011) opines that the deregulation of the downstream sector would enable government to provide good roads and create employment for the youths in the country. He believes that the money used in subsidizing fuel should be channeled into infrastructure development to grow the economy in order to achieve the vision 20:2020 target. He goes on by saying that the reality about the whopping sum spent by government to subsidize petroleum products went into the wrong hands. The masses are not beneficiaries of the subsidy money to him with deregulation this issue will be addressed.
Maku (2011) opines that deregulating the downstream sector was important in growing the industry rather than the enormous amount used in subsidizing the sector by the government. He went further to say that if the sector was deregulated, it would encourage private investors in the oil industry. He also made a point about deregulation, that it would free the sector for massive infusion of capital and technology to grow it and earn more money for Nigeria and in turn create employment opportunities for Nigerians.

Ihenacho (2011) argues that full deregulation of the downstream sector will encourage private sector participation in the building of refineries and bring down prices in the long run. He continued by saying that petroleum price will go up immediately after the commencement of deregulation but the removal of subsidy will encourage Shell, Chevron, Total and other private investors to build more refineries to create employment opportunities, crash down the price of fuel and engender stability in the supply of petroleum products among other benefits.

Adigun (2012) opined that with deregulation, what the federal government spent on the petroleum products refining, importation and distribution in form of subsidy which is quite colossal will be used to fix infrastructures while Nigeria moves for ward and graduate to the enviable advanced economy. He goes on to say that with deregulation competition will also set in and as many refineries come on board, petroleum products and several by products will be surplus and sold even cheaper than Nigerians expect over time.

Nati (2012) is the opinion that by deregulation the emphasis is on efficiency, the emphasis is on competition, the emphasis is on opening up market so that global sector
players can come in and make market more effective and due to subsidy a lot of sharp practices have been going on, inefficiency, corruption, smuggling, once subsidy is removed and the sector deregulated. The incentives for all these ills will be eliminated and an open market will be created.

Adbulaheem (2012) opines that deregulation of the downstream sector, is a radical measure aimed at plugging obvious leakages in the economy, harness revenues for capital stock formation, promote private sector investments in public-private partnerships (PPPS) to help bridge the infrastructural gap and create incentives for investment in refineries and the petrochemical industries. He further stated that he attendant savings would be channeled into the development of critical infrastructures such as power, transportation, education and health amongst others.

Worika (2012) observed that with deregulation more players will come into the sector, there by leading to more rational and efficient allocation of resources in the short-term. The long term effect is to stabilize prices with increased and improved variety of the quality and quantity of petroleum products in circulation for the ultimate consumers furthermore, he asserted that it would make our petroleum prices far more competitive both locally and internationally, their will be better value for money and smuggling would be discouraged.

Oketola (2010) contended that it would be very difficult to get adequate financing and investment in refineries in a regulated pricing regime. He observed that this country spends approximately N600 million per day on subsidy, while government struggles to fund infrastructure, health, transport and other competing needs. With deregulation,
Oketola stated further that government would have more resources available for the provision and financing of education, road construction and equipping of hospitals and improving the power sector.

Adeogun (2010) contended that the quest to attract private investors into the petroleum refining business could only be done through deregulation. This simply implies that for there to be an existence of functional refineries, it is dependent on effective deregulation.

Goodluck (2012) opines that deregulation is not a magic formula that will address every economic challenge, but it provides a good entry point for transforming the economy, and for ensuring transparency and competitiveness in the industry, which is the mainstay of our economy. He further asserts that deregulation will cause an initial discomfort, which is temporary and at the end we will reap the benefit.

Ugwuonye (2012) is of the view that deregulation of the downstream oil sector will improve the efficiency use of scarce economic resources by subjecting decisions in the sector to the operations of the forces of demand and supply. This to him will attract new sellers, buyers and investors into the market, thereby increasing competition, promoting overall higher productivity and, consequently, lowering prices over time. The ultimate effect of this chain of activities is increased gains for the people of Nigeria who would be getting the most out of their natural resources.

Omoyele (2012) opines that deregulation will reduce economic waste and lightens social burdens caused by government control for several years, Nigeria experienced scarcity of petroleum products that crippled national economic activities, and increased
the cost of doing business, several times over. The resulting scarcity inevitably leads to a
flooding of the market with adulterated products, which usually leads to the damage of
vehicles and machines. He went on to point out that deregulation will help address price
scalping and a host of associated problems related to the sector.

Ogheneyole (2012) asserts that deregulation of the downstream sector is a way
forward in expanding opportunities for economic growth and a competitive downstream
petroleum sector, if the regulation in the downstream sector is limited to oversight and
supervisory functions, aimed at guaranteeing quality of products and preventing
consumer exploitation, then the process of deregulation could help achieve greater cost-
effectiveness.

Okpole (2010) the move to deregulate will accelerate the birth of refineries and stem the
flood of imported refined fuel currently estimated to cost about 1.5 trillion yearly. Okpole
was of the view that successful deregulation of the downstream sector will lead to the
building of new refineries. He equally believed that they (new refineries) will add some
capacity of 750,000 barrels per day to Nigeria’s refining infrastructure and position
NNPC to engage profitably in the international trading of refined petroleum product.

Okiti (2009) stated that the importance of the deregulation of downstream oil
sector cannot be overemphasized, since its process must ensure that there are competitive
incentives that serve as a platform for greater generation of wealth than savings the
government hope to make. He contended that the end game of a deregulated environment
should be a vibrant, competitive, investment and employment general sector.
Fawibe (2009) gave some reasons why government wants to deregulate the sector. They include: burden of subsidy on national treasury; strain of financing Nigeria’s state-owned petroleum businesses; intra and trans ECOWAS smuggling of Nigeria’s oil products; relative market prices of oil in the ECOWAS sub-region; inability to attract investment in midstream while licensed refineries could not operate and the high cost of maintaining the refineries. He was of the view that Nigerian government should deregulate the downstream sector, so as to revitalize the country’s ailing economy and equally provide all necessities of life to her teeming population. Finally he opined that, if the policy is properly implemented, it will no doubt bring increase in foreign investment in Nigeria, increase in competition, availability of products, predictable prices of products, end of price-fixing regime, appropriate accounting of the oil revenue, and reduce corruptive tendency in the sector.

Braide (2003) quoted in Ezeagba (2005), there are certain processes which deregulation must undergo before it succeeds in Nigeria context. They include supply side and complete deregulation. In the supply side, the writer stated some underlying assumptions, which consist of the federal government’s sensitivity to the inadequacies of the existing stated-owned petroleum refineries and refined products; supply and distribution system and desire to maximize supply sources for the refined products market in the country.

Alamutu (2009) said deregulation would encourage competition, which would ultimately bring down the price of petroleum products. “Under the new dispensation, importation of petroleum product would be put on open license for any operator that wants to venture into it, as against selecting a few firms to do so; this would bring about
competition in the market and force price down. He said unless this is done the country’s four refineries may not work, because those bleeding the economy under the subsidy regime would not let it work. “But if it was a private refinery, it would work.

Chizea (2009) is of the opinion that in the light of the nation’s experience with subsidy, he believed that it cannot be encouraged anymore in the country’s present day economic situation. He recalled how the subsidy on fertilizer was hijacked and later became an instrument for political patronage and never reached the intended beneficiaries. He strongly admonished Nigerians to be very careful in recommending the extension of subsidy in our environment.

Duada (2012) is of the view that a deregulated oil sector will open up more private sector investments as more players will be attracted into the sector as against the present situation where it is regulated and under government’s control, such diversified investments in the sector will further lead to the establishment of allied industries which will use crude oil by products for production. It is beyond doubt that Nigeria needs to diversify its mono based economy to ensure a more economically stable future. Furthermore, with local industries set up in the country, there will be less dependence on imports, which further deplete the country’s foreign reserves. Aside the above gains, a deregulated oil sector means more revenue to government through taxes by the new investors. Also, there will be drastic reduction in the quest for foreign currencies which impacts negatively on the value of the Naira.

Akintunde (2008) argues that subsidy on petroleum products is a penalty the Federal Government should pay for its inefficiency in managing the country’s oil industry.
Any attempt to make the people pay for this 'inefficiency' by removal of subsidy is to be resisted, as Nigeria already ranks very low on human development indicators, including high rates of poverty, maternal mortality, adolescent deaths and very limited access to modern healthcare, etc. Furthermore, a percentile increase in petrol price would translate to higher increases in food prices and cost of transportation, whereas wages will largely remain static.

Tunde (2012) opines that the recent partial deregulation is painful but necessary to ensure the country’s long term fiscal sustainability and therefore commendable. the near term inflation outlook however confirms that the inflation pressure will be short lived and it is projected to moderate after the second quarter of 2012 with complementary tight fiscal stance.

From this copious literatures we reviewed on various scholars who have contributed to the subject matter of deregulation in the downstream oil sector we found out that most of the scholars were talking about how subsidy removal will lead to employment, some are of the opinion that it would bring hardship and others were talking about the inflation rate going up and coming down in the long run. They failed to tell us if the partial removal of fuel subsidy would lead to increase in government funding on social welfare, if corruption is the reason why government can no longer maintain fuel subsidy and if regulation of the downstream oil sector has undermined the revenue generated from the sector.
1.6 THEORETICAL FRAMEWORK

The theoretical framework we will adopt to show and explain the relationship between the independent and dependent variable and also the logical interrelatedness of the research problem and the hypothesis is called: The Liberal Political Economy Theory as propounded by Adam Smith and others. Economic liberalism is an ideological belief in organizing the economy on individualist lines, such that the greatest possible number of economic decisions is made by private individuals and not by collective institutions. It includes a spectrum of different economic policies, but it is always based on strong support for a market economy and private property in the means of production. Although economic liberalism can also be supportive of government regulation to a certain degree, it intends to oppose government intervention in the free market when it inhibits free trade and open competition. Economic Liberalism opposes government intervention on the grounds that the state often serves dominant business interest, distorting the market to their favor and thus leading to inefficient outcomes. Adam Smith, advocates minimal interference of government in a market economy, though it does not necessarily oppose the state’s provision of few basic public goods with what constitutes public goods originally being seen as very limited scope. Smith claimed that if everyone is left to their own economic devices instead of being controlled by the state, then the result will be a harmonious and more equal society of ever increasing prosperity (Ian, 2001).

Due to the inefficiency ushered in by government regulation of industries and increase in mass poverty and inability of the citizens to afford basic necessities of life, deregulation, which is part of economic liberalism, becomes the way out for excessive government spending. Thereby leading to provision and possible subsidization of the
basic needs of life with the revenue generated from the subsidy removal. This can only happen when government backs out from regulating an industry and allowing market forces to determine the prices.

The government is implementing a policy to deregulate the downstream sector because it argues that the subsidy being paid by government is not sustainable particularly as subsidy payment now exceeds the annual capital budget of the federal government. Government also makes the case that it is important to deregulate the downstream sector and by implication allow market forces to determine the pump price. This will enable government to completely get out of the sector so that it can be fully market driven. It is easily agreed that the subsidy that government declares as paid annually is extremely high and not sustainable without it busting the budget. It is also not disputable that deregulation of the downstream sector will encourage the investment on new refineries and product reception and distribution infrastructure with all the attendant benefits. However, deregulation and or subsidy removal have to be planned and executed carefully so that the desired objectives are attained. A stood, implementation will mean a deplorable setback for the entire stakeholder in the industry.

The deregulation of the downstream sector, which really implies allowing the price of the petroleum product to follow the forces of demand and supply and adjust towards the world market price, is equivalent to a reduction in the indirect subsidy on fuel. In practice, this may mean a local tax on petroleum product in order to bring its domestic price at the pump closer to the world market price. If the tax proceeds are returned to the public (for example, in the form of a lower general sales tax or value added tax). This means that the selective fuel subsidy has been replaced by an equivalent general gas
subsidy. This is an ideal solution because it allows the recipients of the subsidy decide for themselves how to make the most of the subsidy.

If the tax proceeds are instead used to bolster the education system, this means that the fuel subsidy is replaced by a subsidy to education. If they are used to improve healthcare services, then, this means that a fuel subsidy is replaced by a subsidy to health services and so on. Most people want the price of petroleum product to be as low as possible, it is true, but they also want more and better public services, including clean air and uncongested roads. Like other aspects of economic policy, taxes and subsidies need to be transparent. A lack of transparency tends to perpetuate inefficiency. The government should not be in the business of fixing prices for individual commodities, for this is what free markets do best. Therein lies the superior efficiency of the market economy compared with alternative ways of organizing economic activity. The market for petrol is no exception from this general rule.

To crown it up, an effective and efficient deregulation will automatically take care of National developmental Issues through social protection. Social protection is an essential ingredient of growth-friendly policy reforms. For one thing, social insurance and health care reduce the need for population growth, thereby enabling families to offer each of their children better opportunities through better education and health care. Subsidization through regulation of petroleum produce, however, is an inefficient method of social protection because it deprives the national economy of necessary income and discourages conservation of the product. A tax on petroleum product aimed at bringing local petroleum product price closer to world market levels could be used to finance more efficient means of social protection through more and better education, health care and
infrastructure. If government can put the N1.7 trillion it is currently spending to subsidize the price of petrol into rehabilitating the educational or health sector, or pick about two or three roads for rehabilitation, then it would have succeeded in addressing some of the developmental challenges bothering the nation.

1.7 HYPOTHESES

In a bid to fill the gap in the literature, this study shall explore the following hypotheses:

- The partial removal of fuel subsidy has not improved Government’s funding on social welfare.

- The persistence of corruption in the downstream oil sector accounts for the inability of government to maintain fuel subsidy.

- The regulation of the downstream oil sector by government has not improved the revenue generated from the sector.

1.8 METHOD OF DATA COLLECTION

The method of data collection shall be primary source of data collection. The data shall be sourced from the publications of the Nigerian National Petroleum Corporation (NNPC), Petroleum Products Pricing Regulation Agency (PPRA), Central Bank of Nigeria (CBN), SURE-Program document, Newspapers, Magazines and Journals. The Data sourced will seek to investigate whether the partial removal of fuel subsidy has enhanced in the government spending on social welfare, to also find out if corruption in the downstream sector has impacted in the inability of government to maintain fuel subsidy and to know if government regulation of the downstream oil sector has undermined the revenue generated from the sector.
Due to the confidentiality of certain records like that of ‘independent oil marketers’, the information required in order to highlight and analyze some observation may not be accessible.

1.9 METHOD OF DATA ANALYSIS

In the analyzing our data, we adopted the qualitative method of data analysis. According to Asika (1990) qualitative descriptive analysis is used to verbally summarize the information gathered in a research. Through qualitative descriptive analysis, descriptive explanation is given to statistical data gathered in our research work, in order to establish the relationship between the variables under study. Thus the use of this method of analysis is informed by the simplicity with which it summarizes, exposes and interprets relationships in a given data by a qualitative description or explanation to a statistical information.
CHAPTER TWO: PARTIAL FUEL SUBSIDY REMOVAL AND PROVISION OF SOCIAL WELFARE.

2.1 FUEL SUBSIDY REMOVAL AND FUNDING OF SOCIAL WELFARE

The proposal to phase out petroleum subsidies, in a deliberate and responsible way attests to the resolve of President Goodluck Jonathan’s administration to take bold policy decisions in the quest to transform the nation’s economy. The proposal which is part of the deregulation of the downstream sector of the petroleum industry, is a radical measure aimed at plugging obvious leakages in the economy, harness revenues for capital stock formation, promote private sector investments in public-private partnerships (PPPs) to help bridge the infrastructural gap and create incentives for investment in refineries and the petrochemical industries. etc. Umunnakwe (2004) opined that corruption is the major factor responsible for the inefficiency in Nigeria National Petroleum Corporation, otherwise why is it that refineries that are older than those owned by Nigerians are still operating at full capacity in other parts of the world. Ekpenyong (2011) expressed the view that the subsidy removal was not injurious to the nation. And hence stated that it is better to remove the subsidy and use it to impact on the people than for a group of people to take N600 billion every year to share among themselves when the product that is brought in cannot be bought by Nigerians at the subsidized price.

Another reason is that the petroleum sector is run by a cabal that has been milking the nation dry through fuel subsidy. Over the years the Federal Government has
spent trillions in subsidizing fuel; a gesture that ought to benefited the people but has been scuttled by some unscrupulous participants engaged in petroleum products marketing.

Reports from Petroleum Products Pricing and Regulatory Agency, PPPRA has it that a total sum of 2.3 trillion was expended between 2006 and 2010 under the Petroleum Support Fund, PSF to pay marketers of fuel the difference between market prices and the pump price of petrol as arranged by government. Analysts have questioned the rationale behind government’s continued sustenance of subsidy to the tune of trillions when such funds could be channelled into infrastructural projects that will in turn meet the challenges that ought to be surmounted in a deregulated economy. Speaking at a stakeholders workshop organised by the House of Representatives Ad Hoc Committee investigating local and foreign loans obtained by Federal and State Governments, the Central Bank of Nigeria Governor, Sanusi Lamido Sanusi said “Last year, we spent a trillion naira for which we are borrowing. Why should we be paying a N570 billion subsidy that the elite are enjoying at the expense of the Nigerian people? The money is going to a cabal. These are the same people that borrow from banks and do not pay. These are the ones rigging elections and are aiding corruption. We have to cut them off”.

Subsidy has not only resulted in the diversion of scarce public resources away from spending in critical infrastructure and human development but has discouraged competition, stifled private investment in refineries and encouraged smuggling of petrol into neighbouring countries where prices are higher. Obviously, the intent of fuel subsidy has been defeated as its administration is beset by ineffectiveness, leakages and corruption. Again it’s not as though the Federal Government is not informed on the
negative impact of regulated prices on the downstream sector of the oil industry as well as the huge burden it poses on government finances but it appears that the will to implement deregulation is lacking. In 2003, the Federal Government opted for deregulation with the overall objective of introducing competition, enhancing efficiency and improving supply. The policy involves the removal of government control on petroleum products prices, allowing market prices to prevail and the opening up of petroleum products importation to the full participation of private sector players. Since its conception, several governments have canvassed and implemented some aspects of the policy such as the granting of licenses to build refineries as means of increasing private sector participation.

The Yar’Adua administration set up a presidential committee on deregulation whose responsibility was to dialogue with various stakeholders and equally fixed a date for the commencement of deregulation in the downstream sector. Yar’Adua said “we are committed to deregulation because we are convinced that subsidy distorts the system, encourages corruption and creates more problem than it solves. We are aware that initially there will be pain but those will be temporary and the whole nation will be better for it.” Reinforcing government’s commitment to deregulation, the then Minister of State for Petroleum, Odein Ajumogobia noted that “the downstream sector is today characterised by government monopoly and dominance, mismanagement of existing refineries, lack of investment and infrastructure constraint. The present scenario encouraged sharp practices and makes Nigeria the only OPEC member that still imports refined petroleum products. Government wants to take the bull by the horn and stop these once and for all”. Ajumogobia also stated that a functioning industry would create the
much needed atmosphere for an industrial boom which he highlighted as; self sufficiency in refining, regular and uninterrupted domestic supply of petroleum products at reasonable prices, creation of a favourable investment climate for local and foreign capital in a manner that would ensure optimisation of the nation’s downstream potential, a self financing and self sustaining sector as well as a downstream sector that guarantees return on investment.

Despite the good intentions behind the policy and dialogue with stakeholders and civil society groups the kick off date was vehemently opposed on the grounds that deregulation was not feasible at the time given the deplorable state of refineries, roads, railway and other socio-economic infrastructures. The critics listed fixing and building of refineries, availability of petroleum products, provision of an enabling environment for meaningful restructuring of the petroleum sector, repair of roads, fixing the problems around power generation and supply among the conditions to met before deregulation could take off. To decisively deal with the problems of electricity which was among the 7 point agenda of his predecessor (late Musa Yar’Adua), Goodluck Jonathan in 2010 ordered the full implementation of the Electric Power Reform Act of 2005, launched the power sector roadmap, signed into law a new gas pricing regime that would govern the price of gas to power for the next five years and promised to engage all gas producers in ensuring availability of gas for power plants. He came out with plans for a national grid and steps which would boost Nigeria’s generating capacity to over 14000 mw in 2013.

The CBN has also earmarked $2billion for funding power projects. These laudable moves have received international commendations and are already yielding results.
Table 1: Showing Budget comparism on social welfare area’s for 2011 and 2012

<table>
<thead>
<tr>
<th>Sector</th>
<th>2011(amount in billion)</th>
<th>2012(amount in billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health</td>
<td>203.34</td>
<td>282.77</td>
</tr>
<tr>
<td>Transport</td>
<td>24.4</td>
<td>54.8</td>
</tr>
<tr>
<td>Agriculture</td>
<td>38.5</td>
<td>78.98</td>
</tr>
<tr>
<td>Power</td>
<td>99</td>
<td>161.42</td>
</tr>
<tr>
<td>Education</td>
<td>304.3</td>
<td>400.15</td>
</tr>
</tbody>
</table>

From the table above, it is clear that due to partial subsidy removal government has increased its budget allocation to social welfare with over 30% increase in education, power and health sector.

Goodluck Jonathan equally took a bold step in ensuring petroleum products availability. To curb incessant fuel scarcity, which before now had bedevilled the economy and which resulted from frequent delay in the reimbursement of fuel subsidy under the petroleum support fund, and ensure product availability, the Federal Government approved the introduction of sovereign debt instrument by the PPPRA. This sovereign debt instrument serves as a guarantee for prompt settlement of legitimate petroleum supply transaction on approved volumes in the event of delayed reimbursement beyond the allowed 45 days as stipulated in the guidelines of the PSF. Under this arrangement, marketers are required to make advance payments of administrative charges and petroleum equalization fund charges prior to being issued with the debt instrument. The Nigerian National Petroleum Corporation, NNPC was also
served with a 7 day ultimatum to end the perennial fuel scarcity or face the consequences. This move led to the creation of “NNPC War Room” and the disappearance of endless queues at filling stations.

Consolidating its efforts aimed at ending future artificially induced fuel scarcity by owning at least 50 percent of all the filling stations in country, NNPC increased its outlet to 502. The corporation has equally vowed to ensure a sustained policy of zero tolerance for fuel scarcity. Group General Manager, Public Affairs; Levi Ajuonuma said “NNPC’s new year tiding to the nation is that Nigerians should be ready to enjoy unimpeded supply of petroleum products all year round. I make bold to put on record that the era of product scarcity is over.” Commenting on the constant availability of petroleum products at filling stations in the past seven months and the uniform price across the country, President Jonathan said “my team and I made no promises on adequate fuel supply in Nigeria. We simply did what was expected of those who govern. We delivered it and you are living witnesses to that”. The road and railway infrastructure are also being revived with various contracts awarded by Federal Government to ensure that they are in good shape. The dredging of River Niger is also in course.

2.2 SUBSIDY RE-INVESTMENT AND EMPOWERMENT PROGRAMME (SURE-P)

The President appointed Dr. Christopher Kolade as the Chairman of the Subsidy Reinvestment and Empowerment Programme Board which is to oversee and ensure the effective and timely implementation of projects to be funded with the savings accruing to the Federal Government from subsidy removal. Major-General Mamman Kontagora
(rtd.) will serve as Deputy Chairman of the Board. The Special Adviser, Media and Publicity, Dr. Reuben Abati, said the Subsidy Reinvestment and Empowerment Programme Board will also include two representatives of the National Assembly, two representatives of organized labour, one representative of the National Union of Road Transport Workers (NURTW), one representative of the Nigerian Union of Journalists, one representative of Nigerian Women Groups, one representative of Nigerian youth, one representative of civil society organizations, the Coordinating Minister of the Economy/Minister of Finance, the Minister of National Planning, the Minister of Petroleum Resources, the Minister of State for Health, the Special Adviser to the President on Technical Matters, and six other reputable individuals from the six geopolitical zones in the country, three of whom will be women. The mandate of the Board shall be to oversee the Fund in the petroleum subsidy savings account, and the programme specifically to improve the quality of life of Nigerians in line with the Transformation agenda of Mr. President.

**The Board will have the following responsibilities:**

- Determine in liaison with the Ministry of Finance and Ministry of Petroleum Resources, the subsidy savings estimates for each preceding month and ensure that such funds are transferred to the Funds’ Special Account with the Central Bank of Nigeria

- Approve the annual work plans and cash budgets of the various Project Implementation Units (PIUs) within the Ministries, Departments and Agencies (MDAs) and ensure orderly disbursement of funds by the PIUs in order to certify and execute projects;
• Monitor and evaluate execution of the funded projects, including periodic Poverty and Social Impact Analyses (PSIA)

• Update the President regularly on the programme;

• Periodically brief the Executive Council of the Federation on the progress of the programme;

• Appoint consulting firms with international reputation to provide technical assistance to the Board in financial and project management;

• Appoint external auditors for the fund;

• Do such other things as are necessary or incidental to the objective of the Fund or as may be.

Between 2006 and 2011, close to N4 trillion was spent on the payment of subsidy on petroleum products. This large and rapid growth in payments became a major burden on Government's finances affecting its capacity to finance key developmental projects and threatening the country's macro-fiscal stability. In the light of these pressures, a consultation with key stakeholders was initiated in 2010. These payments assumed a disturbing and unsustainable dimension in 2011. Even more disturbing, as at December 2011, the payments had risen to about N2 trillion! This amount represented 39% of the total budgeted FGN expenditure in 2011, 151% of the budgeted FGN Capital expenditure, and 4.18% of the Gross Domestic Product. In view of this, Government stepped up consultations towards the full withdrawal of the subsidy. However, in the light of the public outcry, the Government listened to the Nigerian people and revised the plan to have a partial subsidy removal for now. Government plans to reinvest the funds saved from the withdrawal of the subsidy in a combination of programmes to stimulate the
economy, alleviate poverty and generally improve the welfare of Nigerians. In addition, the SURE-Programme also has an infrastructure component aimed at transforming the Nigerian economy and tackle the infrastructure gap. About 80% of the re-investible funds will be put into key infrastructure projects as presented in the Table below

**SUBSIDY RE-INVESTMENT AND EMPOWERMENT PROGRAMME**

<table>
<thead>
<tr>
<th>S/N</th>
<th>CLASSIFICATION/PROJECT</th>
<th>AMOUNT (BILLION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Social safety nets</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Maternal and child health</td>
<td>15.94</td>
</tr>
<tr>
<td>2</td>
<td>Public works for youth</td>
<td>5.00</td>
</tr>
<tr>
<td>3</td>
<td>Mass transit</td>
<td>8.90</td>
</tr>
<tr>
<td>4</td>
<td>Vocational centres</td>
<td>8.60</td>
</tr>
<tr>
<td></td>
<td><strong>Sub Total</strong></td>
<td><strong>38.44</strong></td>
</tr>
<tr>
<td>B</td>
<td>Niger Delta</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Augmentation for east-west road</td>
<td>21.70</td>
</tr>
<tr>
<td>C</td>
<td>Works (Roads)</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Abuja- Lokoja</td>
<td>25.00</td>
</tr>
<tr>
<td>2</td>
<td>Benin-Ore-Shagamu</td>
<td>25.50</td>
</tr>
<tr>
<td>3</td>
<td>Kano-Maiduguri Dualization</td>
<td>20.00</td>
</tr>
<tr>
<td>4</td>
<td>Portharcourt-Enugu-Onitsha</td>
<td>8.00</td>
</tr>
<tr>
<td>5</td>
<td>2&lt;sup&gt;nd&lt;/sup&gt; Niger Bridge (counterpart funding)</td>
<td>5.00</td>
</tr>
<tr>
<td>6</td>
<td>Oweta Bridge</td>
<td>5.00</td>
</tr>
<tr>
<td></td>
<td><strong>Sub Total</strong></td>
<td><strong>85.50</strong></td>
</tr>
<tr>
<td>D</td>
<td>Transport (Rail)</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Lagos- Kano</td>
<td>8.00</td>
</tr>
<tr>
<td></td>
<td>Portharcourt- Maiduguri</td>
<td>15.36</td>
</tr>
<tr>
<td>---</td>
<td>------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>3</td>
<td>Kaduna- Abuja</td>
<td>10.00</td>
</tr>
<tr>
<td></td>
<td><strong>Sub Total</strong></td>
<td><strong>33.36</strong></td>
</tr>
<tr>
<td>F</td>
<td>Sure- Program Board</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Consultancy and Logistics</td>
<td>1.00</td>
</tr>
<tr>
<td></td>
<td><strong>Total Reinvested Fund</strong></td>
<td><strong>180.00</strong></td>
</tr>
</tbody>
</table>

**Source:** A citizens’ guide to the federal budget: Budgetary office of the federation, federal ministry of finance pg 28-29

This plan, which was formally launched in January 2012, was christened the Subsidy Reinvestment and Empowerment Programme (SURE-P) and to lend credence to Government's plans and give assurance that the “savings” will be used for the benefit of all Nigerians and invested in the designated programmes, a board made of eminent Nigerians with a proven record of integrity was subsequently constituted to oversee the fund and ensure that the programme improve the quality of life of Nigerians by monitoring, evaluating and reporting on the execution of the funded projects. Under the partial deregulation regime, the projection indicates that N426 billion would be available, of which the FGN's share is projected at N180bn. This has been passed.

The total projected subsidy reinvestible funds per annum is **1.34 trillion naira** based on average crude oil price of **$90 per barrel**. Out of this, **478.49 billion** naira goes to state government, **203.23 billion** naira goes to local government, **9.86 billion** goes to the Federal capital Territory (F.C.T) and **31.37 billion** as transfer to Derivation and ecology, development of National Resources and stabilization funds (SURE Program: 2011). As shown in table 2 below.
<table>
<thead>
<tr>
<th>S/NO</th>
<th>STATE</th>
<th>ALLOCATION IN (BILLION)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>ABIA</td>
<td>7,460,062.24</td>
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<td>2.</td>
<td>ADAMAWA</td>
<td>7,093,217.24</td>
</tr>
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<td>3.</td>
<td>AKWA IBOM</td>
<td>43,406,731.87</td>
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<tr>
<td>4.</td>
<td>ANAMBRA</td>
<td>7,164,697.14</td>
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<td>5.</td>
<td>BAUCHI</td>
<td>8,309,773.31</td>
</tr>
<tr>
<td>6.</td>
<td>BAYELSA</td>
<td>33,839,652.09</td>
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<tr>
<td>7.</td>
<td>BENUE</td>
<td>7,659,631.38</td>
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<tr>
<td>8.</td>
<td>BORNO</td>
<td>8,451,350.27</td>
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<tr>
<td>9.</td>
<td>CROSS RIVER</td>
<td>7,718,686.26</td>
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<tr>
<td>10.</td>
<td>DELTA</td>
<td>40,965,476.92</td>
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<tr>
<td>11.</td>
<td>EBONYI</td>
<td>5,880,552.17</td>
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<td>12.</td>
<td>EDO</td>
<td>9,432,709.30</td>
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<td>13.</td>
<td>EKITI</td>
<td>5,931,760.50</td>
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<tr>
<td>14.</td>
<td>ENUGU</td>
<td>6,692,449.99</td>
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<tr>
<td>15.</td>
<td>GOMBE</td>
<td>6,291,166.08</td>
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<tr>
<td>16.</td>
<td>IMO</td>
<td>8,729,126.56</td>
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<td>17.</td>
<td>JIGAWA</td>
<td>7,848,086.61</td>
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<tr>
<td></td>
<td>State</td>
<td>Budget Allocation</td>
</tr>
<tr>
<td>---</td>
<td>--------------</td>
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</tr>
<tr>
<td>18.</td>
<td>KADUNA</td>
<td>8,944,553.13</td>
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<tr>
<td>19.</td>
<td>KANO</td>
<td>11,210,304.04</td>
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<td>20.</td>
<td>KATSINA</td>
<td>8,525,402.69</td>
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<td>21.</td>
<td>KEBBI</td>
<td>7,131,000.67</td>
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<td>22.</td>
<td>KOGI</td>
<td>7,113,202.30</td>
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<td>23.</td>
<td>KWARA</td>
<td>6,482,037.63</td>
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<td>24.</td>
<td>LAGOS</td>
<td>10,126,514.01</td>
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<td>25.</td>
<td>NASSARAWA</td>
<td>6,073,343.25</td>
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<td>26.</td>
<td>NIGER</td>
<td>8,294,895.04</td>
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<td>27.</td>
<td>OGUN</td>
<td>6,932,554.10</td>
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<td>28.</td>
<td>ONDO</td>
<td>12,554,345.28</td>
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<td>29.</td>
<td>OSUN</td>
<td>6,575,162.77</td>
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<td>30.</td>
<td>OYO</td>
<td>8,283,911.05</td>
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<td>31.</td>
<td>PLATEAU</td>
<td>6,956,827.74</td>
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<td>RIVERS</td>
<td>44,628,272.62</td>
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<td>33.</td>
<td>SOKOTO</td>
<td>7,395,670.79</td>
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<td>34.</td>
<td>TARABA</td>
<td>7,005,145.87</td>
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<td>35.</td>
<td>YOBE</td>
<td>6,952,382.78</td>
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<td>36.</td>
<td>ZAMFARA</td>
<td>6,973,520.31</td>
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<td></td>
<td><strong>TOTAL</strong></td>
<td><strong>411,034,176.00</strong></td>
</tr>
<tr>
<td>S/NO</td>
<td>STATE</td>
<td>NO OF (LGAs)</td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
<td>--------------</td>
</tr>
<tr>
<td>1.</td>
<td>ABIA</td>
<td>17</td>
</tr>
<tr>
<td>2.</td>
<td>ADAMAWA</td>
<td>21</td>
</tr>
<tr>
<td>3.</td>
<td>AKWA IBOM</td>
<td>31</td>
</tr>
<tr>
<td>4.</td>
<td>ANAMBRA</td>
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<tr>
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<td>6.</td>
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<td>8.</td>
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<td>9.</td>
<td>CROSS RIVER</td>
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<tr>
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<td>11.</td>
<td>EBONYI</td>
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<td>ID</td>
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<td>OSUN</td>
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<tr>
<td>30.</td>
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</tr>
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<td>PLATEAU</td>
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<td>SOKOTO</td>
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<td>34.</td>
<td>TARABA</td>
<td>16</td>
</tr>
<tr>
<td>35.</td>
<td>YOBE</td>
<td>17</td>
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<td>36.</td>
<td>ZAMFARA</td>
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<tr>
<td>37.</td>
<td>FCT-ABUJA</td>
<td>6</td>
</tr>
</tbody>
</table>

**TOTAL** | **774** | **203,235,480.00**

*Source: The SURE-P document (2011)*
Every state and local government is expected to design its own programs utilizing its portion of the subsidy reinvestment funds. The subsidy reinvestment funds from the discontinuation of fuel subsidy will be used for the implementation of the program and to reduce the sufferings of the people our own borrowing needs. The Federal government has decided to channel its own share of the resources into a combination of programs as shown in table 1 above. To stimulate the economy and alleviate poverty through critical infrastructure and safety net projects. Then the aim of deregulation must have been achieved greatly.

Amidst all the initial challenges this policy will encounter, if effectively adopted and the revenue accruing from the policy channeled to the building of infrastructures like hospitals, schools, roads, power and provision of basic amenities of life for the teeming population. This is because the programs cover maternal and child health services, public works/women and youth empowerment program, urban mass transit scheme, vocational training schemes, Niger Delta development projects, road infrastructure projects, rail transport projects, water and agriculture projects, irrigation projects, rural and urban water projects, and so on. (Akpan, 2011:2). The Federal Government launched a robust mass transit intervention programme to bring down the cost of transportation across the country. The programme was implemented in partnership with state and local governments, labour unions, transport owners, and banking institutions, and supported with the provision of funding at zero interest rate as well as import duty waiver on all needed parts for locally-made mass transit vehicles, which will create additional jobs in the economy.
At the end of this investigation and from the data gathered, we reject the first hypothesis, which states that the partial removal of fuel subsidy has not improved Government’s funding on social welfare. From the tables provided it is clear that due to partial subsidy removal government has increased its budget allocation on social welfare by over 30% increase in education, power and the health sector.
3.1 DOWNSTREAM SECTOR CORRUPTION AND THE MANAGEMENT OF FUEL SUBSIDY.

Corruption in Nigeria's state-run fuel subsidy scheme drained $6.8bn from the country's coffers over a three-year period, according to a parliamentary report. A 200-page inquiry revealed underhand practices fuelled a six-fold increase in spending on oil handouts between 2009 and 2011. Fuel subsidies, part of a decades-old programme meant to keep fuel prices low for millions of ordinary Nigerians, jumped to 2, 587 trillion naira from 384bn in the period. The report by a house of representatives committee identified the shadowy Nigerian National Petroleum Company, ranked the world's least transparent state oil firm, as the key culprit. The firm was single-handedly responsible for almost half of the siphoned subsidy funds and was "found not to be accountable to any body or authority". Seventy-two fuel importers, some with allegedly close links to senior government officials, were also singled out. In one case, payments totaling exactly $6.4m flowed from the state treasury 128 times within 24 hours to "unknown entities".

The report recommended an overhaul of powerful directors in NNPC. "Government officials made nonsense of the [subsidy regime] due mainly to sleaze and, in some other cases, incompetence. The insistence by top government officials that the subsidy … was for products consumed was a clear attempt to mislead the Nigerian people". Austin Oniwon, the head of the firm, denied allegations of corruption. "Corruption in NNPC is in the imagination of some people," he said.
President Goodluck Jonathan has set up several committees to investigate the notoriously opaque oil sector after an attempt to scrap the subsidy programme in January triggered an outpouring of popular protest. Sceptical Nigerians, who have rarely benefited from the 2-million barrel-per-day oil industry, feared that money saved by scrapping the scheme would end up lining government pockets rather than bolstering infrastructure for a booming population. A rattled government partially reinstated subsidies at a cost of $5.6bn this year. But Lamido Sanusi, the central bank chief, warned that the funds were unlikely to last the year amid continuing high oil prices.

Oando Oil, CONOIL, African Petroleum and MRS Oil are among the powerful players in the petroleum sector that have shared over N3.655 trillion between 2006 and September 2011 in pursuit of importation of refined petroleum products. They and members of their cartel presented water as petrol, and forged receipts to justify bloated subsidy. It has been revealed that the N1.3 trillion claimed as subsidy by the Federal Government is a bloated figure and a product of endemic corruption among stakeholders in the downstream sector of the oil industry. As revealed by the Nigerian Senate joint Committee on Petroleum (Downstream), Appropriation and Finance, others also listed are: DownStream Energy, N789.648 million; Dosil Oil and Gas, N3.375 billion; Inco Ray, N1.988 billion; Eternal, N5.574 billion; Folawiyo Energy, N113.32 billion; Frado International, N2.63 billion; First Deepwater Oil, N257.396 million; Heden Petrol, N693 million; Honeywell Petrol, N12.2 billion; Integrated oil, N30.777 billion; AMP, N11.417 billion; Ascon, N5.271 billion; Channel Oil, N1.308 billion; Fort Oil, N8.582 billion; Enak Oil & Gas, N19.684 billion; IPMAN Investment Limited, N10.9 billion; Atio Oil, N64.4 billion; AMP, N11.4 billion; and Emac Oil, N19.2 billion.
With reference to 2011, the companies named by the Senate and the amount of money they have received this year alone include Otedola's African Petroleum, N104.58 billion; A.A. Rano, N1.14 billion; A.S.B, N3.16 billion; Arcon Plc, N24.116 billion; Aminu Resources, N2.3 billion; Avante Guard, N1.14 billion; Avido, N3.64 billion; Boffas and Company, N3.67 billion; and Brilla Energy, N960.3 million. Senator Magnus Ibe, the chairman of the committee, also disclosed that some 100 companies in the downstream sector and in construction, shared over N1.426 trillion between January and August 2011 alone. Oando Oil is owned by Wale Tinubu's Oando; Mike Adenuga owns CONOIL, Femi Otedola owns AP, while MRS Oil is run by Aliko Dangote's brother, Sayyu Dantata. Other key players named today include Pinaccle Construction Ltd, as well as Integrated Oil and Gas, which is owned by a former Minister of the Interior, Capt. Emmanuel Iheanacho.

The full list, and their individual haul, as read out by Senator Abe, is as follows:

1. Oando Nigerian Plc. – N228.506 billion
2. MRS – N224.818 billion
3. Pinnacle Construction–N300 billion
4. Enak Oil & Gas – N19.684 billion
5. CONOIL – N37.960 billion
6. Bovas & Co. Nig. Ltd. – N5.685 billion,
7. Obat N85 billion and AP; N104.5 billion.
8. Folawiyo Oil - N113.3 billion
9. IPMAN Investment Limited- N10.9 billion
10. ACON - N24.1billion
11. Atio Oil-N64.4billion
12. AMP- N11.4billion
13. Honeywell-N12.2billion
14. Emac Oil- N19.2billion
15. D.Jones Oil-N14.8billion;
16. Capital Oil - N22.4 billion
17. AZ Oil- N18.613billion
18. Eterna oil- N5.57 billion
19. Dozil oil- N3.375 billion
20. Fort oil-N8.582 billion.
21. Integrated Oil and Gas- N30.777 billion

Source: Tribune, Tuesday, 03 January 2012.

...
“Water is loaded in vessels and officials of Customs, State Security Service (SSS), Department of Petroleum Resources (DPR), Petroleum Products Pricing and Regulatory Agency (PPPRA) and other stakeholders would inspect these vessels and certified that they contained petrol or kerosene. “What they (the cartel) also did was to take vessels from Lagos to Port Harcourt and bring them back to Lagos as imported fuel from foreign countries to collect huge money from the government. When will this nation grow if it is being run this way?”. Speaking further, the source expressed the fear that adulterated petrol might begin to flood the country soon because of the profiteering motive of members of the cartel.

The cost of the fuel subsidy has continued to grow exponentially. This is partly due to the rising cost of fuel—which meant that the government had to spend even more to keep domestic prices low— and also due to Nigeria’s increasing population— which resulted in increased fuel consumption; together these pressures made the cost of the fuel subsidy unsustainable. The price of crude oil increased from 30.4 dollars per barrel in 2000 to 94.9 in 2010 over the same period Nigeria’s population increased from about 123 million to 158 million. By 2011, the fuel subsidy accounted for 30 percent of the Nigerian government’s expenditure and it was about 4 percent of GDP and 118 percent of the capital budget. Nigeria’s fuel subsidy continues to crowd out other development spending. By comparison,,

Nigeria’s total allocation for education is about $2.2 billion and it is not much higher for health care. Infant mortality in Nigeria remains unacceptably high at 90.4 per 1,000 live births. In 2004, it was estimated that only 15 percent of the country’s roads
were paved. The $8 billion from the fuel subsidy could help to address some of these issues.

In addition, keeping the domestic price of oil artificially low with the fuel subsidy has discouraged additional investment in Nigeria’s oil sector. This is especially problematic given that the oil sector is the lifeblood of the Nigerian economy. Since 2000, Nigeria has issued at least 20 refinery licenses to private companies. However, not one refinery has been built because investors could not recoup their investment under the artificially low price structure.

3.2 HISTORY OF FUEL SUBSIDY REMOVAL IN NIGERIA

The history of fuel subsidy removal in Nigeria is rather a long one particularly with the negative effects it has on the polity. Specifically, the story of subsidy removal dates back to 1978 when the then military government of Gen. Olusegun Obasanjo reviewed upward the pump price of fuel which was at 8.4 kobo to 15.37 kobo. The concern was for government to generate enough money to run the administration particularly when it was preparing for the 1979 democratic elections and also to carter for the social needs of Nigerians. In January 1982, the civilian regime of Alhaji Shehu Shagari also raised the pump price to 20 kobo from 15.37 kobo.

Money realized from the fuel increase was used by members of the regime to buy properties in major capitals of European nations (USA, UK, Spain, France and others), as against using same to put in place social services that Nigerians badly needed then. The inept leadership of the then NPN national government and the corruption that bedeviled the administration led to its overthrow. Then came the military junta of General
Babangida who also increased the pump price of fuel to 39.50 kobo in March 31st, 1986. This regime was notorious for numerous pump price increases. On April 10th, 1988, the regime increased it to 42 kobo from 39.50 kobo per litre and then again to 60 kobo for private cars on January 1st, 1989. These increases came at the time the regime chose to adopt a home grown Structural Adjustment Programme (SAP) as against external borrowing. His decision was greeted with massive protests by Nigerians. The economic down turn coupled with the increases made life really unbearable and Nigerians reacted angrily. Again, on the 6th of March, 1991, the Babangida administration raised the pump price from 60 kobo to 70 kobo. Not too long the Nigerian nation was subjected to another round of fuel increase, when in November 8, 1993, the pump price was raised to N5.00 and confronted with mass protests across the length and breath of Nigeria, the price was reduced to N3.25 on November 22, 1993. A year later, on October 2nd, 1994, it was again raised to N15.00 only to be reduced two days later to N11.00 by the Gen. Abacha’s regime. The reduction was as a result of mass protests and coupled with the need to win the support of Nigerians.

On December 20, 1998, the pump price was also increased to N25 but again reduced to N20 on January 6th, 1999 just a month later. This was during Gen. Abdulsalam Abubakar brief transitional reign as a military ruler. He like others before him did not spare Nigerians the pains of fuel price increase. The decision witnessed sustained protests by Nigerians, the organized labour and the Civil Society Organizations (CSOs).

It is necessary at this point to place on record that it was only the military junta of Buhari/Idiagbon and Umaru Shehu Yar’dua that Nigerians were spared the ordeal of price
increase. Others before and after them inflicted enormous pains on Nigerians as a result of the increases in fuel prices. This however may be because of the brief tenure of the regime and ill health of Buhari and Yaradua respectively, and its focus on fighting corruption and indiscipline in the Nigerian society. Gen. Olusegun Obasanjo second coming as a civilian president, did not helped matters as he unleashed a rain of terror on Nigeria. In his eight years reign, the nation witnessed several rounds of fuel price increases. The first started on June 1st, 2000, where the petrol price per litre was raised to N30.00 but only to be reduced to N25 one week after due to massive protests by organized labour, civil society organizations and the ordinary Nigerians. Five days later, on June 13, 2000, the pump price was further adjusted to N22.00 per litre. On January 1st, 2002, Obasanjo regime increased the price from N22.00 to N26.00 and to N40.00 on June 23, 2003 just one year after. In June, 2007, also the same regime raised the price of fuel per litre to N70, but the Yaradua’s regime later reviewed it downward to N65 on assumption of office in May 2007.

This was how it remained until President Goodluck Jonathan regimes decision at an outright removal of fuel subsidy. Interestingly the then Nigeria Labour Congress, President, Comrade Adams Oshiomole who had led several fights against fuel subsidy removal including fighting Olusegun Obasanjo, and as a sitting governor of Edo State, joined his fellow governors and the Federal Government to argue strongly for the complete removal of fuel subsidy. The issue was that, while the nation wide consultations and discussion on fuel subsidy removal was still going on, the Petroleum Product Pricing Regulatory Agency (PPPRA) on January 1st, 2012, announced the outright removal of fuel subsidy. This decision by the Goodluck Jonathan administration did not go down
well with the masses of Nigerians. It resulted in massive strike actions and protests by the Nigerian Labour Congress (NLC), Trade Union Congress of Nigeria, PENGASAN, Civil Society. The Politics of Fuel Subsidy, Populist Resistance and its Socio-Economic Implications for Nigeria Organisations, Academic Staff Union of Universities (ASUU) and the generality of Nigerians.

The mass protests almost transformed into the “Nigerian spring” which would have brought down the regime. The regime quickly entered into a negotiation with the organized labour and rescinded its decision of an outright removal to a partial removal and reduced the pump price to N97. Table 1 provide a clearer picture of the different pump prices by the different administrations from 1978 to Jan. 2012.

Table 1: Data on Petroleum Price Increases/Adjustments in Nigeria (1978 – 2012).

<table>
<thead>
<tr>
<th>S/N</th>
<th>DATE</th>
<th>ADMINISTRATION</th>
<th>PRICES IN NAIRA</th>
<th>PERCENTAGE CHANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1978</td>
<td>Gen. Olusegun Obasanjo</td>
<td>15.37k</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>1982</td>
<td>Alh. Shehu Shagari</td>
<td>20k</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>1990</td>
<td>Gen. Ibrahim Babangida</td>
<td>60k</td>
<td>300%</td>
</tr>
<tr>
<td>4</td>
<td>1992</td>
<td>Gen. Ibrahim Babangida</td>
<td>70k</td>
<td>17%</td>
</tr>
<tr>
<td>5</td>
<td>1992</td>
<td>Gen. Ibrahim Babangida</td>
<td>3.25k</td>
<td>304%</td>
</tr>
<tr>
<td>6</td>
<td>1993</td>
<td>Gen. Ibrahim Babangida</td>
<td>5.00k</td>
<td>54%</td>
</tr>
<tr>
<td>7</td>
<td>1994</td>
<td>Chief Ernest Shonekan</td>
<td>11.00k</td>
<td>12%</td>
</tr>
<tr>
<td>8</td>
<td>1994/98</td>
<td>Gen. Sani Abacha</td>
<td>11.00k</td>
<td></td>
</tr>
</tbody>
</table>
Data in table 1 show that the Nigerian public have been subjected to a number of fuel increases since 1978, when the General Olusegun Obasanjo regime effected a change upward in the pump price of gasoline from 8.4 kobo to 15.37 kobo. However, Generals Babangida and Obasanjo are reputed to have made the most increases within each of their eight years in office.

Table 2 : Petrol Prices in selected oil producing countries.

<table>
<thead>
<tr>
<th>S/N</th>
<th>COUNTRIES</th>
<th>PUMP PRICE IN US DOLLAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Algeria</td>
<td>0.41</td>
</tr>
<tr>
<td>2</td>
<td>Bahrain</td>
<td>0.27</td>
</tr>
<tr>
<td>3</td>
<td>Brunei</td>
<td>0.39</td>
</tr>
<tr>
<td>4</td>
<td>Egypt</td>
<td>0.31</td>
</tr>
<tr>
<td></td>
<td>Country</td>
<td>Price</td>
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<tr>
<td>---</td>
<td>----------------</td>
<td>-------</td>
</tr>
<tr>
<td>5</td>
<td>Iraq</td>
<td>0.38</td>
</tr>
<tr>
<td>6</td>
<td>Kuwait</td>
<td>0.22</td>
</tr>
<tr>
<td>7</td>
<td>Libya</td>
<td>0.17</td>
</tr>
<tr>
<td>8</td>
<td>Nigeria</td>
<td>0.87</td>
</tr>
<tr>
<td>9</td>
<td>Oman</td>
<td>0.31</td>
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<tr>
<td>10</td>
<td>Qatar</td>
<td>0.22</td>
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<tr>
<td>11</td>
<td>Saudi Arabia</td>
<td>0.16</td>
</tr>
<tr>
<td>12</td>
<td>UAE</td>
<td>0.49</td>
</tr>
<tr>
<td>13</td>
<td>Venezuela</td>
<td>0.023</td>
</tr>
</tbody>
</table>

**Source:** Compiled by Germans Technical Cooperation (GTZ) and published by Wikipedia, 2012.

While it will be difficult to really get a comprehensive list of countries and their fuel pump prices a few instances as captured by the German Technical Cooperation are analysed here (see table 2). The table clearly shows that fuel price in Nigeria is more expensive than in other countries similarly placed. The argument here is that Nigerians have no business to pay the price they are subjected to by the corrupt members of the political elite. This is because of the lack of seriousness and endeavour among the ruling elite which had made it difficult to summon the enterprise, political will required to build the future on the template of the future. Just as the appalling lack of enterprise manifested in the inertness that crippled the building of power stations for the future, this attitude also manifested even more cynically in the deliberate refusal to build refineries or maintain the existing ones.
3.3 FUEL SUBSIDY PROBE IN NIGERIA

It is gratifying that in response to mounting public clamour, the Federal Government has shifted grounds on its initial ambivalence towards the House of Representatives resolution on the fuel subsidy regime probe. The report of the Farouk Lawan Ad Hoc Committee that investigated the fuel subsidy scheme had indicted various government agencies and private sector fuel importers for varied abuses and malfeasance that the Committee unearthed in the course of its investigative public hearing on the utilization of the Fuel Subsidy Fund (FSF). The FSF is earmarked by government for offsetting a part of the cost of landing and distributing fuel at government regulated fixed prices to all parts of the country. Government recently revealed its intention to act on the relevant House resolution during the formal hand-over of the report of that Special House Committee to Mohammed Adoke, the Attorney General and Minister of Justice, by President Goodluck Jonathan. The President used that opportunity to direct that the Economic and Financial Crimes Commission (EFCC) should use the report to prosecute all those against whom prima facie cases may be established.

The Aig-Imoukhuede fuel subsidy report has revealed gaps in Farouk Lawan-led House of Representatives probe. The presidential committee set up by President Goodluck Jonathan to verify and reconcile all fuel subsidy claims and payments made between 2009 and 2011 submitted its report on Friday with the revelation of significant gaps in the report of the House of Representatives ad hoc committee on fuel subsidy. The technical committee was constituted by the Federal Ministry of Finance after the outbreak of the bribery scandal that tended to taint the earlier probe of the subsidy regime by an eight-man ad hoc committee of the House of Representatives headed by Mr. Farouk
Lawan. Who initially alleged to have come under severe pressure from the indicted oil marketers, was later to be embroiled in the bribery scandal that exposed his committee’s report to public ridicule and angst. It was the mountain of misgivings that trailed the report by the Lawan committee and the subsequent complaints by oil marketers that prompted the setting up of the presidential committee to confirm all the claims. That decision has seemed to pay off with the discovery of about 50 companies that allegedly abused the fuel subsidy regime but which were given a clean bill of health by the House committee. One of the most startling details that emerged from the Lawan committee’s probe was how in 2011 the country paid subsidy on 59 million litres of petrol per day when in fact the daily consumption was 35 million litres.

The Lawan committee submitted its report to the House on April 19, after sitting for three months. The House adopted the report on April 24 for onward transmission to the executive for implementation. The Federal Ministry of Finance set up another committee in May to scrutinize the fuel subsidy payments to marketers during the 2011 financial year. The ministry had been surprised that despite paying N1.7 trillion in subsidy by December 2011 and another N450 billion this year to clear the 2011 backlog, outstanding claims still remained from 2011.

In addition to its members, the technical committee also sought the support of CBN examiners and other financial experts and consultants, including Lloyd’s List Intelligence, which was also consulted by the House committee. Whilst the House committee comprised lawmakers, the technical committee was made up of experts. The committee submitted its report to the Minister of Finance, Dr. Ngozi Okonjo-Iweala, and the presidency six weeks after it was set up.
However, a fresh twist was introduced into the fuel probe with businessman and chairman of Zenon Oil, Femi Otedola, staging a sting operation, allegedly with the support of the State Security Services, to nail Lawan in a damning $3million bribery scandal. Lawan later admitted collecting $620,000 from Otedola. Interestingly, the report of the Aig-Imoukhuede committee was not spared from criticisms by fuel importers who, in apparent reaction to the public angst resulting from the revelations of the committee, described the technical committee’s report as a hasty job. The companies flayed the report largely on the grounds that the Aig-Imoukhuede committee did not invite them to make clarifications with regard to some conclusions reached. However, the Federal Ministry of Finance, in a response to the complaints of the affected companies decided to set up the technical committee, which was also headed by Aig-Imoukhuede, to verify and reconcile the findings of the Technical Committee on Payment of Fuel Subsidies that he had earlier led.

The essence of the committee was apparently to give marketers indicted in the first report an opportunity to provide documentary evidence to clarify the findings of the technical committee, given that most of them had complained they were not given a fair hearing. The committee, which submitted its findings on Friday, upheld the earlier verdict of the Technical Committee on Payment of Fuel Subsidy. With the conclusion of this technical verification, Nigerians now expect President Goodluck Jonathan to swing to action and prosecute all indicted subsidy thieves immediately.

Names missing in farouk lawan's report

- Valviza Petroleum Ltd
• MRS Oil and Gas Co. Ltd
• Aiteco Energy Ltd
• Eterna Plc
• Forte Oil Plc
• Rahamaniya
• Sahara Energy Ltd
• Oando Plc
• Folawiyo Energy Ltd
• Geacon Energy Ltd
• Northwest Petroleum and Gas Ltd
• Venro Energy Ltd
• Britannia-U Nigeria Ltd
• Lloyds Energy Ltd
• Majope Investment Ltd
• African Petroleum Plc
• Masters Energy Oil and Gas Ltd
• Pvn Capital Ltd
• Sirius Taglient Ltd
• Tempo Energy Ltd
• Bodej Investment Ltd
• Practoil Ltd
- Avidor Oil and Gas Company Ltd
- Colbert Energy Ltd
- July Seventh Oil and Gas Ltd
- Mecuria Global Energy
- Momats Oil and Gas Ltd
- Rainoil Ltd
- Xalon Petroleum Ltd
- Xavier Energy Nig Ltd
- KMCL
- First Independent Nig Ltd
- Tahill and Tahill Nig Ltd
- Aquitane Oil and Gass
- Quagga Oils Ltd
- Reliance Petroleum Ltd
- Crustream Nig Ltd
- Dan Oil and Petrochemical Ltd
- Midas Oil and Gas Ltd
- Nupeng Venturers Ltd
- Vita Cam Services
- Viva Energy Ltd
- Tamil and Tamil Nig Ltd
He also took the chance to allay fears that the report could be used to hound innocent parties as an instrument of witch-hunt when he stressed that “if there is not enough evidence to prosecute anybody, nobody will be prosecuted.” Majority of Nigerians as well as many friends of Nigeria and the international anti-corruption community are worried about this proviso from Mr President, considering government’s lukewarm attitude to the evident corruption in the nation’s oil sector. Therefore, government should not do anything to foster the impression that it has any intention to shield any of the indicted individuals or parties. Allowing the EFCC as the final arbiter on who to prosecute or who should be left off the hook in the quest for justice for the Nigerian people in the matter of the perceived fuel subsidy fraud leaves a sour taste in the mouth. Nigerians, most of who no longer take the incorruptibility of the EFCC as an article of faith, are wondering about the possibility of a deliberate shoddy packaging of the cases to guarantee their instant dismissal by the courts. Also, a return of “insufficient
grounds for prosecution” on most of the case files or the entering of nolle prosequi by the office of the Attorney-General is another possibility that disconcerts many Nigerians.

The suspected swindle in the oil sector is monumental and involves the collusion of several agencies of the Executive arm of government with the fuel importation cabal. Therefore, another agency of the same arm might not dispassionately pursue their prosecution with the requisite diligence. In short, the prosecutorial integrity of the EFCC cannot be guaranteed under this circumstance. The representatives of the Nigerian people have carried out an investigation in the open, with each party given ample chance to defend themselves and furnish every document for their exculpation. However, if any of the parties failed or neglected to convince the panel of their innocence in the full glare of the public, it will not be enough to have some bureaucrat sitting behind a closed door to absolve such parties of guilt. This is particularly so when such an indicted party is either a member of the bureaucratic fraternity or is in collaboration or co-indicted with one.

3.4 SUBSIDY REMOVAL AND CHALLENGES OF NATIONAL DEVELOPMENT

There are contending arguments on the merits and demerits of fuel subsidy increases or removal. The protagonists argued that fuel subsidy removal was a step in the right direction and in the interest of Nigerians. They maintained that it will help eliminate incentives for corruption and excess profiteering by an unpatriotic cabal in the petroleum sub sector. It will minimize borrowing and save money for investing into job creation, power and transport infrastructure and others. It will eliminate capital flight and build Nigeria’s foreign reserve in order to position the economy for speedy growth and global
competiveness. Fuel subsidy removal Jonathan and his cohorts argue that it will trigger private sector investment in a deregulated downstream petroleum sector and enthrone efficiency and catapult the development of the nation’s productive sector such as agriculture and industries. And according to the 2012 – 2012 Medium Term Fiscal Framework (MTFF) and the Fiscal Strategy Paper (FSP) which President Jonathan sent to the national assembly, he stated among other things, that fuel subsidy will free up to about N1.3 trillion, that is, about $8 billion dollars in savings. This money he added will be deployed into providing safety nets for segment of the society which will help to ameliorate the effects of subsidy removal. Furthermore, subsidy removal and the money generated would guarantee the success of the (MTFF). Money realized will be used to build more refineries and buy buses that will help cushion the effect of the subsidy removal.

The point however is that since the protests were called-off the strategies that were initially rushed have suddenly disappeared. The antagonists of the fuel subsidy removal present a contrary view. They argued that the total amount that will be generated and the actual sharing has not been revealed by the federal government. In other words what will actually go to the states and local governments and what will be left for the federal government has not been worked out. The effect this will have on the infrastructural development as being put by the president and his economic advisers has not really been clear.

Therefore, it was premature to speak of the benefits of the removal of subsidy. Fuel subsidy removal will automatically lead to increases in the pump price of fuel. This was shown by the difference pump prices witnessed across the country when the subsidy
removal was announced and these ranged from N141 to N200 naira per litre. In some other states of the country, a litre of petrol was sold for a much as N250 naira. Other marketers created artificial scarcity in order to raise the pump price.

Fuel subsidy removal affected transport fares and motorist doubled transport charges. And since this happened during the Xmas period when many Nigerians and their families had traveled to celebrate the Xmas with their families including extended families, many were stranded. Those who could afford it did so by abandoning their families in their villages. For many Nigerian these were indeed interesting times requiring interesting approach to life.

Although the pump price of petrol has been reduced to N97 naira the costs of transport as well as other products and services are yet to reflect the reduction thereby forcing people to rethink on their life style and mode of transportation as a strategy for surviving the hard times. For instance, people now ride on horse-powered taxis, some choose cow-powered land cruisers and even do motorcycle powered tourist wagon, all in an attempt to avoid the use of petrol and its cost. Increases in transportation always have ripple effects on other social issues. The prices of foodstuff also went up. The logic here was that food sellers use transportation to bring in food items and cars and vehicles have to struggle to get fuel at very exorbitant prices. The result was that the food sellers had to factor in the increment in order to make marginal gain. School fees and charges were not spared, as school fees have increased. Most parents were left with no choice than to withdraw their children and wards from schools. House rents across the country have increased dramatically and the argument is that fuel price increase had affected the prices of cement astronomically.
Before the fuel subsidy removal there were indications that cement price may crash following the take-off of Dangote, Lafarge Cement Company in Ogun State. But the withdrawal of subsidy on January 1st, 2012, catapulted the price of cement to over N2000 naira per bag thus affecting the prices of house rent. According to Iroegbu-Chikezie (2012) a cement dealer he argued that he had to raise the price of the product because he was made to pay double the cost of transporting cement to his shop. Fuel subsidy removal also affected the cost of haulage of basic building materials such as iron rods, roofing sheets, flouring materials and others. Agboola (2012) maintained that the Organised Private Sector (OPS) were not happy with the removal of fuel subsidy. It described the policy as a deliberate move by the federal government to worsen the decaying industrial sector. The organised Private Sector (OPS), he argued may be forced to pay more for providing generating plants at its factories. Similarly, the Small and Medium Enterprises (SMEs) will be generally affected since most the them use petrol for their relatively smaller power generating plants. The group, according to its Director General, Nigerian Employers Consultative Association (NECA) Mr. Segun Oshinowo, members were neither invited nor represented in its institutional capacity at the meeting held with government and business operators.

The concern is that government should have fixed or put in place a number of measures and infrastructures before going ahead to remove fuel subsidy. That is, the problem of power should have been fixed so that Nigerians would have to contend only with the fueling of their cars instead of also looking for ways to power offices, industrial generations plants and other things. New refineries should have been build and the older ones put into functioning so that the availability of the product locally will impact on the
economy and play a role in bringing down the price of the pump price. Table 1, shows that fuel prices per litre and the minimum wage for both OPEC and non OPEC countries.

A comparative analysis of the pump price shows that Nigeria has the highest fuel pump price and the lowest minimum wage. Moreover, the basis for Nigeria’s political elite to compare the pump price of fuel to other countries was not there. The reason is not far fetched, in most of the countries listed there is stability of basic utilities like stable power, availability of portable water, good roads and other factors. More so, and as seen on table 3, the minimum wage of N18,000 and even at this, a number of states are yet to implement it. The minimum wage of a country to a large extent defines the purchasing power of individuals. In the case of Nigeria, available statistics show there are among the lowest paid in the world.

Table 1: OPEC and non OPEC countries and their fuel prices per litre and minimum wage.

<table>
<thead>
<tr>
<th>S/N</th>
<th>Countries</th>
<th>Fuel prices per litre</th>
<th>Minimum wage (N)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Venezuela</td>
<td>3.61</td>
<td>95.639</td>
</tr>
<tr>
<td>2</td>
<td>Kuwait</td>
<td>34.54</td>
<td>161.461</td>
</tr>
<tr>
<td>3</td>
<td>Suadi Arabia</td>
<td>25.12</td>
<td>99.237</td>
</tr>
<tr>
<td>4</td>
<td>Iran</td>
<td>102.05</td>
<td>86.585</td>
</tr>
<tr>
<td>5</td>
<td>Qatar</td>
<td>34.54</td>
<td>101.250</td>
</tr>
<tr>
<td>6</td>
<td>UAE</td>
<td>70.18</td>
<td>103.112</td>
</tr>
<tr>
<td>7</td>
<td>Algeria</td>
<td>63.55</td>
<td>55.937</td>
</tr>
</tbody>
</table>
Besides, scholars like Soremekun 2012 and Olukayode (2012) have argued that the issue of fuel subsidy essentially originated from governments inability to process the crude oil within the country. Oil subsidy simply means import-inspired deregulation in an oil-producing country. It is a clear indication of governments failure and bankruptcy, in terms of running the industry. There is also the psychological effect of fuel subsidy increases and removal. Scholars have maintained that it could lead to cases of depression and suicide. The CBN official statistics show that over 70 per cent of Nigerians live below the poverty line (CBN, 2011). Poverty line refers to the value of income or consumption necessary for a minimum standard of nutrition and other necessities of live (Todaro 2005). It is normally computed as those living below one US dollar per day. The implication here is that fuel subsidy removal will further cause emotional trauma and
torture on the psyche of those who are struggling to feed and to some extent may commit suicide. This fact is corroborated by the report of International Labour Organisation (ILO) a UN agency which maintains that 900 million workers are living below $2 a day, worldwide. Similarly, the removal of subsidy and its attendant consequences discussed above could result in broken homes and increase cases of divorce. When people cannot fend for themselves and their families, there is the likelihood that husbands and wives would separate. This may consequently lead to discomfort, anger and even death.

There is also the serious dimension that the removal of fuel subsidy may result to. It could lead to rebellion against government and anarchy. This was exampled by the massive protests that took place across Nigeria, after Jan, 1st, 2012 announcement by Petroleum Product Pricing Regulatory Authority (PPPRA). The fear was that it was evolving into the “Nigerian Spring” to borrow from the “Arab Spring” that is the massive social protests that engulfed the Arab nations of Tunisia, Egypt, Yemen, Libya, Qatar and Syria to mention but these few.

At the end of this investigation and from the data gathered, we validate the second hypothesis, which states that the persistence of corruption in the downstream oil sector accounts for the inability of government to maintain fuel subsidy.
CHAPTER FOUR: GOVERNMENT REGULATORY POLICY AND THE REVENUE GENERATION.

4.1 REGULATION POLICY AND REVENUE GENERATION IN THE DOWNSTREAM SECTOR.

As earlier noted, due to government regulation of the downstream sector a lot of companies does not want to invest in a regulated environment. In the downstream oil sector, the products consist of premium motor spirit (petrol), Automotive Gas Oil (Diesel) and Dual Purpose Kerosene (Kerosene). These products are supplied from two major sources: through the local refineries and importation. The primary aim of developing refineries in Nigeria was to refine crude oil produced within the country to meet local demand and possibly to export the excess, if any. To achieve this purpose, four refineries were constructed and commissioned between 1971 and 1989. Hereunder, is the breakdown of installed capacities of the refineries.

Table 1: Processing Capacity of Nigeria’s Oil Refineries

<table>
<thead>
<tr>
<th>S/N</th>
<th>Refinery</th>
<th>Date</th>
<th>Commissioned processing capacity (BPD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Port-Harcourt (Eleme)</td>
<td>1971</td>
<td>60,000</td>
</tr>
<tr>
<td>2</td>
<td>Warri</td>
<td>1979</td>
<td>110,000</td>
</tr>
<tr>
<td>3</td>
<td>Kaduna</td>
<td>1980</td>
<td>125,000</td>
</tr>
</tbody>
</table>
It was expected that with the total refining capacity of the four refineries at 445,000 barrels per day, the issue of fuel scarcity in the country, would have been a thing of the past. But, Nigerians were disappointed as refined products were not only in short supply, but disappears quite often in almost all the filling stations in the country. Importation of refined products came into focus when the turnover from the four refineries could not satisfy the ever increasing demand by Nigerian consumers. In other words, import was mainly as a result of the poor performing state of the refineries (Federal Republic of Nigeria, 2000:19). This is evident in the table below.

### Table 2: Refining Capacity of the Refineries:

<table>
<thead>
<tr>
<th>S/N</th>
<th>Refinery</th>
<th>Installed capacity(BPD)</th>
<th>Optimum capacity Achieved (BPD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Port Harcourt 1 &amp; II</td>
<td>210,000</td>
<td>190,000</td>
</tr>
<tr>
<td>2</td>
<td>Warri</td>
<td>125,000</td>
<td>100,000</td>
</tr>
</tbody>
</table>

**Source:** Nigerian National Petroleum Corporation (NNPC), 2000.
<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>Kaduna</td>
<td>110,000</td>
<td>70,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>445,000</td>
<td>360,000</td>
</tr>
</tbody>
</table>

**Source:** Nigerian National Petroleum Corporation (NNPC), 2000.

It is crystal clear from the table above that the optimum capacity achieved fell below the installed capacity in each of the refineries. For instance, the Port Harcourt refineries combined together had an installed capacity of 210,000 barrels per day but 190,000 barrels per day was achieved, showing a shortfall of 20,000 barrels per day. Aggregatively, a total shortfall of 85,000 barrels per day was observed in the general petroleum products supply. This is true because, the total installed capacity of all the refineries was 445,000 barrels per day while 360,000 barrels per day was achieved. The decline in the refined products was attributed to the poor performance of the existing refineries.

According to Ezeagba (2005:43), the poor performance of the refineries over the period (1990-2000) was due largely to problems, such as fire, sabotage, poor management, lack of turn around maintenance (TAM), and corruption, which have left them (refineries), often operating at about 40 percent of full capacity, if at all. He said this has resulted to shortages of refined products, hence the need to increase imports to meet domestic demand. Senator Abubakar Saraki, contended that the mismanagement of subsidy in 2011 budget would frustrate funding for 2012 appropriation. “In furtherance of the implementation of the fuel subsidy in 2011 appropriation, the sum of N240 billion
(N20 billion monthly) is budgeted. Of the N20 billion monthly allocated, N11.2 billion was allocated for domestic fuel subsidy (NNPC) and N8.8 billion for domestic subsidy (market) as stated in the Appropriation Act 2011. “Although, N20 billion was set aside for subsidy on a monthly basis in the Appropriation Act 2011, in August 2011, the total figure expended was N165bn of which the NNPC was N88 billion and Independent Marketers was N77.7 billion. “In the first three months of the year, both the NNPC and the Independent Marketers did not exceed N62 billion monthly but within the last three months, figures have ranged between N150 billion and N186 billion. “With this trend, by the year-end, we will have a fuel subsidy bill of over N1.2 trillion as against the N240 billion budgeted in the Appropriation Act.

The implementation of 2011 Appropriation Act will surely be in troubled waters if a variation of N1.2 trillion arises as a result of the level of expenditure incurred on fuel subsidy so far.”

Table 3: Estimated Oil Revenue in Nigeria 1999-2011

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue in Naira(Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>5,000</td>
</tr>
<tr>
<td>2001</td>
<td>13,400</td>
</tr>
<tr>
<td>2002</td>
<td>17,076</td>
</tr>
<tr>
<td>2003</td>
<td>1,230.9</td>
</tr>
<tr>
<td>2004</td>
<td>2,074.3</td>
</tr>
<tr>
<td>2005</td>
<td>4,762.4</td>
</tr>
<tr>
<td>Year</td>
<td>Oil Revenue</td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
</tr>
<tr>
<td>2006</td>
<td>5,287.6</td>
</tr>
<tr>
<td>2007</td>
<td>6,700.0</td>
</tr>
<tr>
<td>2008</td>
<td>7,458.4</td>
</tr>
<tr>
<td>2009</td>
<td>8,623.5</td>
</tr>
<tr>
<td>2010</td>
<td>3,399.63</td>
</tr>
<tr>
<td>2011</td>
<td>4,607.24</td>
</tr>
<tr>
<td>2012</td>
<td>6,636.51</td>
</tr>
</tbody>
</table>


From the table above it is empirical that in the year 2012, we had an increase in the oil revenue by two billion naira which is part of the money been spent annually on subsidy. As a result of the partial subsidy removal it has been added up to the amount generated from oil as revenue.

4.2 THE PETROLEUM PRODUCT PRICING AGENCY (PPPRA) AND ITS INEFFICIECIES

The Petroleum Product Pricing Regulatory Agency (PPPRA) was set up by Act No 8 of May 2003 with the primary mission to eliminate the effect of volatility in international crude oil and products and stabilize domestic prices. It also aimed to guarantee effective products availability and distribution nationwide. The Petroleum Support Fund (PSF) Scheme was set up in 2006 to support the PPPRA mission and the PPPRA had the objective to entrench transparency and accountability in the administration of the Fund on petroleum products subsidy. In administering the Fund,
PPPRA instituted a pricing principle which in its own website is a principle “that engenders healthy competition among industry operators, encourages investment and the maintenance of international standards and practice”. In support of this principle, PPPRA created a template to determine the Landing cost of products.

This Landing cost is applied against the Government fixed ex-depot price of the petroleum product. The difference between the landing cost and the ex-depot price of imported petroleum products is the Subsidy. By all accounts, the PPPRA has completely failed in its stated objective in the sense that

- The template is compiled with bloated costs that discourage competition, the pursuit of efficiency and cost control. Rather it is based on total cost recovery and opaque operations thereby encouraging massive corruption and padded economic rent both of which continuously increase subsidy;

- PPPRA has been unable to incontrovertibly establish the quantity of products consumed upon which subsidy is paid. Quantity consumed is a fundamental item of the subsidy equation. Failure on this is a confirmation of PPPRA’s failure on its stated mission; and

- To the extent that PPPRA does not insist that subsidy is claimed on confirmed consumed products, PPPRA is thereby, perhaps by collusion with the importers, paying subsidy on products that were never delivered, stolen and lost products and products that are round tripped.

The PPPRA template is deceptive, anti competition and anti-people. This is why its Landing cost template ‘a weapon of mass destruction’. In a regulated environment, the
first step towards the injection of efficiency into operations is to have a robust template that encourages operators to compete.

The present template does not do this. In a rentier environment which the PPPRA template entrenches the price that is paid for petroleum products is represented in the following equation:

Actual market price = Market driven cost + inefficiency + corruption + guaranteed profit.

It should be borne in mind that the Actual market price is the PPPRA Landing Cost which in itself is represented in this equation:

Actual market price (Landing cost) = Pump price + subsidy

The above equation clarifies,

- The impact of inefficiency and corruption on price;
- It is needless waste of resources for either government or the people to pay a corruption or inefficiency laden price for petroleum products;
- It behoves on the government to eliminate inefficiency and corruption from Landing cost of petroleum product
- A removal of subsidy or deregulation without first addressing the inefficiency and corruption will only transfer the burden to the people and embolden the rent seekers to escalate their activities since the people do not possess the force that government has; and
• Deregulation that does not entrench competition will amount to an oligopolistic environment where only the rentiers profit. Creating a competition oriented template

The PPPRA template was crafted from the NNPC point of view and was therefore based on the following faulty parameters.

• That all costs should be recovered with a guaranteed margin. Of course, NNPC operates an inefficient downstream sector. This accounts for the over padded costs in the template. There is therefore no incentive for operators to be efficient. Those who strive to be efficient are awarded excess profit. This assumption which forms the foundation of the template must be reversed.

• NNPC operates across the entire downstream sector. Consequently, the template views costs holistically from a single source point of view. This is absolutely wrong and does not represent the activities in the downstream value chain. We consider this to be a wrong approach. The various segments of the business do get outsourced and should be considered as such. For example, NNPC outsources the importation process whilst marketing companies outsource the transportation and retail (dealership) element of product marketing. In an outsourced basis, the most efficient parameters viz volume throughput, costs or rates should be used as standards and not the worst parameters as currently represented by a template that struggles unnecessarily to make NNPC whole. The standards should shut out the worst performers instead of their inefficient standard being applied as the standard for all.
Following from b above, the PPPRA template applies extensive standard costs in its input. A standard is a norm and whatever is considered normal can be used as a standard. The assumed standard level has a salutary effect on costs and their relationship to unit cost in a cost template like is applied by PPPRA because the theoretical standard set for a level of operations regarded as the ideal or maximum level of efficiency can have a distorting effect if the standard is not set at the correct level. Such a standard will not help to control costs, adequately measure or enhance efficiency and above all, will not promote cost reductions when it is absolutely necessary to do so. An inadequately determined standard which turns out to be incorrect will not only distort unit cost but lead to inefficiencies.

One of the key issues that ought to have been discussed as a prelude to subsidy removal is therefore the appropriateness or otherwise of the standards that have been applied all through the template. It is still of considerable importance that this should be carefully and extensively reviewed. An empirical review of actual costs in the template should be carried out in order to reduce the landed cost of products. The actual cost of each element should be properly determined, empirically, in order to ensure that the allowance that is given is adequate and not unnecessarily excessive to the detriment of the government and the consumer. Eliminating inefficiency and corruption from product importation mechanism

It is imperative that the government set out a transition period of not more than six months when it will take concrete actions to considerably reduce the inefficiencies embedded in the importation mechanism as a prelude to complete deregulation of the downstream sector.
At the end of our investigation, we validate the hypothesis, which is of the view that the regulation of the downstream oil sector by government has not improved the revenue generated from the sector. Primarily because no multinational oil company will want to operate in sector which is been regulated by Government, especially in the aspect of product pricing.
CHAPTER FIVE: SUMMARY AND CONCLUSION

5.1 SUMMARY

This study examined ‘Deregulation of the Downstream Sector and Challenges of National Development’. The following research questions were raised:

- Has the partial removal of fuel subsidy enhanced Nigeria government funding on social welfare?
- Is the persistence corruption in the downstream oil sector responsible for the inability of the government to maintain subsidy on fuel?
- Has government regulation of the downstream oil sector enhanced the revenue generated from the sector?

The following hypotheses were drawn from the research questions:

- The partial removal of fuel subsidy has not improved Government’s funding on social welfare.
- The persistence of corruption in the downstream oil sector accounts for the inability of government to maintain fuel subsidy.
- The regulation of the downstream oil sector by government has not improved the revenue generated from the sector.

The above enabled us to subdivide the study into five chapters. Chapter one dwelt on introductory and methodological issues. Chapter two examined the partial fuel subsidy
removal and provision of social welfare. The third chapter focused on corruption and management of fuel subsidy. Chapter four dwelt on Government regulatory policy and revenue generation while chapter five is for summary and conclusion.

For a sound and objective analysis of the issue at hand, the Liberal Political Economy Theory was adopted as the framework of analysis. Data was collected from both primary and secondary sources like Nigerian National petroleum corporation (NNPC). Petroleum Products Pricing Regulation Agency (PPGRA), Central Bank of Nigeria (CBN), SURE-Program document, Newspapers, Internet materials Magazines and Journals, as well as other related materials.

Qualitative descriptive analysis technique was adopted for the objective, systematic and qualitative analysis and interpretation of data gathered in the course of this research.

At the end of the study the following findings were made:

- That the partial removal of fuel subsidy has improved Government’s funding on social welfare.

- That the persistence of corruption in the downstream oil sector accounts for the inability of government to maintain fuel subsidy;

- That regulation of the down stream oil sector by government has not improved the revenue generated from the sector.

The above finding, invalidate the first hypotheses but validates our hypotheses two and three as stated in chapter one.
5.2 CONCLUSION

From the discussion so far, it is clear that the current state of the Downstream Sector is judged as inefficient in service delivery and ineffective at promoting national developmental objectives. The rationale for restructuring the oil and gas sector in a petroleum dependent economy like Nigeria must be to enhance the sustainability of petroleum wealth and its impact on all sectors of the economy. This notwithstanding, such reforms or restructuring must not only focus on enhancing industry effectiveness and efficiency, it must be mindful of equity issues with respect to wealth distribution among all the sectors of the national economy. In Nigeria, the focus of the reform should be for the oil and gas institutional structures and regulatory framework to maximize the economic benefits of petroleum resources, for the current and future generations.

Deregulation or Subsidy removal is a germane economic policy for sustainable democratic transformation of Nigeria, provided social vices like unethical marketing practices of middlemen in the purchase, and distribution of the petroleum products are removed. The corrupt practices of both officials of NNPC and government must be avoided while the proceeds from the downstream should be used to provide social infrastructure, which will also accelerate self-employment, job creation and efficient mass transportation. With deregulation, subsidy, which has been a conduit pipe and source of fraud in Nigeria, will be a forgotten issue. Furthermore, competition which is an important component of deregulation policy will encourage private sector participation in building new refineries, thereby increasing refining capacities in Nigeria. We cannot continue to import petrol, when we have the capacity to produce what we can consume as
well as for exportation (Okere, 2010:45). In other words, Nigeria has all the wherewithal, not only to be self-reliant but even enough to export refined products.

5.2 RECOMMENDATIONS

With this partial deregulation, the benefits of maintaining a good fiscal policy is coming to bear, government has moved away from over dependence on oil revenue and is diversifying into other areas. All loopholes used for smuggling of petroleum products across various Nigeria boarders must be closed. According to Barkindo and Lipede (2007) Nigeria’s boarders were used to send out crude oil. Nigerian petroleum products were predominantly smuggled across the boarder into Niger and Cameroon (Asiwaju, 2003).

Deregulation of the downstream sector must be gradually and consistently pursued to revive maximum result to all stakeholders and the nation. While that is being pursued, adequate infrastructure, especially refineries should be put in place. The four refineries already established should be maintained and made to operate at full capacity. In addition, the three newly approved refineries are grossly inadequate. Each geopolitical zone should have an additional refinery for easy supplies across the country to boost the refinery, distribution and marketing capacity of the country.

The SURE Program of reinvestment and empowerment from the subsidy removal proceeds should be used to revamp the economy and federal government should monitor the state and local government on how the make use of the funds. A serious commitment by government at the three tiers that money generated would be judiciously used in the provision of infrastructure will help in restoring confidence in the minds of Nigerians.
There is need to strictly comply with rules of public procurement and Fiscal Responsibility in the awards and executions of contracts. As a follow up the above, we call for the immediate commencement of work on the three Greenfield refineries proposed by the government in order to expand existing capacities making it possible for us to lay to rest finally the monster called “fuel subsidy”.

Government should, as a matter of urgency, ensure a robust Petroleum Industry Bill (PIB) that will solve the problems of both the downstream and the upstream sectors of the petroleum industry is passed into law, thereby optimizing the benefit to the people of the oil and gas sector which is a finite resource.

Decision making must be participatory. Government must sufficiently involve the citizenry in the process of decision and policy making particularly on issues and policies that affect their lives. This could be through town hall meetings with all segments of society and making the necessary contacts with members of the grass-root and civil society organizations. To do this, government could employ the services of NGOs and National Orientation agencies across the country.
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**MAGAZINES**


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