**AN EVALUATION OF THE IMPLICATIONS OF FUEL SUBSIDY REMOVAL CRISIS IN NIGERIA**

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**ABSTRACT**

This study evaluated the implications of fuel subsidy removal crisis in Nigeria. The study specifically examined the implication of fuel subsidy removal on unemployment in Nigeria, assessed the impact of fuel subsidy removal on inflation and food security and examined the impact of the fuel subsidy removal crisis on income level and standard of living in Nigeria. The survey design was adopted and the simple random sampling techniques were employed in this study. The population size comprise of people in Ikotun local government, Lagos state, Nigeria. In determining the sample size, the researcher conveniently selected 261 respondents and 259 were validated. Self-constructed and validated questionnaire was used for data collection. The collected and validated questionnaires were analyzed using frequency tables and mean scores. The result of the findings reveals that the implication of fuel subsidy removal on unemployment in Nigeria include loss of jobs in the informal sector, decrease economic growth in the short term and make firms less competitive. Therefore, the study recommended that government should create an enabling environment to engender private investor’s for the purpose of improving the local refining capacity to meet the ever increasing local demand of petroleum products and indeed for exportation purpose.

**CHAPTER ONE**

**INTRODUCTION**

**1.1 Background Of The Study**

The removal of fuel subsidies in Nigeria has been a subject of considerable controversy and debate, with far-reaching implications for the nation's economy, society, and political stability. Fuel subsidy refers to a governmental policy that involves providing customers with a reduction in the market price of fossil fuel, resulting in their paying less than the prevailing market rate for fuel (Ovaga and Okechukwu, 2022). When subsidies are implemented, customers are able to purchase petroleum products at a price per litre that is lower than the prevailing market price. There are ongoing global discussions around the issue of fuel subsidies, mostly due to their substantial financial magnitude and their impact on both the well-being of residents and the economic stability of nations. According to the International Energy Agency, the predicted worldwide fossil fuel subsidy has seen significant growth, reaching $1 trillion in 2022 from $325 billion in 2018. The aforementioned quantity surpasses the expected value of worldwide assistance, which stood at $204 billion in 2022, and exceeds the collective government income of poor nations.

On the other hand, there is a growing demand to eliminate worldwide subsidies for fossil fuels in order to redirect the resulting savings towards providing humanitarian aid to impoverished and vulnerable populations in developing nations (Couharde and Mouhoud, 2020; Ozili and Ozen, 2021). The controversial nature of removing fossil fuel subsidies arises from the idea that such subsidies may be seen as a sort of assistance, since they contribute to the affordability of fuel for those with little financial resources. In contrast to the aforementioned argument, a substantial body of literature has extensively documented the adverse outcomes associated with fuel subsidies. These include the escalation of air pollution and greenhouse gas emissions (Sweeney, 2020), the exacerbation of road congestion (McCulloch, Moerenhout, & Yang, 2021), the occurrence of road accidents and premature fatalities (Parry, Black, & Vernon, 2021), the loss of potential tax revenue (Sweeney, 2020), and the perpetuation of socioeconomic Nevertheless, policymakers in numerous nations exhibit hesitancy towards eliminating fuel subsidies and enacting reforms due to the potential repercussions, such as a substantial escalation in fuel or electricity costs. This outcome could potentially impose economic burdens on individuals with low incomes and those living in poverty.

Furthermore, the removal of fuel subsidymay incite widespread protests, heightening the likelihood of a revolution or the overthrow of the current governing body. Fuel subsidies were first implemented in Nigeria during the 1970s in response to the oil price shock experienced in 1973. In 1986, a partial removal of fuel subsidies took place. Subsequently, the gasoline subsidies have been implemented. In the year 2012, the government implemented a sudden removal of gasoline subsidies. The elimination of the gasoline subsidy resulted in widespread demonstrations, with the primary objective of urging the government to restore the subsidy that had been rescinded. As a result of widespread demonstrations, the administration made the decision to resume the gasoline subsidy in 2012. Subsequently, the disbursement of gasoline subsidies in Nigeria has seen a significant expansion. In the year 2022, the gasoline subsidy reached a total of ₦4 trillion (equivalent to US$6.088 billion), constituting almost 23 percent of the national budget amounting to ₦17.126 trillion (equivalent to US$25.87 billion) in the same year. Consequently, Nigeria found itself unable to maintain the gasoline subsidy by 2023, prompting the government to declare the elimination of such subsidy in June of that year. The existing body of research in Nigeria presents a range of outcomes on the impact of gasoline subsidies. Several research have examined the advantages of gasoline subsidies and emphasize the need of transparent administration in their implementation.

Conversely, some studies have shed light on the adverse effects of fuel subsidies and their implication. Omitogun et al (2021) demonstrate that the removal of fuel subsidies has the potential to decrease carbon emissions within the Nigerian economy. Also, Adekunle and Oseni (2021) suggest that the removal of fuel subsidies has the potential to mitigate the increase in carbon emissions by promoting energy conservation practices, notwithstanding the potential consequence of elevated energy costs. According to Asare et al. (2020), there is a case to be made for the removal of fuel subsidies. They contend that the revenue generated from this removal could be utilised by the government to implement prompt interventions in response to the COVID-19 crisis.

Additionally, this revenue could be redirected towards more productive expenditures that would contribute to long-term recovery and resilience in the post-COVID period (Ozili and Arun, 2023). Several studies have focused on the implications of eliminating gasoline subsidies. According to Umeji and Eleanya (2021), the authors contend that despite the implementation of fuel subsidy in Nigeria, the country's oil wealth has not resulted in an enhanced quality of life for its citizens. They further assert that the elimination of fuel subsidy could potentially lead to significant repercussions, which can be alleviated through governmental transparency in allocating the funds saved from the removal of fuel subsidy towards infrastructural advancements. According to Ovaga and Okechukwu (2022), the presence of fuel subsidies in Nigeria fosters a culture of corruption. This is primarily attributed to a faction of individuals who actively obstruct the operations of established refineries and impede the establishment of new ones. Their actions are driven by the intention to perpetuate fuel imports and maintain the continuation of fuel subsidies, ultimately serving their personal interests. According to Omotosho (2020), the elimination of gasoline subsidies in Nigeria has the potential to result in increased macroeconomic instability due to the subsequent escalation of energy costs and inflation. Moreover, the research conducted by McCulloch, Moerenhout, and Yang (2021) demonstrates that a significant portion of the Nigerian population expresses resistance towards the elimination or modification of gasoline subsidies. This opposition stems from the perception that the government is plagued by corruption and has the necessary competence to implement transparent changes.

Despite the presence of data in the existing literature, there seems to be a dearth of scholarly discourse about the ramifications of the recent fuel extraction activities undertaken in Nigeria during the year 2023. The absence of preliminary palliative measures prior to the elimination of the gasoline subsidy has sparked a contentious debate over the potential ramifications of this policy change on both the Nigerian economy and its citizens. Hence, it is important to ascertain and comprehend the macroeconomic and micro-economic ramifications associated with the elimination of fuel subsidies in Nigeria in 2023. It is in the light of these that the study seeks to the assess the implications of fuel subsidy removal crisis in Nigeria.

**1.2 Statement of the problem**

The removal of fuel subsidies results in an immediate and substantial increase in fuel prices. This can lead to rising inflation, increased cost of living, and a reduction in the purchasing power of the average Nigerian citizen. Both the residential and commercial needs of the average Nigerian household are met by the use of subsidized by-products of crude oil, such as gasoline and kerosene. However, the inconsistency and unreliability of the public energy supply provided by the Power Holding Company of Nigeria (PHCN) is another factor that makes it more difficult to rely on this source of energy (Ozili & Arun, 2023). There has been several attempts by previous governments in Nigeria to eliminate the country's fuel subsidy but all were met with demonstrations and fierce opposition. Despite the potential advantages of removing fuel subsidies as articulated by the Nigerian President, the removal of these subsidies has led to an increase in the prices of food items due to the elevated fuel prices, which directly impacts agricultural productivity.

In addition, the removal of fuel subsidies is expected to result in the following consequences: a decline in economic growth, an upsurge in inflation, an increase in poverty rates, heightened fuel smuggling, a rise in criminal activities, an escalation in the cost of petroleum products, and a loss of jobs in both the informal sector and overall output. It is foreseen that greater market competition will ultimately lead to a reduction in gasoline prices. Nevertheless, in the immediate future, the general population faces challenges in adapting to the impending introduction of market competition. It is apparent that the current government has completely removed fuel subsidies without providing efficient infrastructure or alternative energy sources that could alleviate the transition and improve the overall quality of life.. Therefore this study seeks to assess the implications of fuel subsidy removal crisis in Nigeria.

**1.3 Objectives of the study**

The general objective of the study is to assess the implications of fuel subsidy removal crisis in Nigeria. The specific objectives is as follows:

1. examine the implication of fuel subsidy removal on unemployment in Nigeria.

2. assess the impact of fuel subsidy removal on inflation and food security.

3. analyze the impact of the fuel subsidy removal crisis on income level and standard of living in Nigeria.

**1.4 Research questions**

The following questions will guide the study:

1. What is the implication of fuel subsidy removal on unemployment in Nigeria?

2. What is the impact of fuel subsidy removal on inflation and food security?

3. What is the impact of the fuel subsidy removal crisis on income level and standard of living in Nigeria?

**1.5 Significance of the study**

The implications of fuel subsidy removal crisis in Nigeria will be revealed to the government at various levels and citizens of Nigeria as needs to put up measures that will cushion the effect of fuel subsidy on rural dwellers.

Additionally, subsequent researchers will use it as a literature review. This means that other students who may decide to conduct studies in this area will have the opportunity to use this study as available literature that can be subjected to critical review. Invariably, the result of the study contributes immensely to the body of academic knowledge with regard to the implications of fuel subsidy removal crisis in Nigeria.

**1.6 Scope of the study**

The scope of this study is boarded on the implications of fuel subsidy removal crisis in Nigeria. Theoretically, this study will discuss and examine the implication of fuel subsidy removal on unemployment in Nigeria, assess the impact of fuel subsidy removal on inflation and food security and analyze the impact of the fuel subsidy removal crisis on income level and standard of living in Nigeria.

Geographically, the study will be delimited to people in Ikotun local government, Lagos state, Nigeria.

**1.8 Limitation of the study**

In the course of carrying out this study, the researcher experienced some constraints, which included time constraints, financial constraints, language barriers, and the attitude of the respondents.

In addition, there was the element of researcher bias. Here, the researcher possessed some biases that may have been reflected in the way the data was collected, the type of people interviewed or sampled, and how the data gathered was interpreted thereafter. The potential for all this to influence the findings and conclusions could not be downplayed.

More so, the findings of this study are limited to the sample population in the study area, hence they may not be suitable for use in comparison to other schools, local governments, states, and other countries in the world.

**1.9 Definition of terms**

**Fuel Subsidy:** government effort in paying for the difference between the pump.

**CHAPTER TWO**

**REVIEW OF LITERATURE**

**INTRODUCTION**

Our focus in this chapter is to critically examine relevant literature that would assist in explaining the research problem and furthermore recognize the efforts of scholars who had previously contributed immensely to similar research. The chapter intends to deepen the understanding of the study and close the perceived gaps.

Precisely, the chapter will be considered in three sub-headings:

* Conceptual Framework
* Theoretical Framework
* Empirical framework

**2.1 CONCEPTUAL FRAMEWORK**

**Overview of the Nigeria Oil and Gas Industry**

Nigeria, is the largest oil producer in Africa and the sixth largest producer in OPEC with an average of 2.6 million barrels per day (bpd) (2006). Nigeria's economy is heavily dependent on the oil sector, which account for nearly 80% of government revenues and over 90% of total foreign exchange earnings. Estimates of the total crude oil reserves vary, but are generally accepted to be about 36 billion barrels, although new offshore discoveries are likely to push this figure to about 40 billion barrels. (Research Department of ICML).

With a maximum crude oil production capacity of 2.5 million barrels per day, Nigeria ranks has Africa's largest producer of oil and the sixth largest oil producing country in the world. Nigeria appears to have a greater potential for gas than oil. Nigeria's gas production in the year 2000 was approximately 1,681.66 billion scf, 1,3715 billion scf was associated gas and the rest 310.16 billion was non associated gas.(NNPC Website 2016).

Nigeria produces only high value, low sulphur content, light crude oils - Antan Blend, Bonny Light, Bonny Medium, Brass Blend, Escravos Light, Forcados Blend, IMA, Odudu Blend, Pennington Light, Qua-Iboe Light and Ukpokiti. (NNPC Website 2016).

NNPC through its subsidiary the Nigerian Petroleum Development Company (NPDC) is directly responsible for four oil and gas fields with a total production of 15,000 bpd.NPDC is committed to expanding its production capacity and has thus entered into strategic alliance with Agip Energy to develop the Okhono offshore field.(NNPC Website 2016).

The Nigerian Gas Company, a subsidiary of NNPC transmits gas to major commercial centres in the country. The Escravos -Lagos pipeline feeds the commercial nerve-centre of the nation, as well as fuelling the main power station at Egbin, near Lagos. (NNPC Website 2016).

**Division of the Nigeria Oil Sector**

It is important to distinguish between two activity sectors of the industry in order to appreciate the extent of public sector’s involvement and the challenges of institutional change. Conventionally, these are the upstream sector and the downstream sector. The exploration and production of oil and gas make up the upstream sector (Amana and Amana, 2011).

Bafor (2001) states as follows: A company may concentrate on exploration and production only. Such a company is said to have an upstream interest. On the other hand, a company may be involved in only refining and marketing. Such a company is said to be in the downstream sector. Companies which operate in both sectors are said to be fully integrated.

The downstream sector is responsible for refining, storage, marketing, sale and distribution of oil, kerosene, asphalt, lubricating oils and petrochemicals such as plastics, carbon black and solvents (Omoregbe, 2004). The downstream sector is regulated and controlled by the federal government which solely refines petroleum and regulates the prices and distribution of such products. This might account for the bottlenecks in refining, marketing and distribution capacity (Amana and Amana, 2011). The apparent inefficiencies in the domestic production and distribution have made the country to rely on massive importation of petroleum products in order to augment and hence meet local consumption requirements.

**The Petroleum Products Pricing Regulatory Agency (PPPRA)**

The PPPRA is a regulatory body in-charge of overseeing the full deregulation and liberalization of Nigeria’s petroleum downstream sector.

The establishment of the PPPRA started in August 2000, with the former President Obasanjo, signing into law the PPPRA Bill on March 27, 2003, and inaugurated the Governing Board of the PPPRA on June 19, 2003. The mission of the PPPRA is to reposition Nigeria's downstream sub-sector for improved efficiency and transparency, and its vision is to attain a strong, vibrant downstream sub-sector of the petroleum industry, where refining, supply, and distribution of petroleum products are self-financing and sustaining.The functions of the PPPRA are to:

a)To determine the pricing policy of petroleum products.

b)To regulate the supply and distribution of petroleum products.

c)To create an information databank through liaison with all relevant agencies to facilitates the making of informed and realistic decisions on pricing policies.

d)To oversee the implementation of the relevant recommendations and programmes of the Federal Government as contained in the White Paper on the Report of the Special Committee on the Review of the Petroleum Products Supply and Distribution, taking cognizance of the phasing of specific proposals.

e)To moderate volatility in petroleum products prices, while ensuring reasonable returns to operators.

f)To establish parameters and codes of conduct for all operators in the downstream petroleum sector.

g)To maintain constant surveillance over all key indices relevant to pricing policy and periodically approve benchmark prices for all petroleum products;

h)To identify macro-economic factors with relationship to prices of petroleum products and advice the Federal Government on appropriate strategies for dealing with them.

i)To prevent collusion and restrictive trade practices harmful in the sector.

j)To create firm linkages with key segment of the Nigerian society, and ensure that its decision enjoy the widest possible understanding and support.

k)To exercise mediatory role as necessary for all stakeholders in the sector.

l)To carry out such other activities as appear to it necessary or expedient for the full and efficient discharge of its functions. (PPPRA, 2016).

**Concept and Types of Fuel Subsidy**

Determining what constitutes a subsidy is critical to any analysis of the implications of energy subsidies for sustainable development. No consensus definition exists, making comparisons of individual studies of specific countries or regions difficult and complicating objective discussion of issues relating to subsidies. The narrowest and perhaps most commonly used definition is a direct payment by the government to a producer or consumer. Some have even related subsidy removal to deregulation of the downstream oil sector. Basically, a subsidy (subvention) is an amount of money paid by government to suppliers (providers or producers) of a product or service to enable them to sell their products or services to final consumers at a price determined by the government which is less than the true supply cost.

The Organization for Economic Co-operation and Development (OECD, 2005) defines a subsidy as “a result of a government action that confers an advantage on consumers or producers, in order to supplement their income or lower their costs.” The 2001 version of the IMF’s Manual on government finance statistics (IMF, 2001) states “ subsidies are current unrequited payment that government units make to enterprises on the basis of the levels of their production activities or the quantities or values of the goods or services they produce, sell, export ,or import. Subsidies may be designed to influence levels of production, the prices at which outputs are sold, or the remuneration of the enterprises.” Energy subsidies come in two main forms: those designed to reduce the cost of consuming fossil fuel (petrol); and those aimed at supporting domestic fossil-fuel (petrol) production (Burniaux etal.,2009). Some producer subsidies can have the effect of lowering petrol prices, thereby serving indirectly as consumer subsidies at the same time.

Subsidies aimed at consumers are generally intended to keep fuel prices low, in order to stimulate certain sectors of the economy or alleviate poverty, by expanding the population’s access to energy (Saunders and Schneider, 2000: Morgan 2007). These types of subsidies are more common in developing countries. These subsidies usually take the form of price controls (IEA, 2007) and can involve large price gaps. For instance, in Iran, petroleum product price were kept at 10% of world market prices in 2002 (Jensen and Tarr, 2002). This is typical of the Nigerian subsidy.

Subsidies that are aimed at producers generally keep costs of production lower or increase revenue and their effect is to keep marginal producers in business (Saunders and Schneider, 2000). These subsidies can also be motivated by the desire to reduce import dependency (European Environment Agency [EEA], 2004). Production subsidies are more common in developed countries than in developing countries.

Subsidies also include a wide variety of support measures. They can include cash transfers directly to producers or consumers, as well as less obvious support mechanisms, including tax exemptions and rebates. Price controls, market access limits and trade restrictions are also often a key element of fossil fuel (petrol) subsidies. The OECD (Varangu and Morgan, 2002) and the United Nations Environment Programme (UNEP, 2008) identify the following mechanisms as typical of those used by governments to support the production or consumption of fossil-fuels (petrol):

i.Direct financial transfers: grants to consumers, grants to producers, low- interest or preferential loans and government loan guarantees;

ii.Preferential tax treatment: tax credits, tax rebates, exemptions on royalties, duties or tariffs, reduced tax rates, deferred tax liabilities and accelerated

depreciation on energy-supply equipment;

iii.Trade restrictions: tariffs, tariff-rate import quotas and non-tariff trade barriers;

iv.Energy-related services provided directly by government at less than full cost: government-provided energy infrastructure, public research and development on fossil fuels; and

v.Regulation of the energy sector: demand guarantees, mandated deployment rates, price controls, environmental regulations and market-access restrictions.

The subsidy could be direct in the form of price controls, tax exemptions or the provision of grants – this more or less entails the injection of cash back into the hands of either the consumer or the producer. The indirect form of subsidy is more in the form of the provision of industrial input requirements in the form of – favorable regulatory frameworks, research and development.

**International/Cross Country Experience**

A number of developed and developing countries have engaged in fuel subsidy policy reforms. These countries include Argentina, Brazil, Canada, China, Ghana, Senegal, India, Indonesia, Italy, Korea, Mexico, Russia, Spain, France and the United states. IISD (2010) maintains that once in place, fuel subsidies are extremely difficult to remove. There is no single observed formula for success, country circumstances and changing global conditions are major contributory factors. IISD (2010) recognizes six important reform approaches: research; establishing reform objectives and parameters; clear frames of progress; and monitoring and evaluation.

The Ghana case is recorded as a substantial success for the following reasons. Research was conducted to identify those most likely to be impacted by reform; a communication strategy was employed to increase popular support, semi-independent and transparent institutions were established to manage fuel pricing; and policies were implemented to reduce impacts on the poor (IISD,2010).

IISD (2010) observes that the Senegalese reform experience substantially achieved its initial objectives. The LPG subsidy program, which created strong incentives to switch from charcoal to LPG, yielded large environmental benefits. The UNEP (2003) observes that the Senegalese experience with subsidizing LPG demonstrates that rapid switching away from traditional fuels to modern forms of energy does not occur automatically. Palliative measures for the poor were poorly articulated. Additionally, unlike in Ghana, the information and awareness-raising campaign was not properly done.

The UNEP (2003) through a simulation studied possible impacts of the reforms and stated that a key conclusion of the analysis for Chile is that removing oil subsidies could have bigger economic and distributional effects than removing coal subsidies. This is mainly because consumption of oil is much larger than that of coal.

**The Nigerian Case**

The Nigerian case is that of the imposition of a consumer subsidy which translates into a consumer surplus whereby the consumer pays for fuel at a price at N65 per liter that is less than the current world market price of imported fuel inclusive of distribution cost of N142 per liter. The consumer benefits by also purchasing the commodity/product in quantities that are at variance to the ideal quantities to be demanded by the consumer public. The supplying, community (oil marketers) enjoys the product’s surplus as they are now inclined to sell larger quantities at the market price. Economic theory postulates that the actual cost of subsidies exceed the transfers offered by the government to the producer and consumer community. The Nigerian situation is somewhat peculiar and manifest in a rather intriguing way that almost hints of the notorious Nigerian factor. There is certainly a case for the removal of subsidies in Nigeria. Nigeria currently does not meet any of the listed criteria in the framework adopted in a UNEP 2003 study on energy subsidies that would justify the continued imposition of a subsidy. So far, government’s plans have only been discernable from press statements or interviews given by officials. Statements attributed to some government officials and the president (This day, 23rd October, 2011) suggests a number of plans and projects including:

* Setting up a fund from the withdrawn subsidy to be managed by a committee of highly respected Nigerians.
* Infrastructural and social services projects involving road constructions; major public maintenance works; and improving on the progress made in power generation and distribution through additional investment.
* Facilitation of a comprehensive mass transportation system; schemes for skilled and unskilled youths; social programs targeted at pregnant women, children and elderly.
* Public Private Partnership to establish refineries and increase domestic fuel production and supply. However, federal government is yet to present a detailed plan with specific projects that will cushion the initial shocks to the economy and difficulties that may be suffered by the poor and vulnerable groups in society (Centre for Public Alternatives, 2012).

**The Difference between 2012 Fuel Subsidy Removal and 2016 Fuel Price Regime**

In explaining this position, it becomes pertinent to reel out the facts about the fuel subsidy regimes from previous governments and the present. Stated below explain the differences between 2012 and 2016 fuel subsidy.

The increase in subsidy payments from N421. 5 billion in 2009 to N1.3 trillion and 2.2 trillion naira in 2010 and 2011 respectively can be noticed from 2010 when ex-President Goodluck Jonathan assumed the reins of leadership of the country as acting President.

in January 2012 when the federal government implemented the removal of fuel subsidy, we could afford it if was transparently managed because our major foreign earner, the crude oil per barrel was selling at above $110 at the international market, the country’s foreign reserve was about $40 billion and there was low or no pipeline vandalism unlike now that the cost of crude oil per barrel has dipped between $40 - 45 or even lower, also there is high scale vandalism of oil pipelines which has depleted our income because of a fall in production of crude oil.

To correct the misinformation of equating the 2012 fuel subsidy situation with the 2016 fuel price regime, we need to make it clear that the 2012 Occupy Nigeria Protests which witnessed massive turnout of people on their own volition was not a rejection of the removal of fuel subsidy which the people themselves believed was a fraud perpetrated against our commonwealth, but was a rejection of a government that was hands in glove with corruption in violation of the constitution and our values as a people of honor.

In summary, the major difference between the former President Goodluck Jonathan and President Buhari’s administrations was the issue of transparency, accountability, trust and responsibility of leadership, Also the 2012 price increase was necessitated by election-induced corruption; the 2016 fuel price increase is being necessitated by the reality of oil’s dwindling fortunes globally (pointblanknews 2016).

**History of Fuel Subsidy Removal in Nigeria (1978 – 2016)**

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, 83% increased. The concern was for government to generate enough money to run the administration particularly when it was preparing for the 1979 democratic elections and also to carter for the social needs of Nigerians. Global Journal of human social science Volume 12 Issue 7 Version 1.0 April 2012

In January 1982, the civilian regime of Alhaji Shehu Shagari also raised the pump price to 20 kobo from 15.37 kobo, 30% increased. Money realized from the fuel increase was used by members of the regime to buy properties in major capitals of European nations (USA, UK, Spain, France and others), as against using same to put in place social services that Nigerians badly needed then. The inept leadership of the then NPN national government and the corruption that bedeviled the administration led to its overthrow. Global Journal of human social science Volume 12 Issue 7 Version 1.0 April 2012

Then came the military junta of General Babangida who also increased the pump price of fuel to 39.50 kobo in March 31st, 1986, 98% increased. This regime was notorious for numerous pump price increases. On April 10th, 1988, the regime increased it to 42 kobo from 39.50 kobo per litre, 6% increased and then again to 60 kobo for private 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 Nigerian. The economic down turn coupled with the increases made life really unbearable and Nigerians reacted angrily. Global Journal of human social science Volume 12 Issue 7 Version 1.0 April 2012

Again, on the 6th of March, 1991, the Babangida administration raised the pump price from 60 kobo to 70 kobo, 17% increased. Not too long the Nigerian nation was subjected to another round of fuel increase, when in November 8, 1993, the pump price was raised to N5.00, 614% increased and confronted with mass protests across the length and breath of Nigeria, the price was reduced to N3.25, 35% decresed on November 22, 1993. A year later, on October 2nd, 1994, it was again raised to N15.00 362% increased only to be reduced two days later to N11.00, 27% decreased by the Gen. Abacha’s regime. The reduction was as a result of mass protests and coupled with the need to win the support of Nigerians. Global Journal of human social science Volume 12 Issue 7 Version 1.0 April 2012

On December 20, 1998, the pump price was also increased to N25, 127% increased but again reduced to N20, 20% decreased on January 6th, 1999 just a month later. This was during Gen. Abdulsalam Abubakar brief transitional reign as a military ruler. He like 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).Global Journal of human social science Volume 12 Issue 7 Version 1.0 April 2012

It is necessary at this point to place on record that it was only the military junta of Buhari/Idiagbon and Umaru Shehu Yardua 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 Yardua respectively, and its focus on fighting corruption and indiscipline in the Nigerian society. Global Journal of human social science Volume 12 Issue 7 Version 1.0 April 2012

Gen. Olusegun Obasanjo second coming as a civilian president, did not helped matters as he unleashed a rain of terror on Nigerians. 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, 17% decreased one week after due to massive protests by organized labour, civil society organizations and the ordinary Nigerians. Five days later, on June 13, 2000, the pump price was further adjusted to N22.00, 12% decreased per litre. Global Journal of human social science Volume 12 Issue 7 Version 1.0 April 2012

On January 1st, 2002, Obasanjo regime increased the price from N22.00 to N26.00, 18% increased and to N40.00, 54% increased on June 23, 2003 just one year after. In June, 2007, also the same regime raised the price of fuel per litre to N70, 75% increased but the Yaradua’s regime later reviewed it downward to N65, 7 % decreased on assumption of office in May 2007, This was how it remained until President Goodluck Jonathan regimes decision at an outright removal of fuel subsidy from N65 to between 138 naira and 250 naira which is 112.31 to 284.62% increased. 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. Global Journal of human social science Volume 12 Issue 7 Version 1.0 April 2012

The issue was that, while the nationwide consultations and discussion on fuel subsidy removal was still going on, the Petroleum Product Pricing Regulatory Agency (PPPRA) on January 1st, 2012, announced the outright removal of fuel subsidy. This decision by the Goodluck 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 organization Academic Staff Union of Universities ASUU and the generality of Nigerians. This prompt the government to enter into a negotiation with the organize labour and rescinded its decision of an outright removal to a partial removal and reduced the pump price to N97between 138 naira and 250 naira. On Feb, 2015 Election approaches the price reduced to N87 that is during Jonathan administration. Global Journal of human social science Volume 12 Issue 7 Version 1.0 April 2012

On Thursday May 12 2016, the federal government of Nigeria announced the removal of subsidy for the sale of petrol with immediate effect, placing the price at N145 per litre from N86. The Federal Government increased the price of petroleum from N86.50 to a maximum of N145 per litre. The 80% increase was announced to State House reporters by the minister of State for Petroleum IbeKachikwu. Daily trust 2016.

**Case Study: The 2023 Fuel Subsidy Removal**

**Context and Reactions**

The historical context of fuel subsidies in Nigeria, as documented by Houeland (2020), reveals their long-standing presence as measures to mitigate global oil price shocks. The subsidization of petrol prices has been institutionalized since the 1970s, primarily to shield citizens from volatile energy costs. This historical backdrop underscores the need for a cautious approach to subsidy removal, particularly in a developing nation like Nigeria. The decision by Nigeria to remove its consumer fuel subsidy in 2023 therefore has significant economic, social, and environmental implications that must be carefully considered. The announcement reflects a growing acknowledgment of the challenges posed by fossil fuel subsidies and the need for equitable and sustainable reforms. The move to remove subsidies aligns with a broader global trend toward subsidy elimination to fulfil climate change obligations and promote fiscal sustainability.

The context of the 2023 subsidy removal in Nigeria is multifaceted. The new president, Bola Ahmed Tinubu, cited concerns that the subsidy scheme disproportionately benefited the wealthy while escalating costs became increasingly unjustifiable. This highlights a crucial aspect of subsidy removal – addressing inequality and ensuring that the most vulnerable segments of the population are not adversely affected. The subsidy removal, while potentially reducing carbon emissions, can lead to increased economic pressure on the population, as pointed out by Ude (2023).

The structure of Nigeria's subsidy system involves fixing the price of petrol for consumers below international prices and using government resources to cover the difference. Given that Nigeria's refineries are in a state of decay, imported oil prices tend to be higher than they would be if the products were refined domestically. This structural issue has contributed to the perceived unsustainability of the subsidy programme. The decision to raise the price of petrol by 200% shortly after the subsidy removal announcement underscores the immediate impact on consumers and the broader economy.

The potential benefits of subsidy removal, as highlighted by the government, include increased resources for public infrastructure, education, and healthcare. This aligns with the prevailing global perspective that fuel subsidies often lead to inefficiencies and financial leakages, ultimately detracting from other crucial areas of development. The reported staggering monthly expenditure of $1.22billion on petrol subsidies, surpassing allocations for education, health, and infrastructure, underscores the need for fiscal reallocation and prioritization.

The chronology of events and reactions surrounding the 2023 fuel subsidy removal in Nigeria paints a complex picture of economic, political, and societal dynamics. The announcement of the subsidy's removal during President Bola Ahmed Tinubu's inauguration set off a chain reaction that elicited public outcry and governmental responses. Slated to take effect on July 1, the policy prompted immediate concerns and chaos, with citizens scrambling to purchase fuel before prices surged (Al Jazeera, 2023). The economic implications of the fuel subsidy removal were substantial. The retail fuel price was anticipated to rise from the official pump price of 185 naira ($0.40) to a range between 350 ($0.76) and 550 naira ($1.18). Given that about 133 million Nigerians were living in multidimensional poverty (United Nations data), the impact on their lives was palpable (Al Jazeera, 2023).

The roots of the fuel subsidy ran deep in Nigeria's history. The country's oil was refined in Europe and then imported back, incurring higher costs. To alleviate this financial burden on consumers, the government provided subsidies. This subsidy was intricately linked to fuel prices and consequently influenced the costs of almost all goods and services within the nation. Originating in the 1970s as a response to volatile global oil prices, the subsidy became deeply entrenched, eventually evolving into a substantial fiscal burden on the government (Al Jazeera, 2023).

The sentiment surrounding the fuel subsidy had been both popular and contentious. Previous attempts to remove it were met with resistance due to perceived citizen benefits. The 2012 effort to remove the subsidy under then-President Goodluck Jonathan led to nationwide protests, organized by labour unions, civil society, and opposition party leaders, including Bola Ahmed Tinubu. The resulting demonstrations brought the nation to a standstill, compelling the government to reduce fuel prices and reinstate the subsidy (Al Jazeera, 2023).

However, corruption and a lack of fiscal transparency plagued subsidy payments. A parliamentary inquiry in 2012 exposed a

$6 billion fraud involving officials at the state-run Nigerian National Petroleum Company (NNPC). This fuelled demands for investigations into NNPC and a re-evaluation of subsidy payments (Al Jazeera, 2023).

In the lead-up to the February 2023 election, all major presidential candidates pledged to remove the subsidy and enact oil sector reforms, indicating political consensus on the matter. Given Nigeria's economic realities, experts deemed the subsidy removal necessary. The preceding Buhari administration had left a significant debt, necessitating financial prudence. Despite opposition from labour unions, the government's decision to eliminate the subsidy was seen as economically prudent, although calls to reduce wasteful government spending grew more prominent (Al Jazeera, 2023).

Reactions to the subsidy removal were mixed. NNPC Limited welcomed the move, citing the government's substantial debt to the company stemming from the subsidy. Labor unions protested, expressing concerns about transparency and historical corruption in government spending. While unpopular, the government's decision was considered economically sensible, necessitating parallel improvements in areas like power supply and transportation to alleviate citizens' pains (Al Jazeera, 2023).

**Comparative Analysis with 2012 subsidy removal**

The 2023 subsidy removal in Nigeria echoes previous cases, such as the 2012 subsidy protests, revealing both similarities and contrasts. Comparative analysis sheds light on the underlying economic, political, and social dynamics that drive subsidy removal decisions and their consequences. The present subsidy removal shares parallels with the 2012 case, yet it also exhibits distinctive features, potentially indicating evolving governance strategies.

The 2023 subsidy removal reflects the Nigerian government's continued efforts to address fiscal challenges and rationalize subsidy expenditure. The move, as seen in the 2012 case, aims to reduce the fiscal burden and redirect funds to developmental initiatives (Ude, 2023). However, this recent decision differentiates itself by aligning with the manifestos of the major presidential candidates before the 2023 election, indicating political consensus on the necessity of reform (Al Jazeera, 2023). This reflects a more strategic and calculated approach compared to the sudden announcement in 2012.

The response from citizens in both cases underlines their dependence on subsidies and the perceived impact on their economic well-being. In 2012, widespread protests erupted due to the abruptness of the policy change and its immediate impact on fuel prices (Houeland, 2020). Similarly, the 2023 removal prompted public chaos as individuals rushed to purchase fuel before prices escalated (Al Jazeera, 2023). The reactions highlight the significant role subsidies play in the daily lives of Nigerians.

Comparing the economic context reveals certain trends. Both cases underscore the financial unsustainability of maintaining subsidies. The 2012 subsidy removal aimed to address increasing subsidy costs, similar to the 2023 situation where escalating costs became a primary concern (Ude, 2023). The 2012 protests emphasized the need for fiscal transparency, and the present decision was driven by the administration's acknowledgment of the subsidy's adverse economic effects (Al Jazeera, 2023). These parallels indicate the recurring financial strain subsidies impose on Nigeria's economy.

Political factors are also evident in both cases. In 2012, President Goodluck Jonathan's subsidy removal decision led to public outcry and labour unions' protests, forcing a partial reversal (Houeland, 2020). In contrast, the 2023 subsidy removal was announced by President Bola Ahmed Tinubu, showing his administration's commitment to addressing economic challenges and avoiding similar public backlash. This suggests that the current government may have learned from past experiences and adopted a more calculated approach.

Social impact remains a central concern. The 2012 protests highlighted the subsidy's importance as a social safety net, especially for the vulnerable population (Houeland, 2020). Similarly, the 2023 decision raised concerns about exacerbating inequality, given that a significant portion of the population lives in multidimensional poverty. This continuity underscores the necessity of considering the impact on the most vulnerable segments of society.

**Politico-Economy Of Fuel Subsidy In Nigeria**

The issue of fuel crisis has become a common phenomenon in Nigeria that is richly endowed with large crude oil deposit and a greater exporter of the God-given commodity. It is pathetic to observe that no other OPEC member or even country that does not produce oil, share similar ugly experience with Nigeria (Badmus, 2009). Subsidy in economic sense exists when consumers of a given commodity are assisted by the government to pay less than the pump price per litre of petroleum product. On the other hand, fuel subsidy could be described as the difference between the actual market price of petroleum products per litre and what the final consumers are paying for the same products.

Today, the difference, which is borne by the government, is caused by eight imports – induced costs. These costs, according to Afonne (2011) have been discovered to be responsible for the high prices of petroleum products in present day Nigeria. Fuel subsidy was before the coming of the Jonathan administration, a policy of federal government meant to assist the people of Nigeria to cushion the effects of their economic hardship.

Fuel subsidy seeks to enhance financial capacity but also to accept the implied financial losses by it in the spirit of its national responsibility to ensure the well being of the populace. In other words, if a product like fuel, is to be sold for N141 per litre, but for some considerations, it cannot be sold at that rate but atN97 per litre and if government then accepts to pay the difference between N141 and N191, that is N44, this simply means that there is a subsidy to the tune of N85 for every litre purchased at the filling stations (Onyishi, 2012).

Nigerian oil and gas downstream sector is dominated by cartels who manipulate prices, through artificial supply restriction. These cartels determine volume of importation and the proportion that should be released to the market. At times, they only allow a few products holders to supply the market, while others hoard. Peter Akpatasan former president of NUPENG has stated thus: Deregulation cannot work in a market dominated by cartels. This cartel is so strong that it can continue to manipulate prices out of the reach of common man. You cannot deregulate when you have no refineries. There will be serious economic crisis” (Democratic Socialist Movement, 2009).

The Nigeria’s first refineries have a maximum nominal or installed capacity to process 445,000 barrels of crude oil per day. This is less than 40% of the daily national consumption requirement such relatively low production capacity is further hampered by maintenance and operational shortcomings. This has resulted in inevitable severe product shortages. The situation is further compounded by the price disparity between the Nigeria markets and her sub-regional neighbours, which encourage product smuggling and further widen the gap between supply and local demand.

Today, more than 90% of petroleum products consumed in the domestic market are imported usually at costs, which naturally reflect international crude oil prices. This is clearly a dysfunctional state of affairs for a policy which is one of the top ten oil producers in the world. The history of fuel subsidy removal in Nigeria is rather a long one particularly with the negative effects it has on the polity.

The table below shows the history of subsidy removal in Nigeria. The table below x-rays the various petro- adjustments in Nigeria since 2000.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| S/N | Date | Administration | Price | Percentage change |
| 1 | 2000 | Obasanjo | N20.00 | - |
| 2 | 2000 | Obasanjo | N22.00 | 10% |
| 3 | 2001 | Obasanjo | N26.00 | 18% |
| 4 | 2003 | Obasanjo | N40.00 | 54% |
| 5 | 2004 | Obasanjo | N45.00 | 13% |
| 6 | 2007 | Obasanjo | N70.00 | 56% |
| 7 | 2007 | Yar’Adua | N56.00 | 0.0% |
| 8 | 2010-2012 | Jonathan | N65.00 | - |
| 9 | 2012-2015 | Jonathan | N141.00 | 117% |
| 10 | 2016 | Buharia | N145.00 |  |

Source: Adagba; Ugwu and Eme, 2012

It was only under Yar’dua’s administration that Nigerians were spared the ordeal of price increase. Others before and after him inflicted enormous pains on Nigerians as a result of the increase in fuel prices these are particularly significant about the fuel subsidy are its politics and its national and international implications. At the domestic level, both the proponents and opponents of fuel subsidy have valid theses, secondly, both of them also maintain a non compromising altitude. That is, while the government is talking about no alternative to removal of petrol subsidy to the opponents insist on negotiation with government until government restores fuel subsidy which was removed on January 1, 2012 (Onyishi, 2012).

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 cartel in the petroleum sub sector.

**Implications Of The Subsidy On The Nigerian Economy: Domestic And International**

**The Domestic Dimensions:**

The campaign for the removal of the petroleum products through deregulation of the downstream oil sector of the industry has finally been consummated. The Federal Government first gave a hint that it would not accept any further delay of the plan when, last December, President Goodluck Jonathan presented the 2012 budget to the National Assembly. The usually huge subsidy provision was missing. It was clear to all that the government had no intention of carrying the burden in the New Year.

On January 1, 2012, the agency responsible for taking the decision, the Petroleum Product Pricing Regulatory Agency (PPPRA), told a largely unprepared and bewildered polity that no fuel importer should expect to be paid for supplying the products henceforth. The response was spontaneous. While studying the situation; the fuel stations shut down. The general public panicked. What is to follow is also fairly predictable. First, fuel, in the interim would be sold in the black market and prices would reach the roof.

Reports across Nigeria had it that motorists bought between N138 and N250 per liter of petrol on Monday, January 2, 2012. In Kano State, black market operators sold at N250 per litre. Nigeria National Petroleum Corporation (NNPC) stations had a uniform price of N138 across the country but for other marketers, prices were varied. The table below captures pump prices in some major cities:

**Table 2: Prices of Fuel across Nigerian Cities after Subsidy Removal**

|  |  |
| --- | --- |
| City | Prices per Litre |
| Benin | N140 – N150 |
| Ibadan | N140 |
| Ilorin | N140 |
| Kano | N140 – N175 |
| Kaduna | N140 – N150 |
| Oyo | N150 |
| Osogbo | N145 |
| Abakiliki | N200 |
| Lagos | N141 – N158 |
| Umuahia | N150 |
| Jos | N150 |
| Warri | N160 |
| Akure | N150 – N170 |

The increase would provoke hyper inflation of prices in the consumer products market and thus compounded poverty. For instance, according to Daily Nation, the fare from Ilorin – Abuja ranged between N3,500.00 – N4,000.00, for busses and N5,000.00 for cars. The old price was N2,000.00. Ilorin

– Lagos cost N5,000.00 instead of the old N1,600 charged by private operators. A trip from Kano to Lagos cost N8, 500.00 as against the old N5,500.00. Kano to Ibadan rose from N4,500 to N7,750. Kano to Bayelsa, which was N8, 500.00 is now N17, 000.00.

The removal of fuel subsidy has equally affected the cost of commodities at the various markets in the metropolis. Commercial motorcyclists instantly adjusted their fares as soon as the subsidy removal was announced.

There could also be increase in fire incidents nationwide as people are likely to store Premium Motor Spirit at home. Thus, lives and properties could be lost. The government posited that the prices would only rise in the interim. Comparing the situation to the development in the telecommunications industry, the government argues that the only way to arrest and correct the structural distortions in the sector is liberalization that would encourage businessmen to invest in building refineries and importing products to sell at prices dictated by the market.

However, this is an argument not supported by empirical evidence. Diesel and engine oil prices have been deregulated for years. Yet unlike the situation in the telecommunication industry, the prices have been going up.

The cost of doing business will equally respond to the trend. Businesses in the past few years have been relocating to Neighboring countries, with Ghana as the major beneficiary. The Manufacturers’ Association of Nigeria (MAN) reports that 834 industries closed in 2010. It cited erratic power as the major reason for these closures. Many industries ran to neighboring West African countries because of low production cost (Eme, 2011. The Kano chapter of MAN said 86 industries have closed down in the state due to unfriendly government policies. The branch chairman, Alhaji Sanni Umar lamented that thousands of workers have lost their jobs, saying “we consider it necessary to associate the current problems bedeviling the development of industries in Kano to absence of clear government’s industrial policy” (Saladdeen 2011:6).

Put differently, Nigerians have lost small scale industries that are supposed to serve as the backbone of our economy. Business enterprise with lofty ideas hardly survives in this country because of unconducive environment in which they operate. They have to source their own energy supply by spending fortune on diesel to power their machines and struggle to pay staff salaries. Nigeria encourages small scale industries to grow in other countries at the expense of our economy and the growing unemployment at home.

Related to the above is the fact that since many companies have official cars that then have to be fueled for their senior officers, the operating environment may be more stuffing in post-subsidy removal epoch. The middle class that is just about bouncing back to life is likely to be at the receiving end from the new policy. While the low income earners can only be indirectly hit by the policy, the upper class can easily absorb the effect as their employers will bear the cost. But, for the middle class that has no access to alternative transport, an increase of more than 100 percent rise in price can only make life more difficult.

Artisans and technicians who rely on PMS to power generators to earn their daily meal will be forced to pass the cost to customers where this is feasible. Otherwise, they will be forced to close shop, with the consequent implication for unemployment – one of the evils the government says subsidy removal will fight.

Also considered critical to the economy as the fuel subsidy issue is the provision of employment for teeming Nigerian graduates being churned out yearly by tertiary institutions. Unemployment has resulted in so much brain-drain that there are so many Nigerians working in, and contributing to the development of other countries. But since it is not every body that has the ability to leave the shores of the country, unemployment has continued to rise in the country. According to Salaudeen (2011:6), the national unemployment rate rose from 4.3 percent in 1970 to 6.4 percent in 1980; 40 percent in 1992 and 41.6 percent in 2011. The high rate of unemployment recorded last year is attributed largely to depression in the economy.

As identified earlier, over the years, hundreds of factories that hitherto provided employment to graduates and artisans have collapsed. This is because energy supply which serves as the main engine of production has been comatose, thus forcing the surviving industries to depend on power generators while the polity becomes a dumping ground for all imported items.

Many artisans like welders, aluminum window filters, tailor, who cannot afford power generators are today out of work. In desperation, many Nigerian youths have taken to riding commercial motorcycle and tricycle while others went into street hawking just to keep body and soul together. Nigeria is face with a gross abuse and under-utilization of human resources with direct impact on national production and competitiveness. Brian drain in all professions has become common.

**The International Dimensions**

The opposition to removal of fuel subsidy and workers’ strike should be seen as a healthy development in the transformation agenda of President GoodLuck Jonathan. First, the president has shown democratic disposition and courage in telling the Nigerian populace his econo-political direction. His foreign policy is pro-west. For instance, President Jonathan’s co-ordinating Minister, Ngozi Okonjo- Iweala is familiar with the ways of international finance from the standpoint of the West. In those institutions, they look at the developing world from two platforms. One, they want to know how it will benefit them. Two, they “heep” with what is called paternalist attitude. That means they look at us as children who must be helped because we do not have the brains to do thins for ourselves. This is why they want the developing society to follow the market forces even though they know African economies cannot compete on an equal footing with theirs.

It is that kind of thinking that she brings to Nigeria. Her economic sense has not been domesticated. Hence, the so called Sovereign Wealth Fund is being made available to Western companies like Goldman Sachs and J.P. Morgan. She does not understand that the Nigerian economy is for Nigerians and not for America and her allies.

Put differently, Nigeria’s economy is actually tied to the global economy. Prices o international products are not fixed by the government of Nigeria but by internal market forces. The price of crude oil from Nigeria is internationally determined. For as long as Nigeria does not have control over fuel prices internationally, it can not but be better for Nigeria to take the initiative now and embark upon a new path of self-reliance. Apart from internationally controlled prices, the volume of imported fuel has not always been enough, thus making importation of fuel a desideration, in light of the inability of the domestic refineries to produce to the tune of their installed capacity.

The opposition parties, organized labour and civil society groups are also consistent with domestic ethos and traditions. The tough positions of both parties now compel a compromise, thus indirectly promoting the culture of mutual respect. Beyond that, the strike has considerably impacted on the global community as a whole in different ways.

Second, is the international aviation community; Not only have international aircraft grounded, so have been international passengers. Many are the Nigerian passengers wanting to go back to their offices in Europe, America and other countries of the world but who could not. Several business investors are also standard. Some stranded Nigerians have complained that they might lose their jobs for not being able to resume duty promptly in European and American offices.

The impact of the strike as identified earlier was also felt by the various airline operators. These included Air Nigeria, Chan Changi Airlines, Aero Contractors, IRS Airlines, Dana Airlines, Associated Aviation and Overland Airways among others. Aviation sources said these airlines on a normal day would operate about 200 flights wind amount to hundreds of millions of naira for scheduled passengers and cargo operators. The situation was said to be worse for the airlines that fly into the West African Coast. The list includes Arik Air Nigeria and Aero contractors.

Reports indicated that business ground to a halt at the ever busy Tin-Can and Apapa last week as importers and their clearing agents deserted the ports while the strike lasted. All the terminals at the ports were said to have been deserted by importers and their agents.

Meanwhile, a maritime expert, Mr. Tunde Folarin, in a radio programme monitored in Lagos last Wednesday said the industry was bound to suffer a demurrage crisis by the time the strike was over. According to him, some of the importers will try to resist the payment of demurrage as they are bound to argue that they were not the cause of the crisis which made goods clearance at the ports impossible (Akanbi and Agbo, 2012:24).

In the same vein, the effect of the crippling strike and protests was profound on the nation’s money market as banks remained under lock and key while the strike lasted. For instance, many Ghanaians businessmen, having business transactions with Nigerian banks in Ghana, have also complained bitterly about the strike. The Ghana branches need approvals from their headquarters before they can take some decisions. The implication here is that whatever happens in Nigeria necessarily affects political and economic activities in the West African region. Central Bank Governor, Lamido Sanusi Lamido put the loss incurred during the period of strike at $617million daily, translating into about N100 billion (Akanbi and Agbo, 2012:24).

At the diplomatic level, visa applicants cannot be attended to as scheduled appointments had to be cancelled. Many countries issued travel warnings to the citizens to be cautious about traveling to Nigeria. For instance, Canada and the USA have said that “civil unrest is occurring in several cities throughout the country after the removal of government subsidy on January 1, 2012. This type of warning also raises Nigerian’s international image. The manner of perception of Nigeria as not being stable enough for the security of foreigners, extent of security of foreign investments in Nigeria and in fact capability to ensure security and lives and property are what is considered in relating with the people of Nigeria now. Perhaps, more significantly, it raises questions on the extent to which democracy can continue to thrive in Nigeria.

But beyond these considerations, the removal of fuel subsidy has provided a good platform for national reflections. One of the issues is the extent of sovereignty of government and that of the people. True sovereignty belongs to the people when people are elected into public offices, it is generally admitted that sovereignty is delegated in part. The prize no is that when a government takes a decision on behalf of the people, and the people are not favorably disposed to the decision, who should have the pre-eminence?

**Macroeconomic implications of fuel subsidy removal**

**The positive macroeconomic implications**

**The saved funds from fuel subsidy removal would be channelled to develop critical public infrastructure**

A positive macroeconomic implication of the removal of fuel subsidy in Nigeria is that the funds that would have been used for fuel subsidy payment could be channelled to the development of critical public infrastructure in Nigeria. There is a consensus among academic economists that the funds used for subsidy payments can be channelled to public infrastructure spending (Bazilian and Onyeji, 2012; Majekodunmi, 2013). Prior to the removal of fuel subsidy, Nigeria did not have sufficient money to fund the development of critical public infrastructure (see figure 1). The lack of sufficient funds led the government to incur huge debts to finance the budget. However, with the removal of fuel subsidy in 2023, the government could use these funds and channel them appropriately for the purpose of developing critical public infrastructure in Nigeria. This outcome can only occur if the government is transparent, honest and is held to account, to ensure that the saved funds from fuel subsidy removal are channelled to the development of critical public infrastructure.

**Financial resources are freed up for the development of other sectors**

Other studies suggest that the savings from fuel subsidy removal could be channelled for the development of other sectors of the economy (Gidigbi and Bello, 2020; Ogunode, Ahmed and Olugbenga, 2023). In addition to developing Nigeria’s critical public infrastructure, the removal of fuel subsidy can free up financial resources for the development of other sectors that require significant government intervention and funding. The funds that would have been used for fuel subsidy payment could be channelled to sectors such as agriculture, healthcare, tourism, education and to fund the implementation of the Student Loan Act. Prior to the removal of fuel subsidy, many sectors of the economy did not perform optimally due to weak private sector investment and an abysmal level of public expenditure into those sectors due to insufficient government revenue. With the removal of fuel subsidy, it is hoped that the Federal Government would channel the freed-up resources into other sectors that need government funding.

**Fuel subsidy removal will reduce the budget deficit and could generate a budget surplus in the near future**

Another positive macroeconomic implication of the removal of fuel subsidy is that the funds would be used to fund the current budget deficit. Existing studies show that fuel subsidy contributes to Nigeria’s rising fiscal deficit and call for the need to remove fuel subsidy (Harun et al, 2018; Adagunodo, 2022). Historically, Nigeria has had a budget deficit in the last 10 years. Figure 2 shows that Nigeria’s budget to GDP ratio has remained in negative territory for over a decade. More recently, the petrol subsidy was billed to consume ₦4 trillion in 2022 and a whooping ₦17 trillion in 2023 (see figure 3), meanwhile the approved 2023 budget was only ₦21.83 trillion. This implies that the fuel subsidy would consume about 77% of the budget which already puts Nigeria in a chronic budget deficit and would drive Nigeria towards bankruptcy. In addition to that, 90% of Nigeria’s revenue is used to service its external debt which further complicated Nigeria’s financial situation during the fuel subsidy regime. The recent removal of fuel subsidy is indeed a positive development for Nigeria’s finances because it would reduce Nigeria’s current budget deficit as the ₦17 trillion would be used to augment the national budget. And over time, Nigeria could have a budget surplus.

**Reduced government borrowing**

There have been debates about the adverse effect of fuel subsidy payments on government borrowing (Okongwu and Imoisi, 2022). Since the start of the fuel subsidy regime, the Nigerian government has been borrowing, and the borrowing worsened during the 2016 recession and the 2020 COVID-19 pandemic (Ozili, 2022). Recently, in 2022, the government constantly borrowed from the Central Bank of Nigeria (CBN) through the ways and means provision for debt repayment and subsidy payment. The government had no choice but to increase borrowing from the Central bank. The government owed the Central Bank ₦22.7 trillion which was recently securitized by the FG with the approval of the national assembly in 2023. The recent removal of fuel subsidy implies that government borrowing from the Central Bank would stop, as the saved funds from fuel subsidy removal will become available for the government to use to meet its public expenditures.

**Increase in employment**

Another positive macroeconomic implication of the fuel subsidy removal is that it would create jobs. The total deregulation of the downstream sector will allow more companies to import fuel at competitive rates (Olujobi, 2021). These companies will hire workers, thereby creating jobs. Also, the reinvigoration of domestic refineries in Nigeria will lead to job creation. Furthermore, when the Dangote refinery starts producing, it could create more than 10,000 direct jobs in Lagos alone and over 30,000 indirect jobs across Nigeria, thereby increasing the level of employment.

**Strengthen the exchange rate or reduce pressure on the exchange rate**

Following the removal of fuel subsidy, the government should allow domestic refineries to produce more crude oil and other petroleum products. This will reduce the importation of petroleum products and increase the exportation of locally produced petroleum products (Akinola, 2018). This, in turn, will conserve foreign exchange from imported petrol and increase foreign exchange accretion from exported petrol. The foreign exchange accretion will boost foreign exchange supply in the foreign exchange market and strengthen the Naira against the

U.S. Dollar. This, in turn, will lead to the appreciation of the Naira and an improved exchange rate. For example, the Dangote Refinery which has a refining capacity of 650,000 barrels per day, can meet Nigeria’s domestic demand for refined petroleum products, reduce petrol importation and generate a surplus for export. As a result, the government could save billions of dollars spent on petroleum imports, and such savings could be used to ease the pressure on the exchange rate and improve trade balances.

**Reduce Nigeria’s dependence on imported petrol**

If the removal of fuel subsidy is followed by the reinvigoration of Nigeria’s domestic refineries, it could incentivize domestic refineries to produce more petroleum products and reduce Nigeria’s dependence on imported fuel (Akinola, 2018). Consider the newly created Dangote Refinery. It has a massive refining capacity of 650,000 barrels per day, which is sufficient to meet Nigeria’s domestic demand for refined petroleum products, generate a surplus for export, and reduce petrol importation significantly. In addition to the Dangote Refinery, other local refineries with their differing refining capacity levels will further enhance Nigeria’s refining capabilities and Nigeria’s dependence on imported petrol.

**Low carbon emission through fuel subsidy removal**

The presence of fuel subsidy in the last decade encouraged fossil fuel-based economic activities that increase air pollution and carbon emission in Nigeria. The CO2 damage in Nigeria, which is partly attributed to fuel subsidy, rose from US$1.5bn in 1998 to US$5.23bn in 2021 (see figure 4 below). The removal of fuel subsidy in Nigeria would support ongoing climate change mitigation efforts and reduce Nigeria’s contribution to global greenhouse gas emissions by 2030. Fuel subsidy removal in Nigeria would also decrease both the demand and supply of fossil fuels, thereby reducing carbon emission in Nigeria (Omitogun et al, 2021).

**Negative macroeconomic implications**

1. **Decrease in economic growth in the short-term**

One negative macroeconomic implication of the removal of fuel subsidy is that the rate of economic growth could decrease (Houeland, 2020). The fuel subsidy removal would lead to increase in price of essential goods and services. As a result, there would be fewer disposable income in the hands of individuals and small businesses due to rising prices, stagnant wages, and a fixed national minimum wage. This will lead to a reduction in consumption expenditure and would act as a drag on aggregate demand. The reduction in consumption would translate to weak consumer demand for the goods and services produced by firms. This, in turn, could decrease economic output and gross domestic product, and slow the rate of economic growth.

1. **High inflation and reduced purchasing power**

Another negative macroeconomic implication of the removal of fuel subsidy is that the inflation rate would increase (Mohammed, Ahmed and Adedeji, 2020). The removal of fuel subsidy led to a rise in the price of petrol from a subsidized price of ₦190 in May 2023 to an unsubsidized price of ₦537 in June 2023 and ₦617 in July 2023 in Abuja. Meanwhile, the price of petrol could rise above ₦600 in the far North such as in Borno State due to high transportation cost. The implication is that the price of most consumer and industrial goods, which are produced or transported with petrol, will increase sharply. The cost of bread will increase, and the cost of local transportation will also increase, making it expensive to afford for poor individuals and low- income earners. The effect will also be felt by both the rich and the poor, but as always, the poor will suffer the most, through a significant reduction in their purchasing power. The inflation effect could be further worsened by the late rollout of palliatives by the Federal Government to support the poor and households who are affected by the rise in the price of essential goods and services immediately after fuel

**Economic Implications**

1. **Government Budget and Fiscal Dynamics**

The removal of subsidies has been a subject of considerable debate due to its potential economic implications, particularly concerning government budgets and fiscal dynamics. In Nigeria, this has been a salient issue, as highlighted in recent research. Akinyemi et al. (2017) conducted a simulation study using a dynamic Computable General Equilibrium (CGE) approach to analyse the impact of fuel subsidy removal on the agricultural sector. Their findings revealed that subsidy removal could have far-reaching effects on various sectors, with repercussions for government revenue and expenditure patterns. This study emphasizes the importance of understanding the intricate interplay between subsidy removal, sectoral performance, and fiscal dynamics.

The economic implications of subsidy removal for government budgets and fiscal dynamics are multifaceted. On the one hand, subsidy removal could lead to increased government revenue if the savings from subsidy elimination are allocated efficiently. However, this revenue gain must be balanced against potential social and economic consequences, particularly for the vulnerable population. Additionally, the government's ability to effectively manage and allocate these newfound resources is crucial in determining the overall fiscal impact. The studies mentioned provide insights into the intricate interactions between subsidy removal, fiscal dynamics, and sectoral performance, urging policymakers to adopt a holistic approach that considers both short-term fiscal gains and long-term economic stability.

1. **Inflation and Consumer Price Changes**

The removal of petroleum subsidies has stirred significant debate due to its potential economic implications, particularly its impact on inflation and consumer prices. The Consumer Price Index (CPI), which measures the rate of change in prices of goods and services, is a crucial indicator to assess the inflationary pressures resulting from such policy changes. According to the National Bureau of Statistics (NBS), Nigeria's CPI surged to 22.41 percent in May 2023, marking the fifth consecutive rise in the country's inflation rate this year (NBS, 2023). The correlation between subsidy removal and inflation has been explored in various studies. Okwanya et al. (2015) conducted an assessment of the impact of petroleum subsidies on the consumer price index in Nigeria. Their findings suggested that the removal of subsidies tends to exert upward pressure on the CPI, leading to inflationary trends.

Okwanya et al. (2015) findings resonate with the recent data indicating a 0.19 percentage point increase in the inflation rate following the subsidy removal (see NBS, 2023). The subsidy removal increased the PMS price across the country from an average of ₦238.11 at the end of May 2023 to ₦545.83 at the end of June 2023. This significant price rise came with its associated influence on the total inflation and food inflation rate. The evidence indicates that the inflation rate before the subsidy removal was 22.41%. After the removal, it rose slightly to 22.79% in June; in July, it rose by nearly 2% to 24.08%. On the other hand, the food inflation rate of 24.82% in May rose to 25.25% and 26.98% at the end of June and July, respectively. Since several small and medium enterprises (SMEs) rely on the PMS, local input prices rise due. As such, final consumers are at the receiving end through higher food prices leading to a surge in inflation. Also, since the PMS is a fundamental transportation component, the overall transportation cost rises, raising the cost of delivering goods across the supply chain.

A comparative perspective can be drawn from the work of Husaini et al. (2019) in Malaysia, where energy subsidies and oil price fluctuations were analysed. Although the context is different, the study highlighted that subsidy removal can interact with oil price dynamics to influence consumer price behaviour. Similar dynamics might be at play in Nigeria, where the removal of petroleum subsidies can magnify the impact of oil price changes on domestic consumer prices. Babalola and Salau (2020) also conducted a panel dynamic analysis focused on petroleum pump prices and the consumer price index in Nigeria. Their study emphasized the complexity of the relationship, revealing that while subsidy removal might contribute to inflation, other factors, such as exchange rate fluctuations, economic structure, and government fiscal policies, can also exert influence. Therefore, it is crucial to consider a holistic framework when evaluating the consequences of subsidy removal.

The recent NBS report points out that the food inflation rate in May 2023 stood at 24.82 percent on a year-on-year basis, driven by increases in prices of essential commodities like oil and fat, yam, bread, cereals, fish, and meat (NBS, 2023). This underscores the cascading effects of subsidy removal on various sectors of the economy, potentially exacerbating inflationary pressures. The analysis of month-on-month and year-on-year data highlights the upward trajectory of inflation in the wake of subsidy removal. Year-on-year inflation in May 2023 was 4.70 percentage points higher compared to May 2022, and month- on-month inflation in May 2023 was 0.03 percent higher than in April 2023 (NBS, 2023). This trend indicates that the subsidy removal has contributed to persistent inflationary pressures.

Given the importance of fuel in daily activities, subsidies ensure access and affordability, especially when crude oil prices are volatile. Additionally, subsidies lower and stabilize fuel prices, thus contributing to price stability in the economy. Moreover, fuel subsidies support various industries by keeping input costs, particularly transportation, relatively lower, which sustains economic activities (NES Group, 2023). Market distortions and inefficiencies arise from the deviation of prices from market clearing prices, which can lead to shortages and disruptions in the supply chain. As Nigeria grapples with the economic implications of subsidy removal, policymakers therefore need to adopt a comprehensive approach that considers not only short-term inflationary effects but also broader economic dynamics and potential mitigative measures.

1. **Foreign Exchange and Trade Balance**

The removal of subsidies, particularly in the petroleum sector, has significant economic implications for Nigeria, particularly in terms of its impact on foreign exchange reserves and the trade balance. The removal of fuel subsidies can have direct consequences on the availability of foreign exchange due to its connection with crude oil imports and its potential influence on the trade balance. Research by Adagunodo (2022) highlights the effect of oil receipts and fuel subsidy payments on the current account deficit in Nigeria, shedding light on the complex relationship between subsidies and the external balance. Similarly, the work of Akinyemi et al. (2017) employed a dynamic Computable General Equilibrium Approach to simulate the removal of fuel subsidies and its impact on the agricultural sector, demonstrating the interconnectedness of various economic sectors in response to subsidy removal.

Nigeria, renowned for its considerable oil production, paradoxically grapples with significant inadequate domestic refining facilities, necessitating a reliance on imported refined petroleum products. This intricate juxtaposition underscores a central economic dilemma – the need to allocate foreign exchange earnings and revenue to fund these vital imports. The fuel subsidy, by artificially suppressing the costs of imports, constitutes a substantial financial commitment, diverting foreign exchange resources that could otherwise be directed towards other pivotal developmental avenues. Therefore, subsidizing fuel imports diverts foreign exchange earnings and revenue that could be used for other developmental purposes, negatively impacting the country's trade balance (NES Group, 2023).

At its core, this foreign exchange diversion, though meant to cushion the impact of fuel price fluctuations, essentially shifts the balance of foreign exchange earnings. Instead of leveraging these earnings for diverse developmental initiatives, a significant portion is channelled into fuel subsidies. This not only perpetuates Nigeria's dependency on imported refined products but also contributes to a skewed trade balance scenario. In practical terms, the subsidy setup requires the Nigerian government to allocate foreign exchange resources for fuel imports that would otherwise be available for other crucial imports or investments. This redirection strains the trade balance, influencing the dynamics of exports and imports. The distortion in foreign exchange allocation inadvertently skews the nation's trade equilibrium, potentially affecting the overall stability of its economy. This can explain the government’s complementary policy decision not to fund foreign exchange demands of importers and the merger of the erstwhile dual exchange rate regimes.

**Social Consequences**

1. **Impact on Vulnerable Populations**

The removal of subsidies carries profound social consequences, particularly for the vulnerable population. Research by Rentschler (2016) highlights the regional variation of poverty effects due to fossil fuel subsidy reform, underscoring how such reforms can disproportionately impact certain regions and communities. Mmadu and Akan (2013) have also examined the implications of inefficient subsidies in Nigeria's oil sector on household welfare, providing valuable insights into the intersection of subsidies and vulnerable populations. Ovaga and Okechukwu (2012) have delved into the downstream oil sector and its impact on the masses, offering further understanding of subsidy-related consequences.

The recent data reveals that Nigeria's inflation rate has led to a significant increase in poverty levels, with an estimated four million people falling into poverty between January and May 2023. Moreover, the removal of fuel subsidies has exacerbated the situation, with about 7.1 million poor Nigerians at risk of becoming even poorer if the government does not provide compensation or palliatives (World Bank, 2023). These developments echo the findings of Rentschler (2016), showing how subsidy reforms can lead to varying regional impacts on poverty levels. In the case of Nigeria, the removal of fuel subsidies has led to an increase in prices, particularly affecting poor and economically insecure households. As petrol prices have now tripled following the subsidy removal, these vulnerable households, who directly or indirectly rely on petrol consumption, are adversely affected.

The immediate consequence of this price increase is an equivalent income loss of ₦5,700 per month for poor and economically insecure households. Without compensation, an additional 7.1 million people could be pushed into poverty, exacerbating an already dire situation (World Bank, 2023). This aligns with the findings of Mmadu and Akan (2013), who explored how inefficient subsidies in the oil sector can impact household welfare. Furthermore, the removal of subsidies can lead to consequential coping mechanisms among newly poor and economically insecure households. These mechanisms may include cutting back on essential services such as education and healthcare, or compromising on nutritional choices (World Bank, 2023). To mitigate these adverse effects on vulnerable populations, the World Bank emphasizes the need for adequate compensation and transfer mechanisms. Such compensating transfers can shield households from the initial price impacts of subsidy reform and provide essential support to those at risk of falling deeper into poverty.

1. **Public Perception and Political Support**

While there are various perspectives on the subsidy removal, it is evident that the public perception and political support for this policy change are crucial factors in shaping its success and impact on the Nigerian society. The political climate surrounding the subsidy removal is marked by both consensus and confusion. Key presidential candidates expressed commitments to removing fuel subsidies, albeit with varying nuances in their approaches. However, the lack of a clear plan on how the removal aligns with strategic economic objectives raises concerns. The diverse economic challenges Nigeria faces, including its lowest minimum wage in the world, high levels of poverty, and significant unemployment (Amadi, 2023), underscore the need for a comprehensive approach that considers the potential social consequences of the subsidy removal.

Public perception of subsidy removal is multifaceted and often divided along the lines of equity and efficiency. The efficiency camp advocates for the removal to address fiscal challenges and reduce inefficient resource allocation. Supporters of this viewpoint argue that market efficiency can be achieved through proper pricing, reducing the public sector's fiscal burden and encouraging effective use of resources. However, the equity-focused camp emphasizes the broader social impact, especially on vulnerable and marginalized populations. The abrupt and complete removal of subsidies may exacerbate poverty and inequality (Amadi, 2023).

The dynamics between efficiency and equity intersects with the Nigerian government's roles of allocation, distribution, and stabilization in public finance. While the government's focus on efficiency is crucial for fiscal stability and resource allocation, the distributive role necessitates addressing the wellbeing of citizens. The abrupt removal of subsidies without effective compensatory measures risks disproportionately affecting the poorest and most vulnerable segments of society. In addition, the debate around subsidy removal highlights the larger issue of inequality within the Nigerian political economy. The country's high Gini coefficient and lack of robust social protection mechanisms contribute to a divided society where the impacts of policy changes can vary dramatically. The removal of subsidies, if not accompanied by comprehensive economic restructuring, can deepen inequality and poverty (Amadi, 2023).

Furthermore, historical experiences, such as Nigeria's track record of corruption and inefficiency in subsidy administration, contribute to public scepticism and mistrust of government actions. Previous instances of policy adjustments and their consequences on citizens' wellbeing impact how the public perceives current policy changes. One crucial factor influencing public perception is the government's approach to social safety nets and compensatory measures. The promise of cash transfers to poor households, while aiming to mitigate the impacts of subsidy removal, raises questions about its adequacy and effectiveness in addressing the broader socioeconomic challenges. Political leaders' responses to the concerns of citizens, particularly those in the informal sector, are pivotal in shaping public sentiment and trust in the government's intentions.

1. **Nigerian Youths' Response and Involvement**

The removal of subsidies carries significant social implications, particularly in terms of how Nigerian youths respond and get involved. Studies like Akor (2017) have illuminated the role of Nigerian youths in social movements and protests, highlighting the influence of social media as a platform for mobilization. Uzuegbunam (2015) and Uji (2015) also underscore the power of social media in shaping young people's engagement in socio-political issues and transformative activities. This existing research provides a foundation to examine the social implications of subsidy removal on Nigerian youths.

The inauguration of President Bola Ahmed Tinubu triggered a series of reactions, especially among Nigerian youths, fuelled by social media trends and hashtags. The controversial nature of the election and the subsequent subsidy removal sparked conversations and debates across platforms, underscoring the role of young Nigerians as active participants in shaping public discourse. This digital activism and engagement reflect the findings of Uzuegbunam (2015) and Uji (2015), demonstrating the potential for social media to amplify youth voices and mobilize action.

The removal of fuel subsidies brought immediate economic repercussions, with a significant surge in fuel prices and subsequent effects on transportation costs and food inflation. This sudden increase in living expenses particularly impacts the youth, a demographic already grappling with employment challenges and limited financial resources. These economic pressures can lead to increased frustrations, potentially fuelling social unrest and demonstrations, as seen in past instances like the fuel subsidy protests of January 2012 (Akor, 2017). Nigerian youths' response to the subsidy removal is not limited to digital activism; it extends to their perspectives on migration. The inclination to "japa" (emigrate) to seek greener pastures reflects the desperation of youths seeking better economic opportunities, often in foreign countries. This trend highlights the disillusionment caused by domestic economic challenges, including those exacerbated by subsidy removal.

**Environmental Considerations**

1. **Carbon Emissions and Climate Change Impacts**

The decision to eliminate petrol subsidies carries profound implications for the nation's environmental landscape, particularly in the context of carbon emissions and climate change mitigation. This policy change aids the goal of bolstering Nigeria's response to climate change by not only reducing fuel consumption but also curtailing the release of carbon emissions into the atmosphere. Preliminary analysis conducted by the National Council on Climate Change reveals a significant positive correlation between fuel subsidy removal and environmental benefits. Notably, there has been an approximate 30% reduction in daily fuel consumption, translating to a staggering 20 million litres per day, and this reduction, in turn, results in a remarkable daily saving of approximately 42,800 tonnes of carbon dioxide emissions (Olorunfemi, 2023).

The environmental ramifications of this reduction were elucidated at a workshop organized by the National Council on Climate Change. The decision to remove fuel subsidies, while economically impacting Nigerians, is poised to save over 15 million tonnes of carbon dioxide emissions annually. This translates to a substantial 40% reduction in greenhouse gas emissions compared to the baseline projection of 45 million metric tonnes of total GHG carbon dioxide equivalent by 2030 and this outcome aligns Nigeria with its Nationally Determined Contributions (NDCs) ahead of schedule (Olorunfemi, 2023).

When projected over a year, these saved emissions offer remarkable implications for Nigeria's environmental trajectory. The reduction of over 15 million tonnes of CO2 presents a remarkable step towards curbing the nation's carbon footprint and advancing its climate goals. By aligning with global commitments under the NDC framework, Nigeria's efforts to reduce carbon emissions offer a proactive stance in mitigating climate change and contributing to international climate efforts.

1. **Transition to Renewable Energy**

The elimination of fuel subsidies offers a turning point, driving Nigerians towards embracing renewable energy solutions, particularly solar power. The exorbitant costs of fuel-powered generators make renewable options increasingly appealing. The resulting surge in solar adoption is likely to catalyse rapid growth in the renewable energy sector, offering a more sustainable and cost-effective energy solution.

Nigeria's power sector is at a critical juncture, demanding comprehensive improvements to sustain industrial growth. The country's enormous potential for renewable energy, including solar and hydro power, presents a transformative solution (Babatunde et al., 2019; Evans, 2023). Harnessing these resources could reshape Nigeria's energy landscape, ensuring access to reliable and affordable electricity for its population. With abundant sunlight and water resources, Nigeria possesses the foundation to generate electricity through renewable sources. Coupled with its crude oil reserves, gas byproducts could be employed for power generation, mitigating waste, and enhancing energy efficiency. However, ensuring the viability of these renewable sources necessitates efficient grid management and balanced consumption. The transition towards renewable energy in China exemplifies how diversified energy portfolios can underpin a stable and service-oriented power industry, promoting both economic growth and sustainable development.

Despite the promising potential of renewable energy, various hurdles impede its progress in Nigeria. High installation costs, lack of after-sales services, and variations in product quality hamper widespread adoption. Misconceptions about solar products and the perception of short-lived batteries need to be addressed through education and awareness campaigns. Changing mindsets and highlighting the long-term value of quality solar products are essential in surmounting these obstacles.

1. **Environmental Benefits and Challenges**

One of the primary environmental benefits of subsidy removal is the potential reduction in fuel consumption. Subsidies often encourage wasteful energy use, as artificially low prices discourage energy efficiency. With the elimination of subsidies, consumers are likely to become more mindful of energy consumption, leading to reduced carbon emissions. The associated decline in fuel consumption can contribute to cleaner air quality and reduced pollution, positively impacting public health and the environment (Akinyemi et al., 2015; Evans & Mesagan, 2022). A crucial challenge, however, is the potential for increased energy costs to consumers. As subsidies are lifted, fuel prices rise, which could disproportionately affect vulnerable populations. The burden of increased energy expenses could be borne by low-income households, potentially exacerbating social inequalities. Policymakers need to implement measures to address this challenge, such as targeted support programs for those most affected by price hikes.

A significant environmental benefit of subsidy removal is the potential reduction in carbon emissions. The removal of fuel subsidies can lead to decreased fuel consumption and consequently lower emissions of greenhouse gases. Nigeria's commitment to the Paris Agreement and its Intended Nationally Determined Contributions (INDCs) necessitate substantial carbon reduction efforts (Akinyemi et al., 2017). The removal of subsidies aligns with these climate goals by incentivizing cleaner energy practices and reducing the carbon footprint. A related challenge is the need for a well-designed transition plan to guide the shift towards cleaner energy sources. While subsidy removal can encourage cleaner energy adoption, it requires a comprehensive strategy to ensure a smooth transition. Adequate infrastructure, incentives for renewable energy investments, and public awareness campaigns are necessary components to support this shift and avoid potential setbacks.

Furthermore, subsidy removal can promote investment in renewable energy sources. As fossil fuel prices rise due to subsidy elimination, the attractiveness of renewable energy becomes more pronounced. This can lead to increased investments in solar, wind, hydro, and other renewable energy projects, fostering sustainable energy development in Nigeria. However, the challenge lies in creating an enabling environment for these investments, including clear regulations, access to financing, and supportive policies. Subsidy removal can also stimulate technological advancements that improve energy efficiency and environmental performance. As consumers and industries seek to manage increased energy costs, there is a potential for innovations that enhance energy efficiency and reduce emissions. The challenge here is fostering an environment that promotes research, development, and adoption of these technologies.

**Market and Industry Analysis**

1. **Changes in the Nigerian Oil Sector**

The removal of fuel subsidies in Nigeria has significant implications for the country's oil sector, impacting various facets of the industry from production to consumption. One of the key impacts of subsidy removal is the alteration of price dynamics within the Nigerian oil sector. The removal leads to an immediate increase in fuel prices, impacting both retail and industrial consumers (Majekodunmi, 2013). This change can influence consumer behaviour, potentially leading to reduced demand for petroleum products. As prices rise, consumers may seek alternatives, such as adopting more fuel-efficient vehicles or exploring alternative energy sources. These shifts in consumption patterns can impact the overall demand for crude oil, affecting the upstream sector.

The upstream oil industry is directly affected by changes in demand for petroleum products. As demand adjusts due to subsidy removal, oil companies may need to recalibrate their production levels. Reduced demand for refined products could lead to a decrease in refining activities, affecting the utilization of refineries. Conversely, increased demand for alternative fuels or energy sources could influence exploration and production decisions as companies navigate evolving market dynamics.

Moreover, subsidy removal can stimulate discussions around refining capacity and the potential for domestic refining to meet national fuel needs. The inability of Nigeria's refineries to operate at full capacity has historically led to substantial fuel imports (Lawal, 2014). However, subsidy removal may encourage private investment in refining infrastructure, aiming to capitalize on the market's changing landscape. Companies could see potential profitability in local refining if the cost economics of importing refined products become less favourable due to increased fuel prices.

Market dynamics are also influenced by global oil price trends. Changes in international oil prices can be compounded by domestic factors such as subsidy removal (Husaini et al., 2019). If subsidy removal coincides with periods of volatile oil prices, the combined impact could amplify market uncertainties. Oil companies, both domestic and international, will need to navigate these complexities and make strategic decisions regarding investment, exploration, and production.

While subsidy removal introduces certain challenges, it can also create opportunities for diversification and innovation in the Nigerian oil sector. With consumers seeking alternatives to cope with higher fuel prices, there may be increased interest in renewable energy sources, biofuels, and energy-efficient technologies. This could open doors for new players to enter the market, fostering innovation and competition. The Nigerian government's role in shaping the oil sector becomes crucial during subsidy removal. Policymakers must ensure a conducive regulatory environment that encourages investment and competition while safeguarding the interests of consumers. Regulatory clarity and transparent pricing mechanisms are paramount to maintaining investor confidence in the sector (Lawal, 2014).

1. **Domestic Refining Capacity and Self-Sufficiency**

The removal of fuel subsidies in Nigeria has substantial implications for the country's domestic refining capacity and its aspirations for self-sufficiency in the petroleum sector. Historically, Nigeria's domestic refining capacity has been insufficient to meet the nation's fuel demands, resulting in substantial imports (Iheukwumere et al., 2020). The subsidy removal creates both challenges and opportunities for the development of domestic refining capacity. On one hand, the increased cost of imported fuel could incentivize investments in refining infrastructure to mitigate import dependence. On the other hand, the potential increase in fuel prices post-subsidy removal could amplify the profitability of refining activities, encouraging both public and private sector participation in refining projects.

The country's aspirations for self-sufficiency in the petroleum sector align with the goal of increasing domestic refining capacity. The Nigerian government has expressed its desire to reduce the need for fuel imports and achieve self-sufficiency in refining (Temitayo, 2014). Subsidy removal could serve as a catalyst for accelerating progress towards this goal by reshaping market dynamics and creating a more favourable economic environment for investments in refining. However, the challenges of establishing and maintaining refining infrastructure in Nigeria remain significant. Past attempts at refinery construction have faced delays, cost overruns, and technical challenges (Iheukwumere et al., 2020). The regulatory environment, policy consistency, and infrastructure development are critical factors that impact the feasibility of refining projects. Market dynamics also play a role in influencing refining decisions. The global crude oil price environment, supply-demand imbalances, and fluctuations in international oil prices can impact the economics of refining operations (Akinrele, 2016). The Nigerian government must consider these external factors when formulating strategies to enhance domestic refining capacity.

The removal of subsidies could encourage a shift from an import-oriented approach to one focused on domestic production. By increasing the cost of imported fuel, the economic equation for domestic refining becomes more favourable. This could potentially lead to increased utilization of existing refineries, revitalization of dormant ones, and the construction of new facilities. To capitalize on these opportunities, Nigeria must address various challenges, including regulatory hurdles, infrastructure deficiencies, and policy inconsistencies. Additionally, the government should explore partnerships with experienced international refining companies to leverage their technical expertise and investment capabilities (Temitayo, 2014).

1. Private Sector Participation and Investment Trends

The removal of fuel subsidies has substantial implications for private sector participation and investment trends in the country's petroleum industry. Fuel subsidy removal signals a shift towards a more market-oriented approach in Nigeria's petroleum sector, creating opportunities for increased private sector participation. The Nigerian government's decision to deregulate the downstream sector is aimed at attracting private investment and enhancing competition (Olujobi et al., 2020). The removal of subsidies can catalyse this process by removing price distortions and creating a more conducive environment for private sector involvement.

Private sector participation can lead to enhanced efficiency, increased investment, and improved infrastructure. The incentive for private investors lies in the potential for higher returns on investment in a deregulated market. As subsidies are phased out, the market becomes more attractive for private players, encouraging them to invest in refining, distribution, and other downstream activities (Itsekor, 2020). Investment trends are likely to shift towards areas that were previously less economically viable due to subsidy distortions. The removal of subsidies could encourage investments in refining infrastructure, as the economics of domestic refining become more favourable without price distortions. Furthermore, private investment could flow into alternative energy sources and technologies, as the market responds to the new price dynamics.

However, challenges remain in attracting significant private investment. Regulatory uncertainties, inconsistent policies, and political factors have historically hindered private sector participation in Nigeria's petroleum industry (Onyishi et al., 2012). To harness the potential of subsidy removal, the government needs to provide a stable regulatory framework that fosters investor confidence. Transparent and predictable policies will encourage private sector engagement and long-term investments.

The impact of subsidy removal on investment trends is interconnected with global oil price dynamics. Investors' decisions are influenced by international oil prices, which impact the profitability of petroleum-related activities. A comprehensive understanding of global oil market trends is crucial for both the government and private investors to make informed decisions (Joseph et al., 2019). As Nigeria aims to attract foreign direct investment (FDI) to boost its petroleum industry, subsidy removal could be a catalyst for increased FDI inflows. A more competitive and transparent market can attract international investors who seek stable and profitable investment opportunities. To fully capitalize on this potential, Nigeria must create an environment that welcomes and supports foreign investment.

**Other implications**

**Environmental implication of fuel subsidy removal**

Given the global push for climate change mitigation, the recent removal of fuel subsidy can help to mitigate climate change in Nigeria. On the positive side, the fuel subsidy removal presents an opportunity for environmentalists to advocate for a transition to clean energy, increased investment in renewable energy sources and the formulation of policies to stimulate the green economy. Nigeria needs a comprehensive strategy to ensure that the fuel subsidy removal benefits the environment. However, fuel subsidy removal may create some environmental challenges if higher fuel prices discourage individuals from utilising private vehicles and lead to a shift to public transportation vehicles that release substantial amounts of pollutants into the environment than private cars. Such pollutants will harm air quality and public health. Furthermore, the public transportation infrastructure in Nigeria is inefficient and there are no sustainable alternatives. Therefore, the Nigerian government should ensure that a part of the saved funds from fuel subsidy removal is used to upgrade the public transportation infrastructure and to support the use of public transport vehicles that contribute little to climate change in order to protect the environment.

**Social and cultural implications**

The fuel subsidy removal also has social and cultural implications. Historically, Nigerian households have a culture of coping with pain, and this is evident in the little number of protests that have taken place in the last 10 years. Therefore, it is expected that Nigerian households would cope with the adverse price effect of the fuel subsidy removal, and their coping culture could manifest through the immediate change in consumption and spending behaviour. It can lead to a reduction in transportation expenses as many people will avoid unnecessary movements and travels. Households will avoid impulse purchases as a coping strategy, while some will avoid luxury purchases and unnecessary social gatherings that require the spending of money. These cultural practices and societal norms could influence people's reactions to the policy change.subsidy removal.

**Economic diversification and development opportunities**

The removal of fuel subsidy and the associated rise in petrol should stimulate discussions about how the funds saved from fuel subsidy removal, can be strategically allocated to promote sectors with high growth and job creation potentials, such as renewable energy, technology, agriculture, and manufacturing. Furthermore, certain sectors of the Nigerian economy require little government policy support. Little policy support from the government would position such sectors for high growth e.g., the entertainment, sport betting, financial services, and tourism. These are the sectors which the government needs to focus on for economic diversification, while other sectors that require huge government support should be supported with enabling government policies and investment from the private sector.

**Other socioeconomic impact**

The removal of fuel subsidies might impact different regions in Nigeria. Certain regions would be more vulnerable to the negative consequences of fuel subsidy removal than other regions. The differential regional impact is due to inequality in regional development in the country, as some regions are more developed and have a low poverty rate compared to other regions with an extreme poverty rate. Therefore, policymakers should consider how regional disparities or inequalities may affect the policies designed to cushion the effect of fuel subsidy removal across all regions in Nigeria. Also, political economy and governance challenges could arise when oligopolists (i.e., the few major marketers) emerge and control the supply or importation of petrol in their favour. The selling price of the oligopolists may be influenced by vested interests. There could also be political dynamics, and other challenges that could affect the success of the fuel subsidy removal regime.

**2.2 THEORETICAL FRAMEWORK**

The study adopted the theory of the “Rentier state”. The theory of the rentier state emerged in the 1960s, and became fully formed in the 1980s, and has since then undergone some adjustments. Although the central economic factor of an abundant reserve of natural resources remains the constant element around which the definition is structured, its political and economic implications have been under discussion. Reductive, automatic reflexes are no longer appropriate; If they are not already being addressed, anomalies need to be reconsidered and their context taken into account.

The elaboration of the concept of the “rentier state” began around the turn of the 1970s, when energy demand was continuously increasing and the rapid hike in energy prices inflated the economies of oil and gas producing states. The attention was focused on the middle-East area, since these countries were dominating the energy market during this period. The first analysts to employ the expression “rentier state” did so with reference to Libya (Robert Mabro in 1969) and Iran (HosseinMahdavy in 1970), while HazemBablawi and Giacomo Luciani in 1987 proposed more general bases with regard to the Arab oil states.

The particular case of Gulf countries was and still is at the cornerstone of this concept since they own the most important share of energy resources in the world. Indeed according to the Energy International Administration’s (EIA) statistics, Bahrein, Kuweit, Oman, Qatar, Saudi Arabia and United Arabs Emirates, constituting the Gulf Cooperation Council (GCC) own 55% of the world crude oil reserves and 44% of gas reserves. Already in 1990, ¼ of the global energy production and 45% of total energy exports originated from these 6 countries. Moreover, in 2012, four of them were ranked within the tenth biggest oil producer countries. Thus, the Gulf area has been experiencing an economic expansion based on the exploitation of its non-renewable energy reserves.

From the 1960 to 1972, the economic growth rate was really high with an average of 10% per year. In that context, economic prosperity gained through the production and exports of the “black gold” started to bring attention to the way this surplus was being managed by resource-rich government. The risks related to this kind of new economic models for GCC countries were many .Analysts first of all kept in mind the transformations and negative socio-economic impacts following the discoveries of gas reserves in the Netherlands in 1964. This phenomenon has been abundantly described in the economic literature as the so- called “Dutch Disease”. Emphasizing the shift of the labour force and the physical capital toward the new energy sector after the discovery of natural resources, economists concluded that oil wealth can represent a curse for production growth and employment. They spoke about the “paradox of plenty” which national resources discoveries were supposed to be a new source of wealth for the country, the focus and the restructuration of the economy around this energy sector paradoxically brings economic distortion, under-development and increase disparities within the population.

In the 1970s, the brutal increase of price conferment the economic centrality of oil as an almost irreplaceable element of western economic system of production, while highlighting the concentration of supply in a highly politically unstable region. The concentration of supply in a highly politically unstable region. The particular geopolitical matrix that formed the backdrop to the elaboration of the first writing on the rentier state is thus significant: the two oil crises of 1973 and 1979 were caused by the Yom Kippur war (part of the Arab-Israeli conflict) and the National Revolution of Iran respectively two major strategic events that happened in the middle East and whose stock waves were felt far beyond the region’s borders.

The theory of the rentier state, put forward by Giacomo Luciano and HazemBelawi in 1987 was to become the simple model dominating middle Eastern studies for a quarter of a century. Rent became the cornerstone of a general system of organization and was used to explain not only the economies and state bureaucracies but also the functioning of societies at large. Describing Iran at the very end of the 1960s, Iranian academic Hussein Mahdavi, characterized the rentier state as one which receives substantial revenue in the form of external rent in the instance in exchange for the sale of oil. Bablawi and Luciani attributed four essential characteristics to the rentier state: rent constitutes the predominant national revenue, the domestic production sectors is weak and the economy is extremely specialized on one product; a limited proportion of the population participates in the generation of rents; the state is the principal recipient of revenue.

Relating this theory to the subject matter (Nigeria) the rentiers theorists advocate for an economic diversification, Bahrain discovered its oil resources earlier than the others (1932) and was the first to exploit its non- renewable energy reserves. Being a small country with low reserves as compared to its neighbours, Bahrain was conscious of this frailty and became the first to focus on a diversification strategy from the 1970’s on. The diversification efforts led the country to be considered as the most open and liberal economy of the GCC area and the most diversified economy with Gulf countries. In 2010, Bahrain generated more than 92% of its value-added in the non- oil sector.

Nigerian government should diversify her economy and depend less on oil so that the country will be integrated in the global economy and trade. The government should also allow more rooms to the private sector in the national economy to create new jobs for the national economy workforce by reducing barriers to private sector activities, to attract more FDI in knowledge based and high value adding companies and to increase the living standards of the people.

**The Classical Economic Theory**

The study is based on the classical economic theory of regulated monopolies within which subsidies themselves, are perceived as distorting to the forces of demand and supply. The theory of regulated monopolies suggests that in the subsidies flow from the producers (or marketers) to the consumers, there is a transmission loss in which appropriately, about half of the subsidies accrue to the few actors who are licensed in the industry and their agents. At each further point in the value chain, dissipation of the subsidy occurs before final transmission to the consumer. Such dissipation includes a “dead weight” loss of any subsidy where no one benefits. The NNPC acts through seven major marketers listed as Mobil, NNPC Retail, Oando, Conoil, Total, AP and MRS oil. This block essentially captures 50percent of the subsidies available in the industry.

**2.3 EMPIRICAL REVIEW**

Aryanpur et al. (2022) and Jewell et al. (2018), focus on the environmental and economic implications of subsidy removal. Integrated energy systems modelling suggests that subsidy removal can lead to emissions reduction, energy efficiency improvements, and economic benefits. However, Jewell et al. (2018) caution that emission reductions resulting from subsidy removal are limited, particularly in energy-exporting regions.

The distributional effects of subsidy removal are another recurring theme. Bhattacharyya and Ganguly (2017) highlight how cross subsidy removal in electricity pricing can influence consumption patterns, energy efficiency, and distributional equity. Similarly, Labeaga et al. (2021) and Feng et al. (2018) explore how energy taxation and subsidy removal can impact poverty rates and income distribution, respectively. These studies underline the importance of considering the equity implications of subsidy removal policies. Some studies, like Majekodunmi (2013) and Chiluwa (2015), delve into the social and political dimensions of subsidy removal. Majekodunmi (2013) highlights the political economy surrounding fuel subsidy removal, including public protests and government decisions. On the other hand, Chiluwa (2015) focuses on the role of social media in shaping public discourse during fuel subsidy removal protests, illustrating the interplay between technology and social movements.

The effects of subsidy removal are also examined in sectoral and regional contexts. Bazilian and Onyeji (2012) shed light on how inadequate public power supply combined with fossil fuel subsidy removal can negatively impact businesses. Rosas-Flores et al. (2017) investigate the distributional effects of subsidy removal and carbon taxes on Mexican households, revealing varying impacts on income distribution and household welfare. These studies emphasize that the impacts of subsidy removal can be context-specific and require tailored policy approaches. The theme of public acceptance and behavioural aspects is explored by studies such as Harring et al. (2023) and Abd Obaida et al. (2020). Harring et al. (2023) analyse cross-national attitudes towards subsidy removal, revealing that attitudes are influenced by socio-economic factors and the energy transition context. Abd Obaida et al. (2020) investigate the moderating role of subsidy removal on SMEs' tax compliance behaviour, suggesting that subsidy removal can shape businesses' tax compliance practices.

In a nutshell, the literature demonstrates the multifaceted nature of the effects of subsidy removal, spanning environmental, economic, distributional, social, and behavioural dimensions. The studies collectively provide insights into the complexities surrounding subsidy removal policies and underscore the importance of holistic analyses when considering their implementation.

**Table 3. Related studies on the effects of subsidy removal**

|  |  |  |  |
| --- | --- | --- | --- |
| Authors/Date | Research Objectives/Questions | Methodology | Results/Implications |
| Bazilian and Onyeji (2012) | Examine the implications of fossil fuel subsidy removal and inadequate public power supply for businesses | Qualitative analysis | Fossil fuel subsidy removal combined with inadequate power supply negativelyimpacts businesses' operations and competitiveness |
| Onyishi et al. (2012) | Examine domestic and international implications of fuel subsidy removal crisis in Nigeria | Qualitative analysis | Fuel subsidy removal in Nigeria has complex implications for government revenue, inflation, trade balance, and political stability |
| Widodo et al. (2012) | Examine the impact of fuel subsidy removal on government spending in East Asia | Analytical framework and modelling | Fuel subsidy removal can influence government spending and budget allocation, with potentialimplications for economic sectors |
| Majekodunmi (2013) | Explore the political economy of fuel subsidy removal in Nigeria | Qualitative analysis | Fuel subsidy removal in Nigeria involves political dynamics,including public protests and government decisions |
| Lawal (2014) | Examine the investment challenges in Nigeria's petroleum industry related tosubsidy removal and deregulation | Qualitative analysis | Subsidy removal and deregulation pose challenges to investment in Nigeria's petroleum industry |
| Kombol (2014) | Explore the uses of social media by labour unions during Nigeria's oil subsidy removal protests | Content analysis of social media usage | Social media played a role in mobilizing labour unions during the oil subsidy removal protests |
| Ansari et al. (2014) | Investigate distributional consequences of subsidy removal from agricultural and food sectors in Iran | Price-based Social Accounting Matrix analysis | Subsidy removal can have distributional effects on different sectors within an economy |
| Chiluwa (2015) | Analyse the role of Facebook posts in the fuel subsidy removal protests in Nigeria | Content analysis of Facebook posts | Social media played a role in shaping public discourse during the fuel subsidy removal protests |
| Adeoti et al. (2016) | Study compensation mechanisms for fuel subsidy removal in Nigeria | Policy analysis and recommendations | Compensation mechanisms can mitigate the negative impacts of subsidy removal on vulnerable populations inNigeria |
| Bekhet (2016) | Investigate the effect of energy subsidy removal on energy demand and potential energysavings in Malaysia | Econometric analysis | Energy subsidy removal can impact energy demand and potentially lead to energysavings |
| Aune et al. (2017) | Examine the impacts of oil consumption subsidy removal in OPEC and Non-OECDcountries on oil markets | Economic modelling and analysis | Subsidy removal can have effects on oil markets and welfare in OPEC and Non-OECD countries |
| Rosas-Flores et al. (2017) | Examine distributional effects of subsidy removal and carbon taxes on Mexican households | Empirical analysis using household data | Subsidy removal and carbon taxes can have varying impacts on income distribution andhousehold welfare |
| Bhattacharyya and Ganguly (2017) | Analyze the effects of cross subsidy removal in electricity pricing in India | Econometric analysis | Cross subsidy removal in electricity pricing can affect consumption patterns, energyefficiency, and distributional equity |
| Harun et al. (2018) | Study the effects of fuel subsidy removal on input costs ofproduction using the Leontief input-output model | Input-output price modelling | Subsidy removal can influence input costs of production andimpact various sectors of the economy |
| Feng et al. (2018) | Explore the distributional effects of energy taxes and subsidy removal in Latin America and the Caribbean | Computable general equilibrium modelling | Energy tax reforms and subsidy removal can impact income distribution and poverty levels in the region |
| Jewell et al. (2018) | Investigate the emission reduction potential of fuel subsidy removal, focusing on energy-exporting regions | Global energy- economic model | Limited emission reductions from subsidy removal, except in energy-exporting regions |
| Abd Obaida et al. (2020) | Study the moderating role of subsidy removal on factors influencing SMEs tax compliance in Yemen | Questionnaire survey andregression analysis | Subsidy removal can influence SMEs tax compliance behaviour in Yemen |
| Heger et al. (2019) | Assess the impact of fuel subsidy removal and metro line extension on congestion and air pollution | Data analysis and modelling | Subsidy removal and infrastructure projects can influence traffic congestion and air pollution levels |
| Arnott et al. (2021) | Analyse the vulnerability of British farms to post-Brexit subsidy removal and its implications for land use andintensification | Modelling and analysis of farm vulnerability | Subsidy removal can influence farming decisions, leading to changes in land use, intensification, and landsparing |
| Labeaga et al. (2021) | Study the relationship between energy taxation, subsidy removal, and poverty in Mexico | Econometric modelling | Energy taxation and subsidy removal can impact poverty rates in Mexico through changes in energy prices andincome distribution |
| Aryanpur et al. (2022) | Examine the impacts of energy subsidy removal usingintegrated energy systems modelling | Integrated energy systems modelling | Subsidy removal leads to emissions reduction, energyefficiency improvements, and economic benefits |
| Prabowo et al. (2022) | Analyse the economic price of liquid petroleum gas, poverty, and subsidy removalcompensation in Indonesia | Econometric analysis | Subsidy removal scenarios can have economic implications, especially for low-incomehouseholds |
| Antimiani et al. (2023) | Analyse the implications of fossil fuels subsidy removal for the EU carbon neutrality policy | Computable general equilibrium model and CGE | Subsidy removal supports carbon neutrality goals but can influence energy prices, industrial competitiveness, andemployment |
| Taghvaee et al. (2023) | Compare the impacts of subsidy removal and energy efficiency on diesel demand and sustainable development pillars | Econometric analysis and modelling | Subsidy removal and energy efficiency strategies have distinct effects on diesel demand and sustainable development |
| Harring et al. (2023a) | Investigate public acceptance of fossil fuel subsidy removal | Cross-national survey analysis | Public acceptance of subsidy removal can be improved with |
|  | and its reinforcement through revenue recycling |  | effective revenue mechanisms | recycling |
| Harring (2023b) | et | al. | Investigate cross-national attitudes towards fossil fuel subsidy removal | Cross-national survey and analysis | Attitudes towards subsidy removal are influenced by socio-economic factors and energy transition context |
| Greve (2023) | and | Lay | Assess the impacts of fossil fuel subsidy removal in a developing country | Dynamic general equilibrium model | Subsidy removal can affect consumption patterns, GDP, and welfare, with varying impacts on different incomegroups |

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

**3.1 INTRODUCTION**

 In this chapter, we described the research procedure for this study. A research methodology is a research process adopted or employed to systematically and scientifically present the results of a study to the research audience viz. a vis, the study beneficiaries.

**3.2 RESEARCH DESIGN**

Research designs are perceived to be an overall strategy adopted by the researcher whereby different components of the study are integrated in a logical manner to effectively address a research problem. In this study, the researcher employed the survey research design. This is due to the nature of the study whereby the opinion and views of people are sampled. According to Singleton & Straits, (2009), Survey research can use quantitative research strategies (e.g., using questionnaires with numerically rated items), qualitative research strategies (e.g., using open-ended questions), or both strategies (i.e., mixed methods). As it is often used to describe and explore human behaviour, surveys are therefore frequently used in social and psychological research.

**3.3 POPULATION OF THE STUDY**

 According to Udoyen (2019), a study population is a group of elements or individuals as the case may be, who share similar characteristics. These similar features can include location, gender, age, sex or specific interest. The emphasis on study population is that it constitute of individuals or elements that are homogeneous in description.

 This study was carried out on the implications of fuel subsidy removal crisis in Nigeria. Selected people in Ikotun local government, Lagos state, Nigeria form the population of the study.

**3.4 SAMPLE SIZE DETERMINATION**

A study sample is simply a systematic selected part of a population that infers its result on the population. In essence, it is that part of a whole that represents the whole and its members share characteristics in like similitude (Udoyen, 2019). In this study, the researcher adopted the convenient sampling method to determine the sample size.

**3.5 SAMPLE SIZE SELECTION TECHNIQUE AND PROCEDURE**

According to Nwana (2005), sampling techniques are procedures adopted to systematically select the chosen sample in a specified away under controls. This research work adopted the convenience sampling technique in selecting the respondents from the total population.

In this study, the researcher adopted the convenient sampling method to determine the sample size. Out of all the entire people in Ikotun local government, Lagos state, Nigeria, the researcher conveniently selected 261 out of the overall population as the sample size for this study. According to Torty (2021), a sample of convenience is the terminology used to describe a sample in which elements have been selected from the target population on the basis of their accessibility or convenience to the researcher.

**3.6 RESEARCH INSTRUMENT AND ADMINISTRATION**

The research instrument used in this study is the questionnaire. A survey containing series of questions were administered to the enrolled participants. The questionnaire was divided into two sections, the first section enquired about the responses demographic or personal data while the second sections were in line with the study objectives, aimed at providing answers to the research questions. Participants were required to respond by placing a tick at the appropriate column. The questionnaire was personally administered by the researcher.

**3.7 METHOD OF DATA COLLECTION**

Two methods of data collection which are primary source and secondary source were used to collect data. The primary sources was the use of questionnaires, while the secondary sources include textbooks, internet, journals, published and unpublished articles and government publications.

**3.8 METHOD OF DATA ANALYSIS**

The responses were analysed using the mean and standard deviation, which provided answers to the research questions.

In analyzing data collected, mean score was used to achieve this. The four points rating scale will be given values as follows:

SA = Strongly Agree 4

A = Agree 3

D = Disagree 2

SD = Strongly Disagree 1

**Decision Rule:**

To ascertain the decision rule; this formular was used

|  |
| --- |
| 4+3+2+1 =10**= 2.5** 4 4 |

Any score that was 2.5 and above was accepted, while any score that was below 2.5 was rejected. Therefore, 2.5 was the cut-off mean score for decision taken.

**3.9 VALIDITY OF THE STUDY**

Validity referred here is the degree or extent to which an instrument actually measures what is intended to measure. An instrument is valid to the extent that is tailored to achieve the research objectives. The researcher constructed the questionnaire for the study and submitted to the project supervisor who used his intellectual knowledge to critically, analytically and logically examine the instruments relevance of the contents and statements and then made the instrument valid for the study.

**3.10 RELIABILITY OF THE STUDY**

The reliability of the research instrument was determined. The Pearson Correlation Coefficient was used to determine the reliability of the instrument. A co-efficient value of 0.68 indicated that the research instrument was relatively reliable. According to (Taber, 2017) the range of a reasonable reliability is between 0.67 and 0.87.

**3.11 ETHICAL CONSIDERATION**

The study was approved by the Project Committee of the Department. Informed consent was obtained from all study participants before they were enrolled in the study. Permission was sought from the relevant authorities to carry out the study. Date to visit the place of study for questionnaire distribution was put in place in advance.

**CHAPTER FOUR**

**DATA PRESENTATION AND ANALYSIS**

1. **1 INTRODUCTION**

This chapter presents the analysis of data derived through the questionnaire and key informant interview administered on the respondents in the study area. The analysis and interpretation were derived from the findings of the study. The data analysis depicts the simple frequency and percentage of the respondents as well as interpretation of the information gathered. A total of two hundred and sixty one(261) questionnaires were administered to respondents of which two hundred and fifty nine (259) were returned while 259 were validated. This was due to irregular, incomplete and inappropriate responses to some questionnaire. For this study a total of 259w as validated for the analysis.

**4.2 DATA PRESENTATION**

The table below shows the summary of the survey. A sample of 261 was calculated for this study. A total of 259 responses were received, and validated. For this study, a total of 259 were validated for the analysis.

**Table 4.1: Distribution of Questionnaire**

|  |  |  |
| --- | --- | --- |
| **Questionnaire**  | **Frequency** | **Percentage**  |
| Sample size | 261 | 100 |
| Received  | 259 | 99 |
| Validated | 259 | 99 |

**Source: Field Survey, 2023**

**Table 4.2: Demographic data of respondents**

|  |  |  |
| --- | --- | --- |
| **Demographic Information** | **Frequency** | **Percent** |
| GenderMale |  |  |
| 84 | 32% |
| Female | 175 | 68% |
| **Marital Status** |  |  |
| Married | 71 | 27% |
| Single | 90 | 35% |
| Prefer not to say | 98 | 38% |
| **Age** |  |  |
| 18-25 | 48 | 18.5% |
| 26-30 | 118 | 45.6% |
| Above 30 | 93 | 35.9% |

***Source: Field Survey, 2023***

**4.3 ANSWERING RESEARCH QUESTIONS**

**Question 1: What is the implication of fuel subsidy removal on unemployment in Nigeria?**

**Table 4.3:** Mean Responses on the implication of fuel subsidy removal on unemployment in Nigeria

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **S/N** | **ITEM STATEMENT** | **SA****4** | **A 3** | **D 2** | **SD 1** | **X** | **S.D** | **DECISION** |
| 1 | Loss of jobs in the informal sector | 98 | 100 | 40 | 21 | 3.0 | 2.57 | Accepted |
| 2 | Decrease economic growth in the short term | 109 | 92 | 31 | 27 | 3.1 | 2.55 | Accepted |
| 3 | Make firms less competitive | 93 | 103 | 28 | 35 | 2.98 | 2.50 | Accepted |

**Source: Field Survey, 2023**

From the responses derived as described in table 4.3 on the implication of fuel subsidy removal on unemployment in Nigeria, the table shows that all the items(item1-item3) were accepted. This is proven as the respective items (item1-item3) had mean scores of 2.50, and above.

**Research Question 2: What is the impact of fuel subsidy removal on inflation and food security?**

**Table 4.4:** Mean responses on the impact of fuel subsidy removal on inflation and food security.

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **S/N** | **ITEM STATEMENT** | **SA****4** | **A****3** | **D****2** | **SD****1** | **X** | **S.D** | **DECISION** |
| 1 | Increase inflation | 99 | 102 | 38 | 20 | 3.1 | 2.82 | Accepted |
| 2 | Increase poverty | 230 | 20 | 9 | - | 3.9 | 2.76 | Accepted |
| 3 | Increase in market products | 160 | 60 | 20 | 19 | 3.4 | 2.50 | Accepted |

**Source: Field Survey, 2023**

In table 4.4 above on the impact of fuel subsidy removal on inflation and food security, the table shows that all the items(item1-item3) were accepted. This is proven as the respective items (item1-item3) had mean scores of 2.50, and above.

**Question 3: What is the impact of the fuel subsidy removal crisis on income level and standard?**

**Table 4.5:** Mean Responses on the impact of the fuel subsidy removal crisis on income level and standard

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **S/N** | **ITEM STATEMENT** | **SA****4** | **A 3** | **D 2** | **SD 1** | **X** | **S.D** | **DECISION** |
| 1 | Increase fuel smuggling | 98 | 100 | 40 | 21 | 3.0 | 2.57 | Accepted |
| 2 | Increase crime | 109 | 92 | 31 | 27 | 3.1 | 2.55 | Accepted |
| 3 | Reduce income level | 93 | 103 | 28 | 35 | 2.98 | 2.50 | Accepted |

**Source: Field Survey, 2023**

From the responses derived as described in table 4.5 on the impact of the fuel subsidy removal crisis on income level and standard, the table shows that all the items (item1-item3) were accepted. This is proven as the respective items (item1-item3) had mean scores of 2.50, and above

**CHAPTER FIVE**

**SUMMARY CONCLUSION AND RECOMMENDATION**

**5.1 SUMMARY**

This chapter of the study is set aside to determine the implications of fuel subsidy removal crisis in Nigeria. It also gives the conclusion and makes some recommendation.

In the summary the purpose of this study was to evaluate the implications of fuel subsidy removal crisis in Nigeria. Specifically the study examined the implication of fuel subsidy removal on unemployment in Nigeria, assessed the impact of fuel subsidy removal on inflation and food security and, examined the impact of the fuel subsidy removal crisis on income level and standard of living in Nigeria.

In order to carry out this study research questions formulated to guard the investigation. A total of 260 selected people in Ikotun local government, Lagos state, Nigeria, were randomly selected as enrolled participants for the survey.

**5.2 CONCLUSION**

In the conclusion the study is beyond doubt and abundantly clear that the right intake of nutrition during pregnancy is very important. .

From results obtained and analyzed, the study reveals that:

* The implication of fuel subsidy removal on unemployment in Nigeria include:
1. Loss of jobs in the informal sector
2. Decrease economic growth in the short term
3. Make firms less competitive
* The impact of fuel subsidy removal on inflation and food security include:
1. Increase inflation
2. Increase poverty
3. Increase in market products
* The impact of the fuel subsidy removal crisis on income level and standard include:
1. Increase fuel smuggling
2. Increase crime
3. Reduce income level

**5.3 RECOMMENDATION**

Recommendation on the basis of findings. The researcher made the following recommendation with the belief that when studied and applied, would help to improve the practice of family planning by women. The researcher recommends that:

* Nigerian government should build more refineries through PPP while effort should also be made to ensure proper maintenance, the strengthening of the fight against corruption and the establishment of a regulatory framework to protect citizens as necessary measures to increased capacity utilization on the existing refineries to stem the tide of petroleum products importation to improve the poor state Nigeria’s economy and society.
* Government should create an enabling environment to engender private investor’s for the purpose of improving the local refining capacity to meet the ever increasing local demand of petroleum products and indeed for exportation purpose.
* The Nigeria government should embark n programmers that would create more jobs to ameliorate the negative effects on poor and vulnerable groups.
* A good communication strategy should be employed to increase popular support.

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**APPENDIXE**

**QUESTIONNAIRE**

**PLEASE TICK [√] YOUR MOST PREFERRED CHOICE(s) ON A QUESTION OF YOUR CHOICE**

**SECTION A**

**PERSONAL INFORMATION**

**1. Gender**

Male [ ]

Female [ ]

1. **Marital Status**

Married [ ]

Separated [ ]

Not to say [ ]

1. **Age**

18-25 [ ]

26-30 [ ]

Above 30 [ ]

1. **Marital Status**

Married [ ]

Single [ ]

Seperated [ ]

Divorced [ ]

**SECTION B**

**What is the implication of fuel subsidy removal on unemployment in Nigeria?**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **S/N** | **ITEM STATEMENT** | **Strongly Agree** | **Agree**  | **Disagree**  | **Strongly Disagree**  |
| 1 | Loss of jobs in the informal sector |  |  |  |  |
| 2 | Decrease economic growth in the short term |  |  |  |  |
| 3 | Make firms less competitive |  |  |  |  |

**What is the impact of fuel subsidy removal on inflation and food security?**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **S/N** | **ITEM STATEMENT** | **Strongly Agree** | **Agree**  | **Disagree**  | **Strongly Disagree**  |
| 1 | Increase inflation |  |  |  |  |
| 2 | Increase poverty |  |  |  |  |
| 3 | Increase in market products |  |  |  |  |

**What is the impact of the fuel subsidy removal crisis on income level and standard?**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **S/N** | **ITEM STATEMENT** | **Strongly Agree** | **Agree**  | **Disagree**  | **Strongly Disagree**  |
| 1 | Increase fuel smuggling |  |  |  |  |
| 2 | Increase crime |  |  |  |  |
| 3 | Reduce income level |  |  |  |  |