The Political Economy of Premium Motor Spirit Subsidy in Nigeria, 1999 – 2015

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Abstract

The political economy of Premium Motor Spirit (PMS) subsidy in Nigeria has evolved significantly from 1999 to 2015, shaped by various administrations' policies and the challenges of balancing economic reforms with social welfare concerns. Initiated to keep fuel prices affordable, the subsidy regime has since become a major economic burden due to the country's dependence on fuel imports, persistent corruption, and insufficient refining capacity. This paper examines the shifts in PMS subsidy policy under the Olusegun Obasanjo, Umaru Musa Yar'Adua, and Goodluck Jonathan administrations, each of which employed different strategies amid economic, political, and public pressure. Findings shows that the Obasanjo administration like its counterparts pursued gradual price increase despite facing intense opposition from labour unions. Conversely, Yar'Adua reversed prior increases in PMS to mitigate social unrest. Jonathan's tenure witnessed widespread protests against subsidy removal, exposing deep-seated public distrust toward governmental fiscal policies. By analysing these phases, this study offers insights into the policy's economic impacts, public resistance, and the broader implications for governance and accountability in Nigeria's petroleum sector.

Keywords: Political economy, Premium motor spirit, Subsidy, Democracy, Nigeria

Introduction

Nigeria's Premium Motor Spirit (PMS) subsidy policy has long been a contentious element of the nation's economic landscape, sparking intense debate across political and socioeconomic spheres. Initially implemented to moderate fuel prices

for citizens, the subsidy has since become a subject of divisive debate, entangled in issues of fiscal sustainability, governance, and public welfare.[1] As Nigeria's reliance on fuel imports grew, so did the associated subsidy costs, leading successive governments to grapple with the policy's implications on national budgets and economic stability.[2] Under President Olusegun Obasanjo (1999–2007), the government pursued a policy of gradual subsidy removal, driven largely by fiscal concerns and pressure from international bodies like the IMF, which viewed the subsidy as economically unsustainable.[3] Despite public opposition led by the Nigeria Labour Congress (NLC), Obasanjo's administration implemented multiple price hikes, arguing that subsidy funds could be better utilized for infrastructure and development projects.[4] However, these promises rarely materialized, reinforcing public distrust toward the government and fueling resistance against further price increases.

In contrast, President Umaru Musa Yar'Adua (2007–2010) took a markedly different approach, reducing fuel prices as a means of alleviating public hardship and restoring public confidence in the administration.[5] This policy reversal

[1] Shagali, Aminu Abdullahi and Yusuf, Ramatu. "Political Economy of Fuel Subsidy Removal in Nigeria: Issues, Challenges and the Way Forward." Zamfara Journal of Politics and Development, Vol. 3 (3), 2022. And Obasi, V.U., Ezenkwa, E.C., Onwa, D.O., & Nwogbaga, D.M.E. "The Political Economy of Fuel Subsidy Removal in Nigeria." African Journal of Politics and Administrative Studies, vol. 10(1), 2017, pp 51 to 69.

[2] Amenawo Ikpa Offiong & Ignatius Ahmed Atsu & Edward Ajaude & Bassey Ina Ibor, 2016. "The Impact of Oil Price Shocks on the Economic Growth and Development of Cross River State, Nigeria," International Journal of Financial Research, International Journal of Financial Research, Sciedu Press, vol. 7(4), pp 96-104.

[3] International Monetary Fund. "Nigeria 2011 Article IV Consultation: The Fuel Subsidy" IMF Country Report No. 12/194. And "Financial Deepening and The Non-oil Sector Growth in Nigeria." IMF Country Report No.16/102. pp 40 –52. Washington, D.C. 2012, 2015.

[4] Igbokwe-Ibeto, C. J., Ewuim, N. C. & Agbodike, F.C.: Nigerian Government and Oil Subsidy Regime:A Horn of Diliemma." International Journal of Development and Management Review (INJODEMAR) Vol.10 June, 2015, pp 188–200.

[5] Amenawo Ikpa Offiong & Ignatius Ahmed Atsu & Edward Ajaude & Bassey Ina Ibor, 2016. "The Impact of Oil Price Shocks on the Economic Growth and Development of Cross River State,

temporarily eased public discontent but failed to address the underlying economic challenges associated with Nigeria's subsidy regime. The Yar'Adua administration's stance highlighted the complex trade-offs between immediate social relief and long-term economic reforms in Nigeria's PMS policy.[6] Goodluck Jonathan's administration (2010–2015) brought the subsidy debate to its climax. In 2012, Jonathan announced a major subsidy removal, which doubled PMS prices and ignited widespread protests across Nigeria. Critics, including opposition leaders and civil society groups, viewed the removal as a betrayal, particularly given Nigeria's weak social safety net and poor economic conditions.[7] Although Jonathan later reduced the price to quell public unrest, the episode underscored the deep-seated challenges and public mistrust associated with PMS subsidy policies.[8] Ultimately, the subsidy regime's persistence and periodic adjustments highlight the balancing act required to satisfy public needs while maintaining fiscal responsibility.

The Olusegun Obasanjo Administration (1999-2007)

The democratic administration of Olusegun Obasanjo was one that strenuously advanced the cause of subsidy removal on premium motor spirit. When he came to power on 29 May, 1999, the military regime of Abdulsalami Abubakar bequeathed a price regime of twenty Naira (N20) per a litre of PMS to the new administration. However, the Obasanjo administration just about a year into office on 1 June 2000 increased the price of PMS to twenty-five Naira (N25) per litre. It

Nigeria," International Journal of Financial Research, International Journal of Financial Research, Sciedu Press, vol. 7(4), pp 96-104.

[6] World Bank. (2013). Subsidy Reform in Nigeria: Fiscal Implications and Socioeconomic Effects. World Bank Group Report, Washington, D.C.

[7] Shagali, Aminu Abdullahi and Yusuf, Ramatu. "Political Economy of Fuel Subsidy Removal in Nigeria: Issues, Challenges and the Way Forward." Zamfara Journal of Politics and Development, Vol. 3 (3), 2022. And Obasi, V.U., Ezenkwa, E.C., Onwa, D.O., & Nwogbaga, D.M.E. "The Political Economy of Fuel Subsidy Removal in Nigeria." African Journal of Politics and Administrative Studies, vol. 10(1), 2017, pp 51 to 69.

[8] Igbokwe-Ibeto, C. J., Ewuim, N. C. & Agbodike, F.C.: Nigerian Government and Oil Subsidy Regime:A Horn of Diliemma." International Journal of Development and Management Review (INJODEMAR) Vol.10 June, 2015, pp 188–200.

was the first of six increases under his watch as president of Nigeria. For the purpose of this paper, the multiple increases under the Obasanjo administration, would be grouped under the first set of increases under this democratic dispensation. Since the return of democracy in 1999, the subsidy on premium motor spirit has become a politically and economically contentious issue, as increased importation has coincided with the dwindling refining of petroleum products in the nation's four refineries.

Table of Price Changes of Premium Motor Spirit under the Olusegun Obasanjo Administration

Administration	Year	Price	Percentage of Increment/Drop
Olusegun Obasanjo	1 June, 2000	N20-N30	50%
Olusegun Obasanjo	8 June, 2000	N30-N22	-10%
Olusegun Obasanjo	1 January, 2002	N22-N26	18.18%
Olusegun Obasanjo	June, 2003	N26-N42	23.08%
Olusegun Obasanjo	29 May, 2004	N42-N50	19.05%
Olusegun Obasanjo	25 August, 2004	N50-N65	30%
Olusegun Obasanjo	27 May, 2007	N65-N75	15.38%

Source: *Vanguard*[9]

Political Argument for Subsidy Reduction

The group that led opposition to the removal of the subsidy regime in the early years of this present democratic dispensation was the Nigeria Labour Congress (NLC) under the leadership of Adams Oshiomhole. For eight years that he led the NLC as National president, he had several running battles with the Obasanjo administration on the issue of subsidy reduction. The NLC argued that most of the monies spent on subsidy lacked transparency and were clouded in corruption. On

[9] "Timeline of fuel price increments", *Vanguard*, 26 December, 2017 https://www.vanguardngr.com/2017/12/timeline-fuel-price-increments/amp/ accessed 1 April, 2022.

this Adam Oshiomhole opined in 2003 that 'there is a lot of fraud in NNPC. The place is so dirty and it is one area that does not have an element of transparency in its operations.'[10] Over the cause of eight years, the same grounds of arguments were advanced as a reason why the subsidy regime should remain in place. The widespread distrust of the government remains at the heart of the argument against the removal of subsidy. On this score, the Obasanjo administration had posited that the extra funds generated from subsidy removal would be used to improve on road infrastructure, this was after his government, abolished toll gates on high ways as part of the revenue generated from the removal of subsidy.[11] But nothing came out of the argument advanced by the government, which gave credence to the argument of the NLC and civil society group.

Economic Argument for Subsidy Reduction

A core ground for the economic argument put forward by the Nigeria Labour Congress and other opponents of subsidy removal during the years of the Obasanjo presidency, was the low-rate of salaries that Nigerian workers in the public service received as take-home pay as well as the inflationary trend that it could cause, thereby resulting in further economic hardship on ordinary Nigerians. As a result, steps the government took to remove subsidy was resisted by Nigerian workers led by the NLC. Between 1999-2007, resistance to all government move to remove subsidy was spearheaded by the NLC. At the start of this dispensation, the minimum wage for Nigerian workers, was still Two Hundred and Fifty Naira (N250) a month, which was an increase done during the Babangida administration. With the devaluation of the Naira and inflation having reduced the purchasing power of Nigerians, it was argued that salary increases should be implemented for Nigeria workers.

[10] The News, September 16, 2003 quoted in Nkwokeji, U. G. 2007, The Nigerian National Petroleum Corporation and The Development of The Nigerian Oil and Gas Industry: History, Strategies and Current Directions, The James A. Baker III Institute for Public Policy, Rice University, p. 46.

[11] Ekwoaba, O. J. and Ikejie, U. U. 2016, Trade Dispute, Strike and Settlement: Fuel Subsidy Removal, The January 2012 Experience, *International Journal of Business and Management Review*, Vol. 4, No. 3, p. 42.

Political Argument against Subsidy Reduction

The politics against the sustenance of subsidy is a revolving door that has remained so over the years. The points used by the Obasanjo administration to argue for the removal of the subsidy regime are similar to that posited by the Babangida military regime when this debate first gained credence. The government mentioned smuggling as a reason why subsidy should be removed. That the low domestic price of the product was encouraging the product to be smuggled to neighbouring countries at black market price.[12] It had argued that an increment of the price of premium motor spirit would discourage the smuggling of the product to other countries. Atiku Abubakar Vice President to Olusegun Obasanjo, (1999-2007), asserted that 'the Obasanjo government in which I served commenced a phased subsidy withdrawal. I was tasked with negotiating with then NLC Chairman and current APC Chairman [Adams Oshiomhole] who stood strongly against it, nonetheless, we achieved two phases of subsidy removal of fuel and complete withdrawal of subsidy of diesel before we left office.'[13]

Economic Argument Against for Subsidy Reduction

Olusegun Obasanjo stated in 2000 that the subsidy regime on premium motor spirit was costing the government $2billion annually.[14] On this premise, with the subsidy draining the country of much needed funds for developmental projects, his government worked to phase out the subsidy regime. The Obasanjo government also faced pressure from international organizations to remove the subsidy regime, The International Monetary Fund (IMF) had made 'ending

[12] Ekwoaba, O. J. and Ikejie, U. U. 2016, Trade Dispute, Strike and Settlement: Fuel Subsidy Removal, The January 2012 Experience, *International Journal of Business and Management Review*, Vol. 4, No. 3, p. 42.

[13] Owolabi, F. 2020, "Oshiomhole kicked against fuel subsidy removal under Obasanjo, says Atiku", The Cable, 7 June, 2020, https://www.thecable.ng/oshiomhole-kicked-against-fuel-subsidy-removal-under-obasanjo-says-atiku/amp accessed 31st March, 2022.

[14] "Nigerian Workers Protest Gasoline Price Increase", 2000, *New York Times*, 7 June, 2000, https://www.nytimes.com/2000/06/07/world/nigerian-workers-protest-gasoline-price-increase.html accessed on 31st March, 2022.

subsidies a main condition for agreeing to a $1 billion standby loan for Nigeria.'[15] The government during this period had argued that with higher prices for premium motor spirit and other petroleum products, the Nigeria National Petroleum Corporation (NNPC) would be financially independent and be in a better position to run the country's worsening refineries. The head of the Petroleum Products Pricing Regulatory Agency PPPRA, Rasheed Gbadamasi in 2002 while announcing the price of premium motor spirit from N22 to N26 per litre, argued 'that market deregulation or liberalization is an economic policy that seeks to free downstream sector from the grip of governmental control or restriction.'[16]

Effects of Subsidy Reduction

During the Obasanjo administration, the price of premium motor spirit was altered seven times, six of them increases. A major effect of these increases, were the industrial actions that was embarked upon by the Nigeria Labour Congress (NLC) led by Adams Oshiomhole. In the first increment on 1 June, 2000, the strike action lasted for eight days.[17] The price was reduced to N20 from the N30 increment. Prior to this increment, a few days earlier that same year, the government announced an increment in minimum wage for Federal public workers to N7,500.[18] the first since that done by the Ibrahim Babangida regime.

[15] "Nigerian Workers Protest Gasoline Price Increase", 2000, *New York Times*, 7 June, 2000, https://www.nytimes.com/2000/06/07/world/nigerian-workers-protest-gasoline-price-increase.html accessed on 31st March, 2022.

[16] Okpaga, A, Ume. C. S, Eme, O. I. 2012, Deregulation and Anti-Subsidy Removal Strikes in Nigeria, 2000 -2012, *Arabian Journal of Business and Management Review (OMAN Chapter)* Vol. 1, No. 7, p.76.

[17] Ekwoaba, O. J. and Ikejie, U. U. 2016, Trade Dispute, Strike and Settlement: Fuel Subsidy Removal, The January 2012 Experience, *International Journal of Business and Management Review*, Vol.4, No.3, P. 41

[18] Ajani, J. 2011, "NLC's ultimatum: Why minimum wage, fuel subsidy removal & revenue formula do not mix", *Vanguard*, 10 June 2011, https://www.vanguardngr.com/2011/07/nlc%e2%80%99s-ultimatum-why-minimum-wage-fuel-subsidy-removal-revenue-formula-do-not-mix/amp/ accessed on 30 March, 2022.

Subsequent strike actions followed after another round of increment was announced on 16 June, 2000. This industrial action lasted for three days.[19] The price was increased from N20 to N26. In spite of the strike action, the price did not change. On 30 June, 2003, the government increased the Premium Motor Spirit price from N26 to N42, the industrial action that followed lasted three days.[20] resulted in the reduction to N34 per litre. On 9 June, 2004, the price was again adjusted from N34 to N50 per litre. The effect was another round of industrial action that lasted three days. with government and the NLC agreeing on a new price of N42 per litre.[21] That same year on 11 October, 2004, the pump price of premium motor spirt was increased to N52 per litre, there was no industrial action, instead, 'the Government set up the 19-member Senator Ibrahim Mantu-led Committee on palliatives with labour, the committee to submit a report on how to cushion the effect of the high cost of petrol on the masses.'[22] The Obasanjo government further increased the price of premium motor spirit on 25 August, 2004 from N50 to N65 per litre.[23] There was no strike, but the Nigeria Labour Congress and civil society groups protested the hike. The last increment done by the Obasanjo administration was during his last days in office on 27 May, 2007

[19] Ekwoaba, O. J. and Ikejie, U. U. 2016, Trade Dispute, Strike and Settlement: Fuel Subsidy Removal, The January 2012 Experience, *International Journal of Business and Management Review*, Vol.4, No.3, P. 41.

[20] Ekwoaba, O. J. and Ikejie, U. U. 2016, Trade Dispute, Strike and Settlement: Fuel Subsidy Removal, The January 2012 Experience, *International Journal of Business and Management Review*, Vol.4, No.3, P. 41.

[21] Ekwoaba, O. J. and Ikejie, U. U. 2016, Trade Dispute, Strike and Settlement: Fuel Subsidy Removal, The January 2012 Experience, *International Journal of Business and Management Review*, Vol.4, No.3, P. 41.

[22] Okpaga, A, Ume. C. S, Eme, O. I. 2012, Deregulation and Anti-Subsidy Removal Strikes in Nigeria, 2000 -2012, *Arabian Journal of Business and Management Review (OMAN Chapter)* Vol. 1, No. 7, p.76.

[23] Okpaga, A, Ume. C. S., Eme, O. I. 2012, Deregulation and Anti-Subsidy Removal Strikes in Nigeria, 2000 -2012, *Arabian Journal of Business and Management Review (OMAN Chapter)* Vol. 1, No. 7, p.76

when the price was increased from N65 to N75 per litre.[24] A situation that had to be handled by the incoming government of Umaru Musa Yar'Adua.

Since the country's return to democratic rule in 1999, no government has altered the price of premium motor spirit like the Obasanjo administration during his eight years. The price was altered on the average on a yearly basis throughout his time in office. The continued opposition to the move to remove the subsidy regime by the Nigeria Labour Congress, was a remote reason the government of Obasanjo promoted the establishment of a parallel Trade Union Congress (TUC) in 2005, though it had unofficially been in existence in 1976.[25] It was until the incessant industrial actions by the NLC, that its formally led the government to grant it recognition through a certificate of registration as Labour Union in 2005.

The Umaru Yar'Adua/Goodluck Jonathan Administration (2007-2010) and (2010-2015)

The administration of Umaru Yar'Adua remains the only one in this democratic dispensation that did not increase the price of Premium Motor Spirit and also the only one that reversed the pump price of Premium Motor Spirit to the price it was prior to its increment. The departing Obasanjo government had increased the price from N65 to N75 in May, 2007. However, Umaru Musa Yar'Adua reduced it N65 in June, 2007. This was after public workers led by the newly elected Nigeria Labour Congress president, Abubakar Omar, went on strike for four days. The price remained so until 1 January, 2012 when it was increased by the Jonathan administration after months of debate in the public domain over subsidy removal on premium motor spirit. There were key parties in the Goodluck Jonathan government that championed the cause of subsidy removal. There positions of the proponents and the opponents will be examined below.

[24] "Timeline of fuel price increments", *Vanguard*, 26 December, 2017 https://www.vanguardngr.com/2017/12/timeline-fuel-price-increments/amp/ accessed 1 April, 2022.

[25] Trade Union Congress, www.tucnigeria.org.ng accessed on 1 April, 2022

Table of Price Changes of Premium Motor Spirit Under the Umaru Yar'Adua/Goodluck Jonathan Administration

Administration	Year	Price	Percentage of Increment/Drop
Umaru Yar' Adua	June, 2007	N75-N65	-15% price drop
Goodluck Jonathan	1 January, 2012	N65-N141	116.92% increase
Goodluck Jonathan	17 January, 2012	N141-N97	-31.21% price drop
Goodluck Jonathan	February, 2015	N97-N87	-10.31% price drop

Source: *Vanguard*[26]

Political Argument for Subsidy Reduction

There were several entities that kicked against the removal of the subsidy on premium motor spirit. From the Nigerian Labour Congress, Trade Union Congress, Civil Society groups, the political opposition, and those in the entertainment industry were all united in their opposition to the Jonathan administration's announcement on 1 January, 2012 that subsidy on premium motor spirit had been removed which resulted in an increase from N65 to N141 per litre. In December, 2011 when the debate on subsidy removal was raging, as the Jonathan administration prepared Nigerians about the plans to increase subsidy, Muhammadu Buhari who had lost the presidential election earlier in the year, under the platform of the Congress of Progressive Change (CPC), opposed the subsidy on these grounds: 'Nigerians are being deceived on the issue of fuel subsidy, The federal government takes out fuel for refining, only to come back and talk of removing the subsidy. That is nonsense and an attempt by a clique with the PDP led federal government to siphon the proceeds to be realized from the removal of oil subsidy'.[27] Furthermore, the Nigeria Bar Association (NBA) kicked against the removal in December 2011, through its president, Mr. Joseph Boderin Daudu (SAN) According to him, 'the action will leave proponents of deregulation

[26] Timeline of fuel price increments", *Vanguard*, 26 December, 2017, https://www.vanguardngr.com/2017/12/timeline-fuel-price-increments/amp/ accessed 1 April, 2022.

[27] Omonobi, K. & Yusuf, U. "I'm opposed to fuel subsidy removal – Buhari" *Vanguard*, 9 December, 2011, https://www.vanguardngr.com/2011/12/im-opposed-to-fuel-subsidy-removal-buhari/amp/ accessed on 1 April, 2022.

and subsidy removal with a bloody nose. If the Jonathan government appears adamant in its quest to remove the subsidy, Nigerians are equally resolved in their opposition to the removal of the subsidy. The NBA will not support the removal of subsidy. The points government is giving at this stage is suspect. Government is aware of the fact that the policy is anti-Nigerians.'[28]

Two months earlier, in October, 2011 at a gathering in Lagos, different groups ranging from the Nigeria Labour Congress (NLC), and the Yoruba Council of Elders (YCE), a common refrain was that 'we have been treated to this fuel subsidy story since 1999. It has been the same sing song: 'we will use the proceeds to provide amenities, build roads, provide healthcare, etc'. But none of the promises has been fulfilled.'[29]. In January, 2012, Bola Ahmed Tinubu while arguing against the subsidy removal stated that "if subsidy must be removed at all, it must never be at one fell swoop. Rather it must be on calibrated phrases, on which the promised gains are measured and confirmed before moving to the next phase of removal.'[30]

Economic Argument for Subsidy Reduction

The president of the Nigeria Medical Association (NMA) Dr. Omede Idris, in December, 2011, reiterated the health body's argument against the subsidy removal on the grounds that 'the removal of fuel subsidy will further impoverish the already poor majority of Nigerians through multiplier effects on the cost of services in all areas.'[31] Also, in January 2012, Bola Ahmed Tinubu had argued that,

[28] "Fuel Subsidy Removal: NBA, NMA join opposition" *Vanguard*, 20 December, 2011, https://www.vanguardngr.com/2011/12/fuel-subsidy-removal-nba-nma-join-opposition/amp/ accessed on 1 April, 2022.

[29] "Opposition mounts against removal of fuel subsidy" *Vanguard*, 25 October, 2011, https://www.vanguardngr.com/2011/10/opposition-mounts-against-removal-of-fuel-subsidy/amp/ accessed on 1 April, 2022.

[30] Sunday, J. "The Politics of Fuel Subsidy" *Vanguard*, 16 May, 2016 https://www.vanguardngr.com/2016/05/politics-fuel-subsidy/amp/ accessed on 2 April, 2012

[31] "Fuel Subsidy Removal: NBA, NMA join opposition" *Vanguard*, 20 December, 2011, https://www.vanguardngr.com/2011/12/fuel-subsidy-removal-nba-nma-join-opposition/amp/ accessed on 1 April, 2022.

if the subsidy must be removed, the corruption at the Nigerian National Petroleum Corporation (NNPC) must be addressed, he added that, 'the foundation for a mass transit system in the railways and road network with long term bonds and, fully develop the energy sector towards revitalising Nigeria's economy and easing the burden any subsidy removal may have on the people.'[32]

Political Argument against Subsidy Reduction

On 4 October 2011, Goodluck Jonathan informed the National Assembly of his government plans to remove the subsidy on premium motor spirit in 2012.[33] The absence of budgetary provision for subsidy in the 2012-2015 Medium Term Fiscal Framework (MTFF) and Fiscal Strategy Paper (FSP) that Goodluck Jonathan sent to the National Assembly is a major component of the fiscal policy indicating that subsidy removal was to begin in the 2012 financial year. He stated that the government plans in this statement. This "will free up to about N1.2 trillion in savings, part of which can be deployed into providing safety nets for poor segment of the society to ameliorate the effects of subsidy removal.'[34]

The government of Goodluck Jonathan announced the removal of subsidy removal on 1 January, 2012. As a result, the price of premium motor spirit was increased from N65 to N141 per litre. With opposition to this move by the government, Goodluck Jonathan addressed the nation on 7 January, 2012, he outlined the need for subsidy to be removed. According to him; 'the deregulation of the petroleum sector is a necessary step that we had to take. Should we continue to do things the same way, and face more serious economic challenges? Or

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[32] Sunday, J. "The Politics of Fuel Subsidy" *Vanguard*, 16 May, 2016 https://www.vanguardngr.com/2016/05/politics-fuel-subsidy/amp/ accessed on 2 April, 2012

[33] Odoh, P. A. 2012, Causes of the January 2012 Removal of Oil Subsidy in Nigeria: Panacea for Sustainable Development of Nigeria, *Journal of Business and Organizational Development*, Vol 4. p. 26.

[34] Odoh, P. A. 2012, Causes of the January 2012 Removal of Oil Subsidy in Nigeria: Panacea for Sustainable Development of Nigeria, *Journal of Business and Organizational Development*, Vol 4. p. 26.

deregulate, endure the initial discomfort and reap better benefits later? I want to assure every Nigerian that whatever pain you may feel at the moment, will be temporary.'[35] He added that, 'deregulation is not a magic formula that will address every economic challenge, but it provides a good entry point for transforming the economy, and for ensuring transparency and competitiveness in the oil industry, which is the mainstay of our economy.'[36] During the Nigeria Summit in 2013, he insisted that it was imperative that the subsidy on premium motor spirit must be removed, he argued that, 'we cannot continue to waste resources meant for a greater number of Nigerians to subsidise the affluent middle class, who are the main beneficiaries.'[37]

The then coordinating minister of the economy was one of the principal drivers of the removal of subsidy, she posited that 'subsidy does not get to the poor; the middle and upper classes are the real beneficiaries. It is clearly unsustainable,'[38] 'Nigeria, with its large population and small oil base, is comparatively poor, compared to other oil producers. Compared to other oil producing countries, Nigeria has a significantly lower GDP per capita; substantially less oil revenue per capita and greater social.'[39] we must rethink our approach to managing our scarce

[35] "Subsidy protest: Read text of President Jonathan's broadcast" *Vanguard*, 7 January, 2012, https://www.vanguardngr.com/2012/01/subsidy-removal-read-text-of-president-jonathans-broadcast/amp/ accessed on 2 April, 2012.

[36] Subsidy protest: Read text of President Jonathan's broadcast" *Vanguard*, 7 January, 2012, https://www.vanguardngr.com/2012/01/subsidy-removal-read-text-of-president-jonathans-broadcast/amp/ accessed on 2 April, 2012.

[37] Kolawole, Y. & Oritse, G. "Jonathan insists on fuel subsidy removal" *Vanguard*, 20 March, 2013. https://www.vanguardngr.com/2013/03/jonathan-insists-on-fuel-subsidy-removal/amp/ accessed 2 April, 2022.

[38] "Removal of fuel subsidy is inevitable-Okonjo Iweala" *Daily Post*, 7 December, 2011, https://dailypost.ng/2011/12/07/removal-of-fuel-subsidy-is-inevitable-okonjo-iweala/ accessed on 29 March, 2022.

[39] "Removal of fuel subsidy is inevitable-Okonjo Iweala" *Daily Post*, 7 December, 2011, https://dailypost.ng/2011/12/07/removal-of-fuel-subsidy-is-inevitable-okonjo-iweala/ accessed on 29 March, 2022.

resources to provide services to Nigerians. We will be better off using the amount spent on subsidy to target poorer groups and big infrastructure projects.'[40] She said 'deregulation implies limited intervention by government; it allows better regulation and transparency; allows for free operation activities in the sector; attracts new investors into the market and it increases competition and promotes overall higher productivity; reduces scarcity by ensuring adequate supply of petroleum products; and similar success story to the telecommunication sector.'[41]

As Governor of Edo state, Adams Oshiomhole aligned himself with the position of Goodluck Jonathan's government, by supporting the call for subsidy removal on premium motor spirit. At a town hall meeting on December, 2011, the Adams Oshiomhole opined that 'he was not against subsidy removal in principle, but against realistic measures not being taken ahead to serve as a buffer for the effect on Nigerians.'[42] In a commentary, Nnanna Ochereome explained the sudden change in the former labour leader's position on subsidy removal. 'Oshiomhole now believes it is time to do away with fuel subsidy once and for all, while benefits must be diverted to the people and corruption in the oil industry arrested. As a governor whose primary concern is for the people of his state, it is out of point to expect him to support continuation of subsidy. Governors need the money to provide capital development to their states after the recent minimum wage took almost everything from their monthly revenue.'[43]

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[40] "Removal of fuel subsidy is inevitable-Okonjo Iweala" *Daily Post*, 7 December, 2011, https://dailypost.ng/2011/12/07/removal-of-fuel-subsidy-is-inevitable-okonjo-iweala/ accessed on 29 March, 2022.

[41] "Removal of fuel subsidy is inevitable-Okonjo Iweala" *Daily Post*, 7 December, 2011, https://dailypost.ng/2011/12/07/removal-of-fuel-subsidy-is-inevitable-okonjo-iweala/ accessed on 29 March, 2022.

[42] "Fuel Subsidy: Okonjo-Iweala, Sanusi, Oshiomhole, Falana, Agbakoba, Others Differ Over Removal," *PM News Online*, 22 December, 2011, https://pmnewsnigeria.com/2011/12/22/fuel-subsidy-okonjo-iweala-sanusi-oshiomhole-falana-agbakoba-others-differ-over-removal/ accessed on 29 March, 2022.

[43] Ochereome, N. "Oshiomhole and the subsidy crisis" *Vanguard*, 19 January, 2012, https://www.vanguardngr.com/2012/01/oshiomhole-and-the-subsidy-crisis/amp/ accessed on 2 April, 2022.

At the National Economic Council (NEC) meeting on 12 December, 2011 headed by vice President Namadi Sambo it was decided that the government should remove subsidy come January 2012.[44] After the meeting, the governor of Anambra State, Peter Obi 'said the removal of subsidy was the best option left for the polity to take at the current scheme of things, if it must avert bankruptcy.'[45] Sanusi Lamido Sanusi, Governor Central Bank of Nigeria, added after the NEC meeting that; 'if we borrow to subsidize today, it is our children that are subsidizing us let us take a difficult decision today and make tomorrow better by supporting the removal of subsidy.'[46] Furthermore, Sanusi Lamido Sanusi, reiterated his position this way ten years later, 'I remember in 2011 when we were talking about the subsidy debate when President Jonathan rightfully wanted to remove fuel subsidy, I said to people, you are producing two million barrels for 160 million Nigerians. That is one barrel for 80 people. Saudi Arabia produces one barrel for three citizens. These people need education, healthcare, infrastructure, electricity, telecommunications and agriculture from that one barrel that 80 people share. Then, you decide that what they need more than anything else is cheap fuel. "That does not make sense. It only made sense because there are many people who control the levers of power and are making millions and billions of dollars from the scam that is called fuel subsidy.'[47]

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[44] Majekodunmi, A. 2013, The Political Economy of Fuel Subsidy Removal in Nigeria, *International Journal of Management and Social Sciences Research* Vol. 2, No. 7, p. 76.

[45] Onyishi, A. O., Eme, O. I., Emeh, I. J. 2012, The Domestic and International Implications of Fuel Subsidy Removal Crisis in Nigeria, *Kuwait Chapter of Arabian Journal of Business and Management Review*, Vol. 1, N. 6. p. 58.

[46] Onyishi, A. O., Eme, O. I., Emeh, I. J. 2012, The Domestic and International Implications of Fuel Subsidy Removal Crisis in Nigeria, *Kuwait Chapter of Arabian Journal of Business and Management Review*, Vol. 1, N. 6. p. 58.

[47] Edeh, H. "Sanusi describes fuel subsidy as scam, regrets protest that stopped attempted removal by Jonathan" *International Centre for Investigative Reporting*, *ICIR*, 1 October, 2021, https://www.icirnigeria.org/sanusi-describes-fuel-subsidy-as-scam-regrets-protest-that-stopped-jonathans-attempted-removal/ accessed 29 March, 2022.

d. Economic Argument against Subsidy Reduction

The economic argument for subsidy removal was spearheaded by Okonjo-Iweala, who was the Minister of Finance and Coordinating Minister of the economy. In her position, she propagated that the subsidy regime was not sustainable, and that it had to be jettisoned. In December, 2011 she said while reeling out several figures that "Subsidy is a major fiscal and financial burden on the nation. From 2006-2011, about N3.7trillion was spent on subsidy.'[48] 'In 2011, N1.348trillion was spent between January and October and it is expected to reach N1.436trillion by the end of the year. This represents 30 per cent of total Government Expenditure; 118% of the capital budget; and 4.18% of GDP.'[49] 'Under the current downstream sector structure, prices are not determined by demand and supply. Pump price of PMS is fixed at N65 per litre by the government. The landing cost of a litre of PMS is about N123 per litre, based on an average price of US$113.98pb. To this, add the cost of distributing, bridging and profit of N15.72 per litre. This results in effective cost of N139/litre.'[50]

On 21 June, 2011 the Governors' Forum held a meeting where they 'endorsed the complete removal of subsidy on petrol since it will mean more funds to the states. the Forum states that the removal of subsidy is the survival of the nation's economy'[51] While the subsidy debate was raging prior to its removal on 1 January, 2012, Goodluck Jonathan's speeches in public spaces were dominated by the

[48] "Removal of fuel subsidy is inevitable-Okonjo Iweala" *Daily Post*, 7 December, 2011, https://dailypost.ng/2011/12/07/removal-of-fuel-subsidy-is-inevitable-okonjo-iweala/ accessed on 29 March, 2022.

[49] "Removal of fuel subsidy is inevitable-Okonjo Iweala" *Daily Post*, 7 December, 2011, https://dailypost.ng/2011/12/07/removal-of-fuel-subsidy-is-inevitable-okonjo-iweala/ accessed on 29 March, 2022.

[50] "Removal of fuel subsidy is inevitable-Okonjo Iweala" *Daily Post*, 7 December, 2011, https://dailypost.ng/2011/12/07/removal-of-fuel-subsidy-is-inevitable-okonjo-iweala/ accessed on 29 March, 2022.

[51] Odoh, P. A. 2012, Causes of the January 2012 Removal of Oil Subsidy in Nigeria: Panacea for Sustainable Development of Nigeria, *Journal of Business and Organizational Development*, Vol. 4. p. 29.

subsidy question. One of those occasions, in 2011 at a Presidential Retreat with the private sector on Economic Development and Job Creation, he posited that, that if the plan to remove the subsidy scaled through, "the resources hitherto used as subsidy on the importation of petroleum products would be invested in tangible infrastructure and provision of social nets to cushion the impacts of the reforms. He further asserts that discontinuing with the subsidy remained the only responsible way of harnessing revenue for capital stock formulation, among others"[52] When the subsidy was eventually removed in January, 2012, he buttressed the government position in a national broadcast on 7 January, 2012 when he asserted that 'we are all faced with two basic choices with regard to the management of the downstream petroleum sector: either we deregulate and survive economically, or we continue with a subsidy regime that will continue to undermine our economy and potential for growth, and face serious consequences.'[53]

The International Monetary Fund, IMF has been at the centre of the policy of the removal of subsidy for decades in Nigeria in particular and West Africa in general. During the Goodluck Jonathan administration, it was not different. At the time when the subsidy debate and consultation was ongoing, the IMF president Christine Lagarde visited Nigeria in December, 2011 to meet with Goodluck Jonathan.[54] With reports of pressure[55] from the IMF for subsidy removal, on 29

[52] Odoh, P. A. 2012, Causes of the January 2012 Removal of Oil Subsidy in Nigeria: Panacea for Sustainable Development of Nigeria, *Journal of Business and Organizational Development*, Vol 4. p. 27.

[53] "Subsidy protest: Read text of President Jonathan's broadcast" *Vanguard*, 7 January, 2012, https://www.vanguardngr.com/2012/01/subsidy-removal-read-text-of-president-jonathans-broadcast/amp/ accessed on 2 April, 2012.

[54] "IMF Forces African Nations to Remove Fuel Subsidies", *Proshare*, 1 January, 2012, https://www.proshareng.com/news/Oil-Gas/IMF-Forces-African-Nations-to-Remove-Fuel-Subsidies/15910. Accessed on 2 April, 2022.

[55] Odoh, P. A. 2012, Causes of the January 2012 Removal of Oil Subsidy in Nigeria: Panacea for Sustainable Development of Nigeria, *Journal of Business and Organizational Development*, Vol 4. p. 29.

December, 2011, the Ghanaian government removed fuel subsidies. Its Minister of Finance at the time, Kwabena Duffour said; 'subsidizing fuel is not sustainable. It is the right thing to do so we can sustain our fiscal consolidation.'[56] The information minister in Goodluck Jonathan's administration, Labaran Maku, explained the economic rationale for the removal of subsidy and how the price of the commodity would be affected. He said; 'there will be no fixed price for petroleum. It will go up and it will come down depending on price of crude oil. it will become like any other commodity and when the cost of crude goes up, it will go up; when the cost of crude comes down, it will come down.'[57] In an interview with the Vanguard in January, 2012, Labaran Maku while advancing the government position on subsidy removal said, 'that investors have received licenses from us to set up refineries in the last ten years and waiting upon us to take the measure to free the market, are now moving to Niger and these other countries to set up refineries, targeting the Nigerian market as the export market.'[58] He added that; 'Nigeria has hit the 5 trillion mark in domestic debt and we are using more than N500 billion to service these debts. Even with the subsidy, we are still going to borrow because of the size of the deficit.'[59]

[56] "IMF Forces African Nations to Remove Fuel Subsidies", *Proshare*, 1 January, 2012, https://www.proshareng.com/news/Oil-Gas/IMF-Forces-African-Nations-to-Remove-Fuel-Subsidies/15910. Accessed on 2 April, 2022.

[57] Fuel Subsidy Removal: NBA, NMA join opposition" *Vanguard*, 20 December, 2011, https://www.vanguardngr.com/2011/12/fuel-subsidy-removal-nba-nma-join-opposition/amp/ accessed on 1 April, 2022.

[58] Akinrefon, D. "Subsidy Removal Tango: We want to take Nigeria out of danger list – Information Minister', *Vanguard*, 8 January, 2012, https://www.vanguardngr.com/2012/01/subsidy-removal-tango-we-want-to-take-nigeria-out-of-danger-list-information-minister/ accessed on 2 April, 2022.

[59] Akinrefon, D. "Subsidy Removal Tango: We want to take Nigeria out of danger list – Information Minister", *Vanguard*, 8 January, 2012, https://www.vanguardngr.com/2012/01/subsidy-removal-tango-we-want-to-take-nigeria-out-of-danger-list-information-minister/ accessed on 2 April, 2022.

Effects of Subsidy Reduction

There were several effects to the subsidy removal under the Goodluck Jonathan administration. The Industrial action called by Labour Unions, the nationwide protest from civil society groups and concerned Nigerians in general, the position taken by the National Assembly and the probe into alleged fraud in subsidy claims initiated by the House of Representatives. The 1 January, 2012 subsidy removal sparked a nationwide protest from different civil society groups.[60] The Nigeria Labour Congress and the Trade Union Congress gave a notice of industrial action on 4 January, 2012 which was to commence on 9 January, 2012.[61] The strike action by the labour unions lasted all week, until it was partially suspended on 13 January, 2012, 'to allow for Nigerians to re-stock food and other necessities as the negotiation of labour and government representatives was still in deadlock.'[62] After series of negotiation between the Labour Unions, leadership of the National Assembly and the Federal government, the price of the premium motor spirit was reduced from the N141 to N97 on 16 January, 2012. While addressing the nation, Goodluck Jonathan anchored government decision to reach a resolution was to prevent the nationwide protest from spiralling out of control. He added thus; 'it has become clear to government and well-meaning Nigerians that other interests beyond the implementation of the deregulation policy have hijacked the protest, this has prevented an objective assessment consideration of all the contending issues for which dialogue was initiated by government.'[63] The House of Representatives sat unusually on Sunday, 8 January, 2012 and recommended to

[60] Oghojafor, B. E. A., Anyim F. C., Ekwoaba J. O., 2014. The Aftermath of the Conflict on Fuel Subsidy Removal in Nigeria, *Journal of Politics and Law*, Vol. 7, No. 1. p. 64.

[61] Okpaga, A, Ume. C. S, Eme, O. I. 2012, Deregulation and Anti-Subsidy Removal Strikes in Nigeria, 2000 -2012, Arabian *Journal of Business and Management Review (OMAN Chapter)* Vol. 1, No. 7, p.78.

[62] Ekwoaba J. O., Ikeije U. U. 2016, Trade Dispute, Strike and Settlement: Fuel Subsidy Removal, The January 2012 Experience, *International Journal of Business and Management Review*, Vol. 4, No. 3, p. 48.

[63] "Nigeria restores fuel subsidy to quell nationwide protests", *The Guardian UK*, 16 January, 2012, https://theguardian.com/world/2012/jan/16/nigeria-restores-fuel-subsidy-protests accessed on 2 April, 2022.

the Executive arm through a resolution that the implementation of the subsidy be suspended.[64] The senate leadership with David Mark initiated negotiations with the leaders of the Labour Union.[65]

In the aftermath of the suspension of the nationwide protest and the partial removal of the subsidy by the government, in January, 2012 the House of Representative set up a committee led by Farouk Lawan to investigate the allegation of fraud in the federal government subsidy regime. In April 2012, 'the committee released its report uncovering a huge scam in which oil marketing companies were being paid in hundreds of millions of dollars in subsidies by government for fuel that was never delivered.'[66] The report also revealed that, 'the sum of N245billion was budgeted for subsidy in 2011, the government paid out N2.5871 trillion.'[67] 'that subsidy fund totaling N1.7 trillion was illegally paid to some government agencies and oil marketers. It identified the agencies as the Nigerian National Petroleum Corporation (NNPC) and the Petroleum Products Pricing Regulatory Agency (PPPRA) and Department of Petroleum Resources (DPR).'[68] 'The report also listed the Office of the Accountant-General of the

[64] Okpaga, A, Ume. C. S, Eme, O. I. 2012, Deregulation and Anti-Subsidy Removal Strikes in Nigeria, 2000 -2012, *Arabian Journal of Business and Management Review (OMAN Chapter)* Vol. 1, No. 7, p.80. Oghojafor, B. E. A., Anyim F. C., Ekwoaba J. O., 2014. The Aftermath of the Conflict on Fuel Subsidy Removal in Nigeria, *Journal of Politics and Law*, Vol. 7, No. 1. p. 67.

[65] Eme Okechukwu, I. 2014. The Role of National Assembly in Conflict Resolution: A Case of Anti-Subsidy Strikes of 2012, *Global Journal of Human-Social Science; (F) Political Science* Vol.14. Issue 2. p. 52, 57.

[66] Oluigbo, C. "Farouk Lawan, Otedola-gate and chameleon faeces (2)" *Business Day*, 28 June, 2021. https://businessday.ng/columnist/article/farouk-lawan-otedola-gate-and-chameleon-faeces-2/ accessed on 2 April, 2022.

[67] Ndujihe, C. "Fuel Subsidy Report: The cabal Fights back," *Vanguard*, 11 May, 2012, https://www.vanguardngr.com/2012/05/fuel-subsidy-report-the-cabal-fights-back/amp/ accessed on 2 April, 2022.

[68] Ndujihe, C. "Fuel Subsidy Report: The cabal Fights back," *Vanguard*, 11 May, 2012, https://www.vanguardngr.com/2012/05/fuel-subsidy-report-the-cabal-fights-back/amp/ accessed on 2 April, 2022.

Federation and 72 oil marketing firms as authorising and receiving the illegal payments, respectively.'[69] The Federal government introduced the Subsidy Reinvestment and Empowerment Programme (SURE-P) after the partial removal of subsidy in January, 2012.

The protest that greeted the move by the Goodluck Jonathan administration to remove subsidy was the first of its kind since the return of democratic rule in May, 1999. Several commentators at premised the scale of the protest to the timing of the announcement by the "the Petroleum Products Pricing Regulatory Agency (PPPRA) on 1 January, 2012. The assumption by many observers that, the subsidy regime was frost with fraud was confirmed by the House of Representative ad-hoc committee report. Most of the reasons put forward under this dispensation were not substantially different from that held by past governments.

Conclusion

The evolution of Nigeria's PMS subsidy policy from 1999 to 2015 illustrates the inherent tension between economic pragmatism and social welfare in policymaking. Each administration faced significant challenges in balancing fiscal reforms with the imperative of social equity, revealing a pattern of policy oscillations that reflect broader governance and accountability issues. Obasanjo's efforts to incrementally raise prices, despite public outcry, highlighted the struggle to implement economic reforms amid weak public trust.[70] Yar'Adua's policy reversal, though popular, delayed addressing the root fiscal issues, while Jonathan's approach exposed the public's profound discontent with subsidy removal, sparking some of the largest protests in Nigeria's recent history.[71]

[69] Ndujihe, C. "Fuel Subsidy Report: The cabal Fights back," *Vanguard*, 11 May, 2012, https://www.vanguardngr.com/2012/05/fuel-subsidy-report-the-cabal-fights-back/amp/ accessed on 2 April, 2022.

[70] Igbokwe-Ibeto, C. J., Ewuim, N. C. & Agbodike, F.C.: Nigerian Government and Oil Subsidy Regime:A Horn of Diliemma." International Journal of Development and Management Review (INJODEMAR) Vol.10 June, 2015, pp 188–200.

[71] Amenawo Ikpa Offiong & Ignatius Ahmed Atsu & Edward Ajaude & Bassey Ina Ibor, 2016. "The Impact of Oil Price Shocks on the Economic Growth and Development of Cross River State,

Nigeria's experiences underscore the need for a cohesive policy approach that balances fiscal sustainability with social welfare. Addressing structural challenges—such as corruption and inadequate refining capacity—is essential to achieving a long-term solution that minimizes the economic burden of PMS subsidies while fostering public trust.[72] Only through a transparent, phased approach to subsidy reform, coupled with investments in infrastructure and social safety nets, can Nigeria hope to navigate the complexities of subsidy policy in a way that is economically sustainable and socially equitable.[73]

Nigeria," International Journal of Financial Research, International Journal of Financial Research, Sciedu Press, vol. 7(4), pp 96-104.

[72] World Bank. (2013). Subsidy Reform in Nigeria: Fiscal Implications and Socioeconomic Effects. World Bank Group Report, Washington, D.C.

[73] Shagali, Aminu Abdullahi and Yusuf, Ramatu. "Political Economy of Fuel Subsidy Removal in Nigeria: Issues, Challenges and the Way Forward." Zamfara Journal of Politics and Development, Vol. 3 (3), 2022. And Obasi, V.U., Ezenkwa, E.C., Onwa, D.O., & Nwogbaga, D.M.E. "The Political Economy of Fuel Subsidy Removal in Nigeria." African Journal of Politics and Administrative Studies, vol. 10(1), 2017, pp 51 to 69.