SUBSIDY IN THE DOWNSTREAM OIL SECTOR AND THE FATE OF THE MASSES IN NIGERIA

BY

Ovaga, Okey H. (Ph.D)
c/o Mr. Eme, Okechukwu I.
Department of Public Administration and Local Government,
University of Nigeria, Nsukka

Abstract

Subsidy exists when consumers are assisted by the government to pay less than the prevailing market price of a given commodity. In respect of fuel subsidy, it means that consumers would pay below the market price per litre of petroleum product. But in contrast, the prices of petroleum products in Nigeria have been increasing consistently since the inception of withdrawal of fuel subsidy in 1986. In addition, the proceeds from the removal have never been translated into the development of basic infrastructure that could ordinarily add value to the lives of Nigerians. This situation notwithstanding, some Nigerians continue to clamour for further removal of subsidy in the downstream oil sector in Nigeria. It is against this backdrop that this paper seeks to examine the issue of fuel subsidy and find out the extent to which it has impacted on the lives of the masses in Nigeria. During the course of the paper, it was discovered that a group of dissidents and saboteurs otherwise called "cabals" have been working against the functionality of the existing refineries and also make frantic efforts to undermine the building of new ones. According to the paper, it is done in order to engage in fuel importation for the purpose of satisfying their selfish desires. To ameliorate this ugly situation, the paper believes that further importation of fuel should be stopped through building of new refineries and the ailing existing ones revamped without delay.

Introduction

It is on record that Nigeria is endowed with a lot of natural resources, which unfortunately, have remained untapped except petroleum. In the same vein, agriculture which was the mainstay of Nigeria's economy prior to the discovery of petroleum in commercial quantity in 1956 was equally abandoned. This was as a result of rapid inflow of oil revenue to the country in the early 1970s (Ovaga, 2010:115). Since Nigeria's first export of crude oil in 1959, it has become the major contributor to the country's economy and that is why over 80 percent of the country's foreign exchange earnings come from the oil sector today. For instance, following the steady increases in the sales of this particular product, receipts swelled from 300 million dollars in 1970 to 4.2 billion dollars at the end 1974, when oil production stood at 2.3 million barrels per day (Asimi, 2005:8). Even after this period, oil revenue continued to rise consistently such that in 1976, 6.3 billion dollars was realized and in 1980, the peak of 12 billion dollars was achieved (Nigerian Oil Directory, 1993:53). Today, the price of oil is still rising to the extent that a barrel costs above 104 dollars in the international market thereby leading to a corresponding increase in revenues to the country.

It is interesting to note that Nigeria is being rated as the Africa's second largest producer of crude oil after Libya, eightieth largest exporter in the whole world and the tenth largest oil reserves (Omotoso, 2010:2). But this situation does not prevent Nigerians from getting worried over the fact that they are yet to have positive impact of the huge revenues that are realized since the inception of production and exportation of oil in the country. It has been wide protests of various degrees from different quarters against short supply and steady increases in the pump prices of refined products.

Sequel to this ugly situation, the federal government had to come up with the policy of fuel subsidy, with the aim of reducing the prices of the products, thereby minimizing the direct burden on the masses. The introduction of this policy brought a dawn of huge expenses on the part of the federal government. This is evident on the sum of about 2.5 trillion naira spent on fuel subsidy alone between 2006 and 2009, and 600 billion naira budgeted for the fiscal year 2010 (Movement for Economic Emancipation, 2010:10). In the 2011 fiscal year, the Presidency and national Assembly approved 240 billion naira as oil subsidy in the Appropriation Act (Folasade-Koyi, 2011:6), but as at October 2011, the subsidy scheme has gulped about 1.5trillion naira showing extra-budgetary spending of 1.2 trillion naira. This is scandalous. No wonder why many Nigerians are asking, who is responsible for flouting section 81(4a) of the 1999 constitution, which states that if the amount appropriated by the Appropriation Act for any purpose is insufficient, a supplementary estimate showing the sums required shall be laid before each House of the National Assembly (Federal Republic of Nigeria, 1999:37). The violation of this part of the constitution is evident on the 625 percent already spent above the amount provided for the subsidy in the Appropriation Act of 2011.

In reaction to this ugly situation, Senate President, David mark (2011) in Folasade-Koyi, 2011:6), accused “a cabal” in the petroleum industry to be responsible for the mismanagement of oil subsidy. This goes to prove that the problem of Nigeria does not rely on the withdrawal of oil subsidy but how well funds are managed. That is why many Nigerians remain skeptical about removal of oil subsidy because for over 17 times now, past administrations had removed subsidy in the down stream oil sector at one time or the other, but uptil today, there is nothing to show for it (Amos, 2011) in (Akinola, 2011:8). Amos reiterated that the issue of fuel subsidy removal has never been translated into building of refineries and development of basic infrastructure that could ordinarily add value to the lives of Nigerians.

From the foregoing, is the issue of withdrawal of subsidy as being clamoured by some Nigerians, in the interest of the masses? It is the focus of this paper to provide answer to the question.

Clarification of Concept

Subsidy

It is defined as money that is paid by a government or an organization to reduce the cost of producing goods and services so that their prices can be kept low (Hornby, 2005:1476). According to the writer, subsidies can be granted in agricultural area or housing projects. In his own understanding of subsidy, Agu (2009:286), saw it as a payment made by government to producers of certain goods and services, to enable them produce and sell at lower prices than they would otherwise. Agu was of the view that the policy helps to lower the market prices below the factor costs, so that consumers would have the privilege to pay less for the goods and services than they cost the producer to produce same. In the same vein, Ezeagba (2005:45), believed that subsidy exists in a situation when consumers of a particular commodity are assisted by the government to pay less than the market price of the commodity in question. On the producers' side, Ezeagba saw it as the payment to producers of certain commodities by the government not to produce at all or augment their incomes when the prices of their products are less than break-even point.

In his own definition of the concept, Ovaga (2010:117), stated that it is a device employed by government to assist either the consumers or producers to consume or produce certain commodities at prices below the prevailing market prices. According to him, it is also an incentive given to either side (consumers or producers) to consume or produce more of the goods and services.

Todaro (1980:287), in his own understanding of subsidy, saw the importance of applying it in education sector for the less privileged ones in the society. He was of the view that low income groups should be provided with sufficient subsidies to permit them to overcome the sizeable costs of schooling. The essence of the policy in this circumstance, is to reduce the costs of education for the less privileged ones, thereby encouraging them to avail themselves the opportunity of benefiting from the benevolence of the government. Ruffin and Gregory (1983:354-355), saw subsidy as a vital instrument for economic development and growth in a country. They said, when a foreign government subsidizes its exports, the ultimate beneficiaries are the citizens of the country. For instance, United States, which in 1970s had comparative advantage in commercial aircraft, subsidized the export of this very product, through below-market loans to the Boeing and McDonnel Douglas Corporation. It is in the light of the above that the writers claimed that foreign export duties are gifts to the American people.

Theoretical Framework

According to Section 16 (2c) of the 1999 Constitution of Nigeria, the country's economic system shall not be operated in such a manner as to concentrate wealth or means of production in the hands of few individuals, and government shall manage and operate the major stay of the economy (FGN, 1999:11). Under this circumstance, there is no way fuel subsidy is withdrawn in Nigeria without violating this section of the constitution, since oil is the major stay of the country's economy. In addition, this particular section reminds us that it is the primary duty of the government to control the national economy such that the maximum welfare, freedom, security and most importantly happiness of every citizen are adequately secured and taken care of.

It is believed among renowned economists that income should be distributed evenly to narrow the existing gap between the rich and the poor. They argued that, it is unfair for people to be rich just because they are lucky enough to either inherit wealth or intelligence (Ruffin and Gregory, 1983:52). Sequel to this situation, the market system emerged to allocate resources efficiently, but according to Agu (2009:235), it does not necessarily ensure that the resources are allocated fairly. In order to achieve a fairly redistribution of income in the society, Agu advocated for government intervention. This is because there is no guarantee that resource allocation through the market or price system will solve the "for whom" problem in such a way as to satisfy the ethical beliefs of members of society (Ruffin and Gregory, 1983:51). Similarly, price system cannot supply public goods (defense, legal system, highways, public education, etc) that are of great necessity to the society. This is because these goods are enjoyed by all and sundry including the tax evaders. That is why subsidies are given by government itself the world over, including the developed nations, either as incentives to some sectors of the economy or for social protection of the vulnerable groups (Soyibo, 2011 in Mordi, 2011:50). After all, the practice of subsidization policy is not peculiar to Nigeria alone. The western economic system, which is adopted today in Nigeria, is purely characterized by continuous subsidization of various sectors of their economies. For instance, in Britain, public transportation, health, housing and other social services are currently being subsidized by the government. Furthermore, America, which is the citadel and apostle of unbridled capitalism and so called market forces, continues to subsidize heavily the housing and agricultural sectors of her own economy.

The above views are no doubt relevant to the prevailing controversies surrounding fuel subsidy in Nigeria. The activities of powerful mafia group within the oil industry continue to generate the lingering fuel crisis in the country (Onyekwere, 2009:18). The members of this group are not willing to see to the end of the importation and supply of fuel in the country. For instance, major oil marketers import about 60 percent of the 30-35 million litres of fuel consumed daily in the country. The authority asserted by this group was demonstrated, when in 2009, the marketers deliberately halted the importation of fuel thereby, holding Nigerians to ransom. According to them, their action was prompted by the allegation that the federal government was indebted to them to the tune of 70 billion naira on petroleum subsidy.

From the foregoing, it becomes pertinent to agree with Agu (2009:235), that market or price system cannot solve the problem of subsidy in Nigeria. Rather, government intervention is the answer since it is the government's responsibilities to control the national economy and ensure that maximum welfare, security and happiness of all citizens, most especially the poor masses, are adequately provided.

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, 2009:25). Prior to this situation, there were moments of joy among Nigerians, when the four refineries were working at full capacities. But according to Badmus, the local refineries could not be managed properly and they produced below the installed refining capacities, thereby making it imperative for demand to be met through importation.

The import dependency which constituted over 82 percent of the total supply of petroleum products consumed locally invoked protests from different quarters in the country. The undesirable situation led to the introduction of the controversial issue of subsidy in the downstream oil sector, which nearly tore the country into pieces, and is still threatening the peace and the existing democratic structure in Nigeria.

Subsidy, in economic sense, exists when consumers of a given commodity are assisted by the government to pay less than the prevailing market price of same. In respect of fuel subsidy, it means that consumers would 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 'import-induced costs'. These costs, according to Afonne (2011:18) have been discovered to be responsible for the high prices of petroleum products in present day Nigeria. The costs include:

[i] The freight, which is the cost of transporting petroleum products from North West Europe to West Africa. Trader's margin of 10 dollars per MT is the major component of the freight cost.

[ii] There exist lithering expenses incurred on the trans-shipment of imported petroleum products from the "mother" vessel into "daughter" vessel. The rate of 28 dollars per day is charged as mother vessel expenses which are based on the allowable 10 days demurrage. In addition, two naira is the shuttle vessel's chattering rate from Lagos offshore to Lagos and 2.50 naira as the rate from offshore Lagos to Port Harcourt.

[iii] There is the NPA charge, which is the cargo due charged by the NPA for use of port facilities. This service attracts 10.50 dollars per MT on the pricing template.

[iv] Included in the import-induced costs is the stock finance, which is the cost of fund for the imported products. This includes the cargo financing based on the international London inter-bank offered rates.

[v] Here, there is the jetty depot, which is the tariff paid for use of facilities at the jetty by the marketers to move products to the storage depots. The current charge is 80 kobo per litre.

[vi] There is current charge of 3 naira per litre for depot operations covering storage charges and other services rendered by the depot owners.

[vii] Landing cost is the cost of imported products delivered into the jetty depots. This comprises all other costs mentioned above.

[viii] The last induced cost is the distribution margins, which amount to 13.20 naira per litre on the template. The components include: retailers (₦4.60), transporters (₦2.75), dealers' margin (₦1.75), Bridging fund (₦3.95), and administrative charges (₦0.15) [Petroleum Products Pricing Regulatory Agency (PPPRA) in Afonne, 2011:18-19]. All the eight import-induced costs mentioned above constitute the difference, which the federal government describes presently as fuel subsidy. This, according to Prof. Tam David-West in Afonne, (2011:19), is man-made and would have been eliminated if Nigeria was refining her products locally. In other words, the so called subsidy of the downstream oil sector will be removed instantly, should the importation of the petroleum products be stopped. Thus, resuscitating and revamping of the country's ailing refineries is the answer to the problem of fuel crisis in Nigeria.

Discussion

The federal government unequivocally stated that by removing fuel subsidy, it would be saving about ₦1.3 trillion per annum, which it plans to use to shore up other sectors of the economy, such as infrastructure provisions particularly for effective downstream operations (Nwachukwu, 2011:4). But the question is, can the federal government convince Nigerians that the oil subsidy, if withdrawn will be judiciously utilized for the interest of the masses? It is on record that fuel subsidy has been consistently removed from 1986 during the President Babangida administration, yet Nigerians have no cause to smile. For instance, the table below depicts the various fuel subsidies removed by the past regimes in Nigeria.

Table I: Removal of Fuel Subsidies between 1986 and 2011

Year	Regime	Process of Withdrawal	Subsidy Withdrawn
1986	President Babangida	23kobo-70kobo	47kobo
1993	Chief Ernest Shonekan	70kobo - ₦5.00	₦4.30
1994	Gen. Sani Abacha	₦5.00-₦11.00	₦6.00
1998	Abdulsalami Abubakar	₦11.00-₦25.00	₦14.00
1998	,, ,,	₦25.00-₦20.00	Due to Public Outcry
1999	President Olusugun Obasnajo	₦20.00-₦30.00	₦10.00
2000	,, ,,	₦30.00-₦22.00	Due to Public Outcry
2002	,, ,,	₦22.00-₦26.00	₦4.00
2003	,, ,,	₦26.00-₦40.00	₦14.00
2003	,, ,,	₦40.00-₦34.00	Protest from the Organized Labour
2006	,, ,,	₦34.00-₦40.00	₦6.00
2007	,, ,,	₦40.00-₦75.00	₦35.00
2009	President Yar'Adua	₦75.00-₦65.00	(-₦10.00)
2010	President Jonathan	₦65.00 - --	--
2011	,, ,,	₦65.00 - --	--

Source: Adapted from Afonne E., (2011:14-15)

From the table above, it is observed that the prices of petroleum products have been on the increase since 1986 due to withdrawal of subsidies, except during 1998 and 2000 when as a result of public outcries and protests, prices went down momentarily. Furthermore, the protest by the organized labour in 2003 had a little impact as the price equally fell from ₦40.00 to ₦34.00 a litre. Since then, prices of fuel continued to rise until the emergence of Yar'Adua's administration, when it (price) stabilized at ₦65.00 a litre.

In view of the foregoing, it is not out of place to state without mincing words that, during these periods of subsidy withdrawals, Nigerians never experienced good times or moments of joy, instead their demands eluded them. In other words, the benefit expected from the removal of fuel subsidy was vividly lost. This was followed by rise in the poverty level among Nigerian masses due to increase in unemployment rate, uncontrolled inflation, lack of health facilities and other social vices.

Withdrawal of fuel subsidy translates into automatic increase in the pump price per litre of the commodity. It is in this context that one may be forced to ask, why does federal government of Nigeria plan to increase its pump price of fuel when it is observed to be selling its petroleum product (fuel) at the price higher than their exporting counterparts? In other words, the pump price per litre of fuel in Nigeria is the highest among the oil exporting nations available in this study. Below is the table showing the pump price per litre in some oil exporting countries.

Table II: Pump Price Per Litre of Fuel in Some Exporting Countries

Country	**Pump Price Per Litre (₦)**
Iran	58.40
Kuwait	30.16
Qatar	32.12
Saudi Arabia	17.50
UAE	54.02
Venezuela	5.84
Libya	15.95
Nigeria	65.00

Source: Umukoro A. and Adeyemi A., (2011:50), "The Fallacy of Fuel Subsidy," *The Tell*, November 28.

It is crystal clear from the above table that Nigeria has the highest pump price per litre of fuel among the OPEC members available in this study. It is ironical for Nigeria to increase the price of fuel through removal of subsidy, when presently she ranks first in the production of crude oil in Africa and sixth in the whole world.

The opponents of fuel subsidy removal contend that there is nothing like subsidy in the petroleum sector in Nigeria. Rather, what the government describes as subsidy is the actual difference between the price of imported fuel in Nigeria and what the final consumers pay for same. The opponents were of the view that the price of imported fuel was caused by the eight import-induced costs, which include:

(i) Freight
(ii) Lightering Expenses
(iii) NPA charges
(iv) Stock Finance
(v) Jetty Depot
(vi) Storage Charges
(vii) Landing Cost and
(viii) Distribution Margins.

These costs are responsible for what the federal government believes to be the fuel subsidy. For instance, the federal government pays import-induced costs to the tune of ₦79.70 per litre of petrol imported into this country. This amount is the actual difference between the expected pump price of ₦144.70 and the current official pump price of ₦65.00 per litre. It is in this respect that the opponents are advocating for the stoppage of further importation of fuel and concentrate on the turn around maintenance of our ailing refineries. This country has no reason whatsoever not to resuscitate these refineries that can produce enough for local consumption and exportation. Also, Nigeria has no reason to complain of lack of wherewithal to do this when a total of over ₦1.2trillion was spent by the NNPC on the disguised subsidy for just ten months, instead of the ₦240 billion only approved by the National Assembly in the 2011 budget. How the excess fund was sourced and spent remains a mystery to most Nigerians.

It is observed that groups of syndicates are at work to undermine the downstream oil sector in Nigeria. It is disheartening to note that these groups otherwise known as “Cabals” or “Mafias” are accused of being responsible for the dysfunctional state of the country’s refineries. According to Onyekwere (2009:19), this act gives them the opportunities to continue to sell crude oil and at the same time import finished products at prices determined by them. This is evident in all sorts of frauds committed by them. For instance, the Atlas Cove in Lagos and Mosimi in Sagamu are the two major facilities used for the storage of imported fuel. But instead of using these official facilities, these cabals would resort to patronizing private jetties such as Yinka Folawiyo and Capital Oil (Onyekwere, 2009:19). The most worrying aspect of the illicit game is that out of every ₦3.00 charged per litre of fuel stored in these private jetties, the fraudsters are entitled to ₦1.00. It is on record that the two private jetties have a combined storage capacity of about five million litres, thereby translating into ₦5.00 million which goes into the private pockets of the groups on daily basis. At this juncture, it is pertinent to remind those proponents of subsidy removal that these cabals and their dissidents are not working for the interest of Nigerians but for their selfish motives. In view of the foregoing, it seems that the federal government is an accomplice and equally provides underground support for the cabals. This is because, the members are known, yet, the government has refused to dislodge them.

It is believed among many Nigerians that it was corruption that crippled the country’s refineries. One school of thought was of the view that unless corruption is wiped out in Nigeria, there is no way Nigerians will progress as a people. How can Nigeria progress when an oil rich nation like Nigeria should go to Senegal, a small country that does not have oil deposit to import refined petroleum? (Aturu, 2009:20).

In the same vein, why should the federal government propose to build refineries in Indonesia? According to Afonne (2011:19), it is the federal government's decision to negotiate an investment of ₦428.8 billion in three refineries deal in Indonesia, South East Asia. These have been the handiwork of the dissident groups in the country that have been undermining the efforts of the government to resuscitate the existing refineries or build new one. Such proposals were always nipped in the bud for fear of losing their source of income. They believe that such proposals would affect them negatively by putting an end to their import racketing, thus taking business away from their outside collaborators (Onyekwere, 2009:23). Their nefarious activities in the downstream oil sector have been causing a lot of worries in the country.

Records in Nigeria show that over ₦1.6trillion was paid by the three tiers of government as fuel subsidy between 2006 and 2009. The focus of the policy as envisaged by the policy makers was to reduce the pump prices of petroleum products in our local markets. But unfortunately, the reverse is the case as the prices of the products were rather rising consistently instead of decreasing. This contention is evident in the table below.

Table III: Pump Price of Fuel in Nigeria between 1999 and 2009

Year	**Price Per Liter (₦)**	**Regime**
1999	20.00	Abdulsalami Abubakar
2000	30.00	Olusegun Obasanjo
2003	40.00	,, ,,
2004	41.00	,, ,,
2004	48.50	,, ,,
2005	52.50	,, ,,
2007	70.00	Obasanjo/Yar'Adua
2009	65.00	Yar'Adua

Source: The Source (2009:26) P. 20.

It can be observed from the above table that the objective for which the subsidies were introduced was clearly defeated as the policy was unable to arrest the price increases of fuel consumption in Nigeria. The price was rising steadily without any interruption until in 2009 when the price stabilized at ₦65.00 per litre till 2011. Therefore, further removal of oil subsidy as is being proposed by the federal government is like inviting and issuing a direct license to anarchy. This is because the organized labour and the masses are not ready to rescind their vow to protest and make good their threat, should the government goes ahead to remove the subsidy on fuel consumption.

There has been growing public skepticism about the removal of oil subsidy in spite of incessant assurance from the President that the proceed will be used for infrastructural development. This is because such promises from the past regimes were never fulfilled. For instance, the federal government generated revenue of over ₦7.2 trillion from both oil and non-oil sector in 2010 (Nweze, 2011:11). Subsequently, the revenue mostly from the oil sector has continued to skyrocket such that the price of a barrel of Nigeria's crude oil in the international market stood above 106 dollars as at August 2011. But another pertinent question is, to what extent have the huge revenues being realized from the sale of approximately 2.3 million barrels daily, impacted on lives of the poor masses in Nigeria? It is disheartening to observe that Nigeria is the only country that produces oil and has the highest poverty rate in the whole world (Sani, 2006:3). Therefore, the public's distrust on the President's assurances in this regard should be fully understood, as is based on the existing doubts that the incumbent President will this time be able to keep his promise to the nation (Fafawora, 2011:64). In other words, how could Nigerians be assured that they will not have repeat of their past ugly experiences, which were full of falsehood and unfulfilled promises, should the subsidy in the oil sector be withdrawn?

Recommendation

In order to stem the flood of imported refined Petroleum estimated to cost about ₦1.5 trillion yearly, the Nigerian National Petroleum Corporation (NNPC), on behalf of the federal government signed a Memorandum of Understanding (MOU) with the China State Construction Engineering Corporation (CSCEC), to build three new refineries to the tune of ₦4.2 trillion in Nigeria (Okpole, 2010:9). It is imperative to remind the would-be authorities of the proposed refineries, of the devastating conditions of the existing ones, resulting from utter neglect and lack of commitment. For instance, the two Port Harcourt refineries were shut down in 2000 simply because the internally generated power was not enough to run them, while the public power supply was unreliable (Federal Ministry of Information, 2000:7). To avoid a repeat of this ugly experience in the downstream petroleum sector in Nigeria, the federal government should create an enabling environment for the new refineries to thrive for maximum output. That is to say that steady power supply to all the refineries must be assured.

It is pertinent to adopt the culture of regular turn around maintenance (TAM) of all refineries in Nigeria. This will defeat the mindset of many Nigerians who believe that the existing refineries are aged and therefore, must be totally abandoned and replaced (Ovaga, 2010:125). I believe it is worthwhile borrowing a leaf from Ghana, our next door neighbourhood that has a refinery that was built in 1963, but today, it is newer than any of Nigeria's refineries (Komalefe, 2005:13). In this regard, Nigerian should as a matter of necessity imbibe the maintenance culture as is obtainable in most countries, else the proposed new refineries will equally go down the drain as the existing ones.

The cabal is a group of dissidents and economic saboteurs that is out to undermine the sovereignty of this great nation. The members are known because they occupy strategic positions in the affairs of this country. They are the beneficiaries of the fuel subsidy under the categories of six major marketers, two depot owners, and twenty eight independent marketers (Ojiabor, 2011:5). The problem of fuel subsidy can only be solved, if these groups are fished out, dislodged and prosecuted. It will serve as a deterrent to others that are yet to be known.

The NNPC, which is the major government agency in the downstream oil sector in Nigeria, should be checked-mated and its roles investigated. This is because the agency is a suspect of accomplice in the frauds being committed by the gangsters in the oil sector. For instance, about ₦1.2 trillion was spent by NNPC on fuel subsidy for just ten months instead of the ₦240 billion earmarked and approved by the national legislative bodies in the 2011 budget. How the fund was sourced and spent is yet to be explained by the agency. Is the agency not a suspect when details of the quantity of crude oil produced in this country cannot be disclosed not only to the public but even the government itself. Why should the activities of the agency not be properly investigated when the removal of subsidy on kerosene was reinstated by the Board of NNPC after it was abolished by the Yar'Adua's Administration (Yusuf, 2011:5). The activities of this agency are generally shrouded in secrecy. This is evident in the several attempts made by the National Assembly to open up the operations of the corporation, but there had always been resistance (Senator Adokwe in Akogun, 2011:55).

In view of the above, it becomes imperative that a powerful taskforce be set up to investigate the operations of NNPC, and punish whoever becomes a culprit no matter his or her status in life.

Removal of fuel subsidy would worsen the sufferings of Nigerians. There are going to be automatic increases in aggregate costs of production, transportation of food and raw materials, with the attendant consequence on small business units, which will probably close down. Furthermore, price of kerosene will equally become costlier thereby forcing more people to resort to using firewood with dire consequences on the immediate environment. Considering the above negative impact on the people, government should rescind its proposal because the welfare of the majority of the masses is the main purpose for its (government) existence. The federal government has no justification to withdraw the subsidy. This is because over 16billion dollars was spent for the supply of electricity in Nigeria, but today, citizens hardly sleep with their two eyes properly closed due to noise of generating sets, which are presently the only alternative source of electricity in Nigeria (Omokhunu, 2011:1).

The policy of subsidy has been working perfectly in the economies of the western nations, which are models to our own economy. It should not be out of place if Nigeria should emulate them and practice subsidization policy not only in the oil sector but also in other sectors, which are deemed to be beneficial to Nigerian masses. The importance of adopting subsidy in Nigeria cannot be overemphasized since it is believed that no nation can grow without subsidy (Adanikin, 2011:6).

There is need for government intervention in the downstream petroleum sector in Nigeria. This is because the independent oil marketers and other stakeholders have been causing a lot of havoc, instability and drawback in our economy. Records show that fuel consumption ranges between 30 and 35 million litres per day but over 60 per cent is imported by the marketers. This goes to show that government has little or nothing to contribute towards petroleum administration in Nigeria. This is evident in the abrupt stoppage of fuel importation by the independent marketers in November 2009. This was because of the allegation that the federal government was indebted to them to the tune of ₦70 billion. The suspension of fuel importation by the marketers generated serious scarcity of the commodity. Consequently, all the sectors of the economy in Nigeria, at the moment had the impact as prices of all other commodities soared instantly. The movement of people was disrupted due to few numbers of vehicles on our roads. Motorists slept at filling stations, while queuing up to buy fuel. These experiences were ugly ones and should not be encouraged to repeat themselves. That is why the federal government should intervene in the sector and allow the subsidy to stay, in order to salvage the masses from the hands of few dissidents who are only interested in filling their private pockets.

Conclusion

Fuel importation is one of the challenges facing the downstream oil sector in Nigeria. It was discovered in this study that the total cost of importing fuel into this country is what the government and its advocate in Nigeria describe as fuel subsidy. Be as it may, the government should be mindful of the social and economic consequences involved as fuel pump price has risen above ₦150.00 per litre more than twice its former official price of ₦65.00, thereby making it unaffordable to most Nigerians (Fafowora, 2011:64).

Under this circumstance, the crisis of fuel subsidy in Nigeria could be resolved through building of new refineries and revamping the existing ones. If this problem is properly addressed, it will go along way to reducing if not bringing to a halt the import racketing in this country. It will equally add value to the country's crude oil resources and at the same time minimize the foreign exchange spent on fuel importation.

Finally, it is understood that the policy of subsidy has no clear-cut boundary for implementation but depends critically on the need of the people concerned at any point in time. That is why fuel subsidy in Nigeria should not be removed as it is an area that is largely affecting the lives of most Nigerians today.

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