

How Buhari spent N8trn on 'non-existent' petrol subsidies

Before he won the 2015 presidential election, President Muhammadu Buhari led the opposition party, the All Progressive Congress (APC) in grand opposition to the removal of petrol subsidies. President Buhari's contention then was that there was no subsidy on petrol and that the government then under President Goodluck Jonathan was corrupt and was looking for ways to fraudulently enrich themselves at the expense of the Nigerian masses. Eight years down the line and with just days before the end of his two terms in government, President Buhari is leaving the country with the highest amount spent on subsidizing petrol in Nigeria's history. According to oil and gas industry reports conducted by the Nigeria Extractive Industries Transparency Initiative (NEITI), the cost of petrol subsidy from 2015 to 2020 was N1.99 trillion. Also reports by the Nigerian National Petroleum Corporation (NNPC) to the Federation Accounts Allocation Committee (FAAC), showed that petrol subsidy cost N1.57 trillion in 2021 alone and another N1.27 trillion from January to May 2022. The government has a budget of N3 trillion to cover petrol subsidy costs from June 2022 to June 2023. An aggregation of the entire costs showed that under President Buhari the government would have spent N7.83 trillion on petrol subsidies. Refineries remain moribund despite promises. In 2015, while Nigeria's four refineries located in Port Harcourt, Warri and Kaduna operated below full capacity, they produced about six million litres of petrol daily for local consumption with President Buhari through the then Minister of State Petroleum Resources, Dr. Ibe Kachikwu assuring Nigerians that the refineries would return to full capacity by the end of that year. It never happened. In 2017, the refineries were partially shut down for maintenance but two years later in 2019 with no headway, the refineries were completely grounded. The President leaves in about few weeks' time with the refineries still under rehabilitation and badly mismanaged. In 2021, helped by loans from the African Development Bank, NNPC announced that it would completely overhaul the Port Harcourt refinery at the cost of \$1.5 billion. The refineries in Warri and Kaduna are also under-going similar process.

Speaking to Saturday Vanguard, oil and gas governance expert, Mr. Henry Adigun said by his failure to resolve the petrol subsidy issues in eight years, President Buhari is leaving the situation worse than he met it. Mr. Adigun said the politics and emotion around the issue have pushed the country into huge debt burden, adding President Buhari lacked an understanding of how big the issue was and how

it could be tackled. According to him, "The first thing is you cannot manage properly what you do not understand. Most times our politicians talk from emotion and lack of fact. At times they do not take professional advice and would let you know how long they have been in government. "The man didn't believe there was a subsidy and they all assumed it was corruption but when they came in and it stared them in the face then they learned and when they learned they now had to make harsh decisions. Buhari made one in 2016 when he raised (pump price) from N87 to N145 but he didn't sustain. That point in time was the time to allow it to go once and for all but he capped it. "By capping it and not providing enough foreign exchange for other importers, but allowed only NNPC to become the sole importer of the product in the country, they made the situation worse. That led to the problem they are having now. "What they have done in the last eight years is to make it worse for the country, make it worse for the

incoming administration. They have ballooned the cost and the volume. They failed because they never understood the problem and they made it political".

He explained that NNPC became the sole importer of petrol due to economic reason, stressing that the difference the exchange rate approved for the NNPC compared to the other importers made impracticable for the others to import and remain profitable.

Adigun therefore urged the incoming administration to settle

first settle down and understand the problem before taking a decision on the petrol subsidy challenge. He noted that the government should eventually hands off any role in the downstream sector and allow the private sector run for the growth and economic development of the country. The cash the private sector has can bail Nigeria out but the private sector will not invest in area where they cannot get good returns. Look around you in Abuja and Lagos, you will see everybody investing real estate or fintech; that is because it is where they can get good returns. It is not the business of the government to build or rehabilitate refineries", he added. He advocated phased removal of subsidy rather than having it in one swoop, stressing that in the past two years government has increased electricity tariff several times thereby eliminating the subsidy on power.

"Let's have something like a three months phased removal, because it will become a political issue with labour unions opposed to it", he stated, warning that the new government would struggle to fund its operations except it resorts to huge borrowing policy like Buhari has done.

