Is Nigeria Really Subsidy-Free?

The NNPCL energy security question

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The question of whether petrol subsidy has truly disappeared from Nigeria has returned with renewed force following disclosures in the audited financial statements of the Nigerian National Petroleum Company Limited (NNPCL). In May 2023, President Bola Ahmed Tinubu announced that "fuel subsidy is gone." The announcement represented a major policy shift. Petrol prices rose sharply, and the government maintained that the era in which public funds were used to keep petrol prices below their market cost had ended. But three years later, Nigerians are confronted with an uncomfortable question: If the subsidy is gone, what exactly is the ₦7.13 trillion recorded by NNPCL in 2024 as "Energy Security Expense"? And if the answer is that this is not subsidy, then Nigerians deserve to understand precisely what it is. This is not merely a political argument. It is an accounting, economic and public-accountability question. What does the ₦7.13 trillion represent? According to reports based on NNPCL's audited 2024 financial statements, the company recorded approximately ₦7.13 trillion as energy-security expenditure in 2024. The accounts linked the expenditure substantially to the difference between the exchange rate used in determining the ex-coastal price of PMS and the exchange rate prevailing when imported petrol was eventually settled. The broader energy-security category also encompasses costs associated with protecting oil and gas assets. This is where the controversy begins. Critics say that if NNPCL absorbs a financial difference between the cost of obtaining petrol and the price at which it is supplied domestically, then, regardless of what the accounting line is called, the economic effect resembles a subsidy or under-recovery. That argument deserves serious consideration. But there is an equally important qualification. The existence of an "energy security expense" does not automatically establish that the old petrol subsidy regime was simply continued under a new name. NNPCL operates under the Petroleum Industry Act and has responsibilities relating to energy security and being a supplier of last resort. The company's own financial explanations have linked the expenditure to exchange-rate differentials and its obligations to maintain petroleum supply. Industry commentators have therefore argued that the expenditure must be interpreted within that statutory and commercial framework. So, the proper question is not merely: "Is this subsidy?" It is: "What economic function did this expenditure perform, who ultimately bore the cost, and did Nigerian consumers pay the full economic cost of the petrol they consumed?" That is a much more useful question. The economics may matter more than the name. Consider a simple example. Suppose it costs ₦1,500 to bring a litre of petrol into Nigeria, but an arrangement allows it to be sold

domestically at ₦1,300. Someone must absorb the ₦200 difference. If the consumer pays ₦1,300 and another public institution ultimately bears the ₦200 difference, the consumer has not paid the full economic cost. From an economic perspective, that has characteristics of a subsidy or price support, even if the accounting treatment is called something else. This is why terminology matters less than who ultimately pays the bill. If NNPCL incurs the cost and subsequently records it as a receivable from the Federation, then the cost has not disappeared. It has effectively been transferred to the public balance sheet. That is precisely why the issue deserves public clarification. But we must avoid another mistake: double-counting There has also been considerable confusion around the widely reported ₦17.5 trillion figure. This requires clarification. According to reporting based on NNPCL's accounts, the ₦17.512 trillion represents a broader amount recorded as receivables from the Federation. It comprises approximately ₦8.672 trillion in energy-security costs and ₦8.840 trillion in other receivables from the Federation. The ₦7.131 trillion frequently quoted represents the energy-security expense incurred during 2024 and is already reflected in the movement that produced the closing balance. Therefore, adding ₦7.131 trillion again to ₦17.512 trillion would amount to double-counting. This distinction is important because public debate should be based on accurate numbers. There is already enough controversy surrounding the issue without exaggerating the figures. So, is it subsidy? There are really three different answers depending on what we mean by "subsidy."

1. In official policy language. The Federal Government says the petrol subsidy was removed in May 2023. The World Bank documented the reform as an end to the gasoline subsidy, noting that NNPCL initially raised pump prices to cost-recovery levels and that other suppliers subsequently entered the market. So, in terms of declared government policy, Nigeria abolished the old administered petrol-subsidy regime.

2. In accounting terms. NNPCL's accounts subsequently recorded substantial energy-security and under-recovery-related costs. The 2024 accounts therefore demonstrate that substantial public-sector financial exposure associated with petroleum pricing and supply continued after the subsidy announcement. That fact cannot simply be wished away.

3. In economic terms. This is where the real debate lies. If government resources ultimately absorb a difference between the cost of obtaining petrol and the price at which it is made available to consumers, then the arrangement has some of the economic characteristics of subsidy. That does not necessarily mean that the old subsidy mechanism has been secretly restored in its entirety. It means that some form of public support or cost absorption may have continued during the transition to a fully market-based petroleum-pricing system. That distinction is extremely important. Why "Energy Security" needs explanation. There is nothing inherently suspicious about spending money on energy security. Nigeria needs to protect its pipelines. Nigeria needs reliable petroleum supplies. Nigeria needs strategic reserves. Nigeria needs to protect oil and gas infrastructure. NNPCL's statutory responsibilities can legitimately require expenditure in these areas. A recent defense of the company's spending also emphasized its role as supplier of last resort and the legal framework under which certain energy-security costs can be borne by the Federation. The problem is therefore not the phrase "energy security." The problem is transparency. When an expenditure runs into trillions of naira, Nigerians deserve to know exactly what they are paying for. Who received the money? What contracts were involved? What quantities of petroleum products were supplied? What was the landed cost? What exchange rate was used? What domestic selling price applied? What was the actual differential? What portion related to petrol-price support? What portion related to pipeline protection? What portion represented other energy-security obligations? How much has actually been paid by the Federation? How much remains a receivable? What independent audit has been conducted? These questions should have straightforward answers. The ₦7.13 trillion should not be casually described as stolen money This is another area where we must be intellectually responsible. The ₦7.13 trillion figure, by itself, does not prove that ₦7.13 trillion was stolen. Nor does it establish that all the money went to petrol subsidy. The audited accounts indicate that energy-security costs included more than one category of expenditure, including the financial consequences of exchange-rate differences and costs associated with protecting oil and gas assets. Therefore, the responsible position is not to accuse anyone of corruption without evidence. The responsible position is to say: A ₦7.13 trillion expenditure requires an exceptionally detailed public explanation. The larger the expenditure, the greater the obligation to account for it. The real issue is who ultimately bears the cost This is perhaps the most important point. Suppose government tells Nigerians: – "There is no subsidy." But NNPCL subsequently incurs a large cost because petrol is supplied under circumstances in which the company does not fully recover its costs, and the Federation is expected to reimburse or absorb that cost. Then Nigerians have every right to ask whether the economic burden of the subsidy has actually disappeared—or merely moved from one accounting line to another. This is not semantics. If the cost

is ultimately borne by the Federation, it is ultimately borne by Nigerians through public finances. And if public funds are being used to support petroleum supply, that money cannot simultaneously be used for other purposes unless government has sufficient additional resources. That is why subsidy reform must be judged not merely by what government calls the expenditure but by the final incidence of the cost. There is another side to the story It would also be unfair to ignore the argument on the other side. Nigeria's petroleum market was not transformed overnight in May 2023. The country was still heavily dependent on imported petrol during the transition. Exchange-rate volatility was extraordinary. NNPCL had obligations to maintain national supply. The Petroleum Industry Act created specific energy-security



responsibilities. And the emergence of domestic refining capacity, particularly the Dangote refinery, has been changing the structure of the market. Consequently, some of the costs recorded during the transition may reflect the complications of moving from a heavily regulated petroleum market to a more market-oriented system rather than an intentional decision to restore the old subsidy regime. That possibility should be acknowledged. But it strengthens rather than weakens the case for transparency. Nigerians need a subsidy audit, not another argument over terminology. The solution is actually quite simple. Government and NNPCL should publish a comprehensive Petroleum Pricing and Energy Security Reconciliation Report covering the period from May 2023 to date. The report should show, month by month: 1. International crude oil prices. 2. PMS import volumes. 3. Exchange rates used. 4. Ex-coastal prices. 5. Landing costs. 6. Domestic selling prices. 7. Actual under-recoveries or over-recoveries. 8. Energy-security expenses. 9. Pipeline-security expenditure. 10. Amounts paid by the Federation. 11. Amounts still outstanding. 12. Beneficiaries and contractors. 13. Independent audit findings. Once these figures are placed before Nigerians, much of the controversy will disappear. If government is correct that the subsidy has ended, the numbers should demonstrate it. If there are transitional costs that resemble subsidy, government should explain them. If there are genuine energy-security costs, government should show precisely what they achieved. And if there are irregularities, the appropriate institutions should investigate them. The danger is the growing trust deficit This is ultimately bigger than petrol. When government announces that a policy has ended but citizens subsequently see trillions of naira recorded under another heading associated with similar economic effects, suspicion is inevitable. That suspicion may be justified or unjustified. But it is predictable. And the best response is not political argument. It is disclosure. Government cannot build public confidence simply by announcing that a difficult reform has been implemented. It must demonstrate that the savings, revenues and expenditures arising from that reform are being managed transparent