Petrol Discount or Subsidy by another Name?

Who is fooling Who?

By: Amb. Anderson Osiebe

The Federal Government has announced a 30-day discount on petrol sold at NNPC Limited filling stations nationwide, with priority reportedly given to public transport operators. The Minister of Finance and Coordinating Minister of the Economy, Mr. Taiwo Oyedele, says the measure is not a return to petrol subsidy, but a temporary margin discount intended to cushion households, commuters and businesses from the impact of high fuel prices. The government has also proposed ₦1,350-per-litre ceiling on the ex-gantry or landing cost of petrol, alongside measures including targeted support, CNG expansion, forward crude sales to domestic refineries and plans for a National Strategic Fuel Reserve. The government's explanation deserves to be heard. But in a democracy, government explanations must also be subjected to scrutiny. So, is this subsidy, or isn't it? This is perhaps the most important question arising from the announcement. If government is deliberately reducing the effective cost of petrol to consumers through an intervention at NNPC stations, Nigerians are entitled to ask: what is the economic distinction between this arrangement and a subsidy? The government says there is a distinction because it is not restoring a blanket subsidy and because the petrol would effectively be sold at cost through the NNPC arrangement. It also argues that the proposed ₦1,350 ceiling is designed to smooth price volatility rather than permanently suppress market prices.



That explanation may be economically significant. But from the perspective of the ordinary Nigerian standing at a filling station, the more important questions are: Who is absorbing the cost of the discount? How much will it cost the public purse. Where will the money come from? What happens after the 30 days? And perhaps most importantly: What safeguards will prevent a temporary intervention from becoming another opaque fuel-support mechanism? These are legitimate questions in a democracy. For more than three years, Nigerians who questioned the immediate and social consequences of subsidy removal have argued that the policy needed stronger cushioning measures. The World Bank itself warned in 2023 that subsidy removal would create significant fiscal savings but stressed that compensating transfers would be essential to protect vulnerable households from the resulting price shock. Therefore, the emergence of targeted fuel relief today should not automatically be interpreted as proof that the original reform was either right or wrong. Rather, it demonstrates something important. Economic policy must remain responsive to changing circumstances. If government can intervene today because Nigerians are facing severe pressure from fuel prices, then Nigerians are entitled to ask why similar relief could not have been deployed earlier, more extensively, or through other targeted mechanisms. But where are the savings from subsidy removal? This is perhaps the biggest accountability question. The argument for removing petrol subsidy was not simply that subsidy was expensive. The government also argued that the resources being consumed by subsidy could be redirected towards infrastructure, healthcare, education, social protection, security and other productive areas. The World Bank projected substantial fiscal gains from subsidy removal and related reforms, while also warning that subsidy arrears and other fiscal obligations could reduce the immediately available savings. So Nigerians deserve a clear and comprehensive account. How much has actually been saved since subsidy removal? How much has been transferred to the Federation Account? How much has gone to the states and local governments? How much has been spent on social protection? How much has been invested in infrastructure and public services? How much has been consumed by debt servicing, recurrent expenditure and other government obligations? And perhaps the most fundamental question: Can the Federal Government publish a clear, independently verifiable account of the financial benefits of subsidy removal and how those resources have been utilized? Transparency on this matter would help Nigerians understand the policy better and would reduce speculation. The issue is not simply petrol. It is trust. Government has a legitimate responsibility to protect citizens from severe economic shocks. At the same time, citizens have a legitimate right to demand transparency when public resources are involved. The proposed fuel discount, the ₦1,350 landing-cost ceiling, cash transfers, subsidized credit, CNG intervention and proposed strategic fuel reserve may all have different economic and fiscal implications. They should therefore be assessed individually rather than simply labelled "subsidy" or "not subsidy." But government must provide the figures. It must tell Nigerians exactly who pays, who benefits, how much is involved, how long the intervention will last, and what happens when the 30 days expire. If the government says this is not subsidy, then Nigerians deserve to understand, in clear economic terms, what makes it different from the subsidy regime that was abolished. And if the government is introducing a new form of targeted intervention, there is nothing inherently wrong with explaining it honestly and transparently to the Nigerian people. After all, the real issue is not the name given to the policy. The real issue is who bears the cost and who receives the benefit. Who is actually fooling who? This should not be reduced to a political slogan. The better question for a democratic society is: Are Nigerians receiving transparent, measurable and sustainable value from the economic reforms being implemented in their name? The government must provide the answers. The National Assembly must ask the hard questions. The media must interrogate the figures. Civil society must demand transparency. And Nigerians must continue to pay attention, not only to presidential politics, but also to the economic policies and legislative decisions that directly affect their daily lives. Democracy is not merely about elections. It is also about accountability between elections. The issues must be debated. The figures must be published. And the people must be allowed to judge the evidence for themselves. God bless Nigeria.

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