



NIGERIAN
NATURAL
RESOURCE
CHARTER

NNRC

Fuel Subsidy in Nigeria-
Highlighting the Facts.

By

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Outline

- NNRC- Background
- Subsidy Process
- Actual Spends > Appropriated Costs
- Probes on Administration of Subsidies
- Comparing with 2013 Budget
- Critical Issues for Discussions



NNRC- Background

- Set of economic principles targeted at countries endowed with Natural Resources.
- Management of opportunities created by natural resources for development.
- 12 Principles/**PRECEPTS** suggesting strategies for sustained economic development.
- More information on www.nigerianrc.org



NNRC Precepts

- **PRECEPT 9-** Government should use resource wealth as an opportunity to increase *the efficiency and equity of public spending* and enable the **private sector** to respond to structural changes in the economy.
- **PRECEPT 7-** Resource revenues should be used primarily to promote *sustained, inclusive economic development* through enabling and maintaining *high levels of investment* in the country.
- **PRECEPT 1-** The development of a country's natural resources should be designed to secure the *greatest social and economic benefit* for its people.



Applying the NNRC to the Fuel Subsidy Regime

Going by the suggestions in Precepts 1, 7 and 9 of the NNRC:

- Are resources maximized for the benefit of Nigerians by making financial provisions for fuel subsidy?
- Will the continued provisions for fuel subsidy translate to sustained economic growth for the Nation?

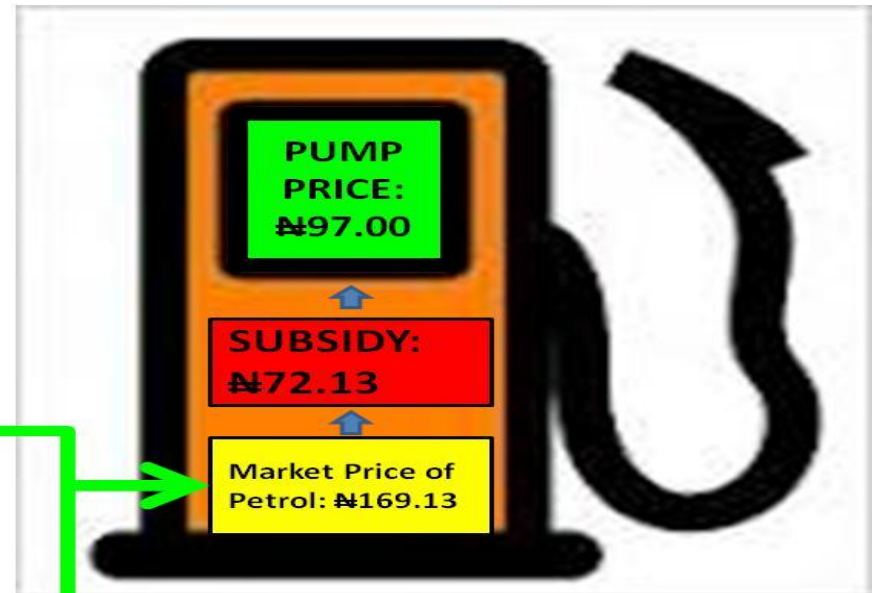


The Facts about Fuel Subsidy

- Introduced as a temporary measure in **1988** by FGN as part of its **Structural Adjustment Program (SAP)**
- Stop gap measure as refineries underwent rehabilitation.
- Stabilizing price of petroleum products .
- **Initially designed to last for 6 months**

Subsidy Computation

Product, Insurance and Freight: ₦141.40	Lightening Expenses (SVH): ₦4.03
Trader's Margin: ₦1.19	Storage charge: ₦3.00
Financing (SVH): ₦2.60	Jetty Depot throughput charge: ₦0.80
NPA Ports charge: ₦0.62	
Total Landing Cost: ₦153.64	
Retailers' Margin: ₦4.60	Transporters' Margin: ₦2.99
Dealers' Margin: ₦1.75	Marine Transport Average (MTA): ₦0.15
Bridging Fund: ₦5.85	Admin charge: ₦0.15
Total Distribution Margin: ₦15.49	



Source:

http://www.iisd.org/gsi/sites/default/files/ffs_nigeria_czguide.pdf

2013 Survey on Petroleum Pricing

How much do you normally buy a litre of petrol? (3 months average)



Source: NOI Polls. <http://www.noi-polls.net/>



Findings from Probes on Administration of Subsidies

- Farouk Lawan Committee Probe (2012)
 - Over **N232 Billion** on subsidy paid to Marketers for PMS in 2011 not supplied.
 - **31 Million Liters per day** as opposed to marketers claims of **60 Million Liters** .
 - Subsidy has become a scheme for mismanagement of revenues

Source:

http://www.leadership.ng/nga/articles/22170/2012/04/17/farouk_law_an_fuel_subsidy_report_69_firms_refund_n2297bn_fg.html



Findings from Probes on Administration of Subsidies

- Ribadu Committee Probe (2012)
 - NNPC's deducting subsidy-related expenses before payment to FG
- Consistently stated in NEITI Audit Reports from 1999 onwards
- NEITI 2009-2011 Audit Report- NNPC deducted total of N 1.40 Trillion

Sources: <http://www.scribd.com/doc/111584013/Ribadu-Report>
http://www.neiti.org.ng/sites/default/files/pdf_uploads/NEITI-EITI-Core-Audit-Report-Oil-Gas-2009-2011-310113-New.pdf



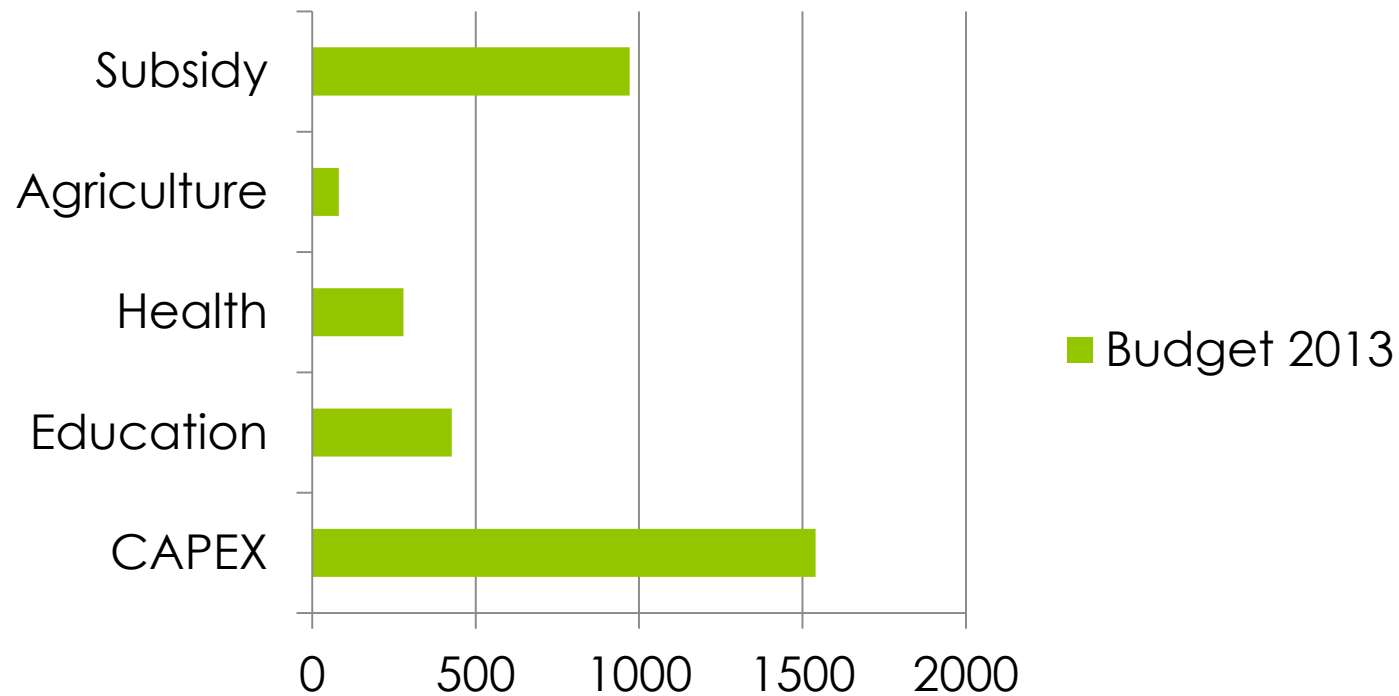
Findings from Probes on Administration of Subsidies

- Presidential Verification Ctte on Subsidy Administration (2012)
- In 2011, **197** subsidy transactions worth **N229bn** were illegitimate.

What happened after these findings from the probes?

Source- <http://thecitizenng.com/public-affairs/presidential-committee-on-verification-and-reconciliation-of-fuel-subsidy-payments-the-full-report/>

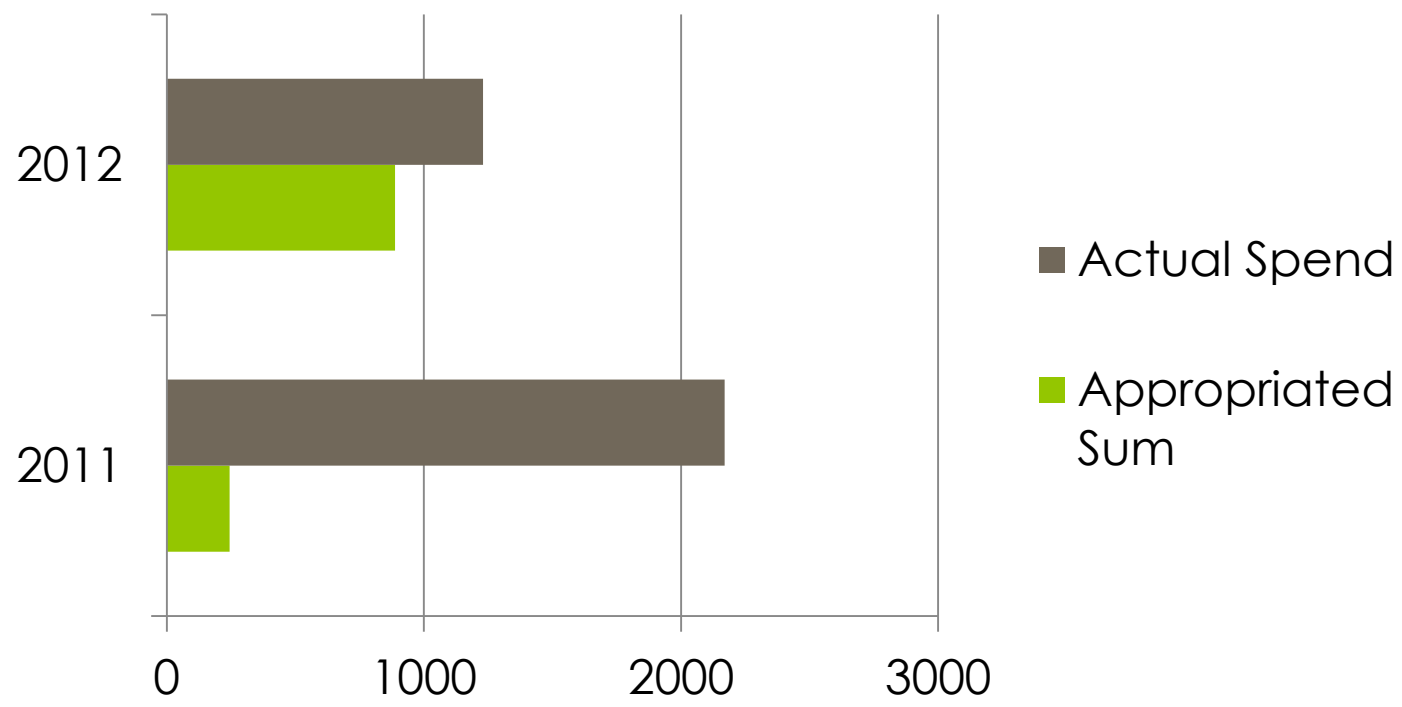
Comparing with 2013 budget



Source of figures:

[http://www.budgetoffice.gov.ng/2013 Budget Speech%20Final.pdf](http://www.budgetoffice.gov.ng/2013%20Budget%20Speech%20Final.pdf)

Actual spends higher than appropriated sums for subsidy





Key Issues to Remember

- Natural resources subject to depletion and “***time limited***” revenues.
- Promote **sustained, inclusive economic development** through investments
- Robbing present and future generations.



- ***Are subsidies a sustainable way of allocating natural resource revenues?***
- What are practical next steps regarding subsidies?