



Fuel Prices and the Subsidy Question

Press briefing | Federal Ministry of Finance, Abuja

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Honourable Minister of Finance and Coordinating Minister of the Economy

Thursday, 8 October 2026

We agree on the problem. We differ on the remedy



Prices have risen and Nigerians are feeling it. That concern is legitimate, and this government recognises it.



01

What is driving prices

A global supply shock, not a domestic policy choice



02

Why a subsidy would make it worse

Four reasons for caution, and the arithmetic behind them



03

What government is doing

Measures already in place, and ten further steps

For the commuter in Lagos, the farmer in Kano and the trader in Aba.



01

A global shock, felt everywhere



The pressure began far from our shores

The conflict in the Gulf is now in its eighth month, and the squeeze is sharpest in refined products.

~13%

of pre-war shipping through the Strait of Hormuz, mid-September

\$100+

Brent crude per barrel, almost 50% above pre-war

-75%

diesel exports from the Middle East and Russia, year on year

Record

crude tanker rates from West Africa in September

No country has been spared

United States

Diesel at a record \$6.50 a gallon, about 73% above pre-war

Philippines

Diesel has nearly doubled

Bangladesh

Close to 3× the pre-war price for spot gas cargoes

Zambia

Pump prices up ~24% in one step when duty relief ran out

Relief that cannot be sustained does not remove the pain. It postpones it.



Nigeria's pump price followed the world price

The increase was caused by a global conflict in which we had no say. Without subsidy removal, the impact would have been far greater.

Crude oil

Before the conflict ~\$70

Today **\$100+**
per barrel

Petrol

Before the conflict ~~~₦~~830

Today **~₦1,400**
per litre, average

For Nigeria, the impact is mixed

- Supports the budget and Federation revenue
- But production is below forecast, and legacy crude commitments from the subsidy era absorb much of the gain
- Households and businesses face higher fuel, transport and logistics costs, hardest on the most vulnerable



No queues. Fuel has remained available in every state through these months.

In a crisis of this kind, availability is the first form of affordability.



02

Why a return to subsidy would raise prices, not lower them



Four reasons for caution

A so-called production subsidy is a discount on crude passed through to the pump: a consumption subsidy by another route, with the same bill attached.



The pump price follows the exchange rate

Crude, freight and refining inputs are priced in dollars. Forcing the naira price down means subsidising FX: the multiple exchange rate system reformed in 2023.



A subsidy hides volatility; it does not remove it

Fix the pump price while crude, freight and the naira move, and the risk shifts to the public balance sheet: large and open-ended with crude above \$100.



Discounted fuel leaks

Cheaper fuel widens the gap with neighbours, so taxpayers subsidise motorists across our borders, and raises consumption when global supply is tight.



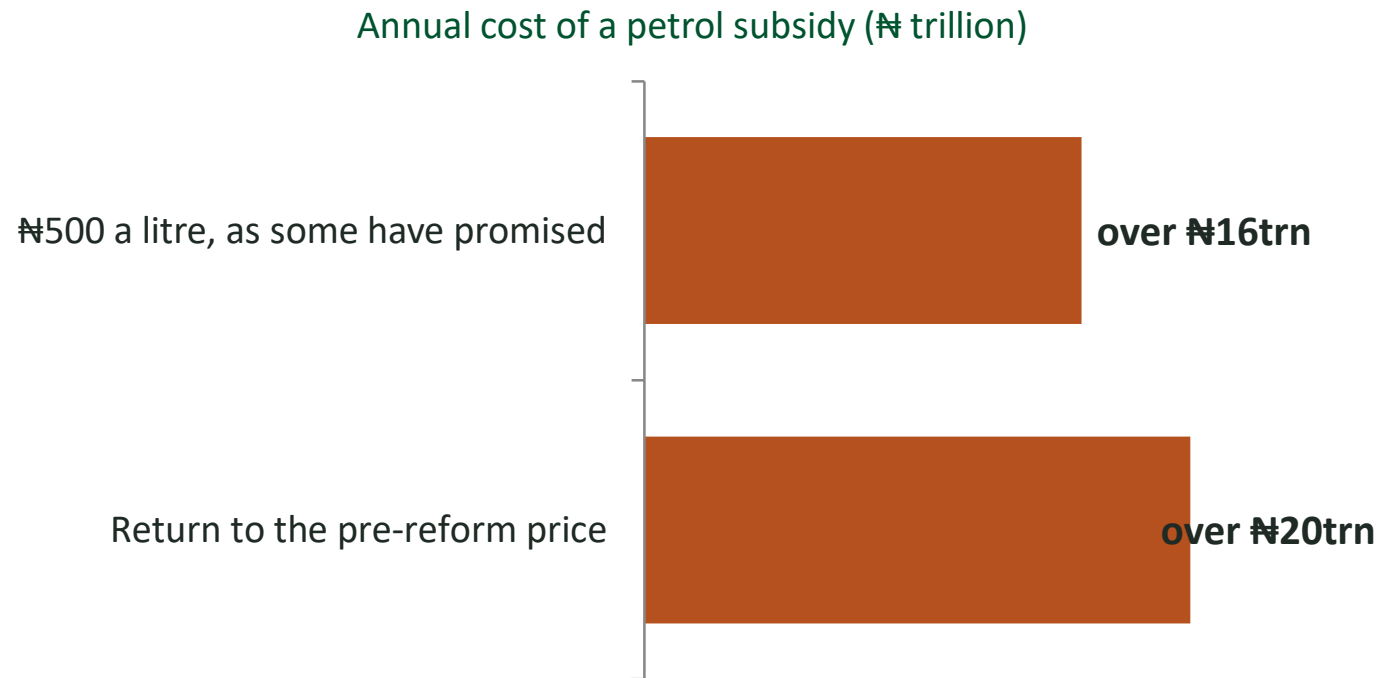
Consider where the road ends

Weaker revenue, a credit downgrade, costlier borrowing, capital flight, falling reserves and a weaker naira.



The arithmetic of a return to subsidy

Nigeria consumes roughly 50 million litres of petrol a day. Before any allowance for higher consumption and smuggling:



Nearly everything

the Federation Account shared among all three tiers of government in 2025

The consequences for salaries, pensions, schools, hospitals and security are not hard to imagine.

A subsidy does not lower the cost of fuel. It only changes how it is paid, and when.



Reversal would undo what reform has delivered

Subsidy removal, June 2023 to December 2025

₦15.8trn

released to the Federation Account

₦10.4trn

of it to states and local governments

27 → 0

states unable to pay salaries reliably, May 2023 to today

Return subsidy, and the sequence is familiar

Weaker revenue

Credit downgrade

Costlier borrowing

Capital leaves

Reserves fall

Naira weakens

Our estimate: the exchange rate could approach ₦3,000/\$ within months, and “subsidised” petrol would cost at least ₦2,000 a litre, well above what Nigerians pay today. The upgrades we have earned, including our first from S&P in fourteen years, would be at risk.

Short-term relief bought with long-term fragility is the most expensive money a government can spend.

We remain open to ideas that show their arithmetic

However it is described, a subsidy must be financed: through salaries and pensions paid late, higher taxes, or printing money.



What will it cost?



How will it be funded sustainably?



What pump price will it deliver?

Any credible proposal should answer three questions. We will engage in good faith with any proposal that does.

Nigerians have paid that bill before: in scarcity, in inflation and in a collapsing currency.



03

What government has already done

Removing the subsidy never meant doing nothing



Over three years, the government has acted to moderate prices in ways that are sustainable.



Local refining

Deregulation made domestic refining viable, so supply has held



Tax and duty waivers

Save consumers ₦400–600 a litre, over ₦5trn in taxes forgone



Naira-for-crude

Local refiners buy Nigerian crude in naira, easing dollar demand



A stable currency

FX premium from over 60% to under 5%; reserves ~\$55bn



Stronger oversight

NMDPRA guards against hoarding, diversion and short-dispensing



Cheaper alternatives

CNG and electric vehicles; taxes and duties removed



Support where it matters

Electricity subsidy for vulnerable consumers; feed gas and fertiliser for producers

The naira was not devalued.

It depreciated because reserves ran out defending an artificial rate open only to the well connected.

A stable currency is the single biggest lever on pump prices, and one we cannot afford to lose.

Nigerian petrol is among the cheapest in the world



Measured against African and global averages, tax and duty waivers save consumers ₦400–600 a litre.

How much cheaper petrol is in Nigeria

20–30% cheaper than Benin, Togo and Cameroon

30–40% cheaper than Ghana, Kenya and South Africa

~35% below the world average; among the 25 lowest-priced countries

₦3.3trn

petrol taxes and duties waived, year to 30 Sep 2026

120,000+

vehicles now running on CNG

30–50%

lower fares where CNG buses run

2×+

imports of CNG, electric and renewable equipment since May 2023

CNG network: 400+ conversion centres, 96 refuelling stations, 18 L-CNG stations and 550+ buses deployed. Duty waivers on clean vehicles and equipment exceed ₦100bn.

Over 50 countries have adjusted energy taxes; Nigeria has waived them in full.



Nigeria is doing what the world is doing

The IEA advises that saving fuel and securing supply work better, and cost less, than broad subsidies.

50+ countries have adjusted energy taxes (IEA). Nigeria granted a full waiver on petrol.

Vietnam has relied on tax relief, as we have.

Brazil renews its diesel support thirty days at a time.

25 countries have turned to renewable electrification to cut exposure to imported fuel. Nigeria is doing the same.

The common thread

Relief that is **targeted,**
temporary and
affordable

delivered by way of fuel tax
adjustments.



04

What more we are doing and considering



Ten further steps (1 to 5)

These measures do not fully relieve the pressure households feel today, so the government is going further.

1



Margin discount at NNPC stations

A discount on NNPC petrol for the next 30 days, with priority for public transporters

2



Forward sales of crude to local refineries

As production rises and committed crude is freed, shielding pump prices from global swings

3



Price modulation

A negotiated ₦1,350 a litre ceiling on ex-gantry or landing cost, reviewed monthly

4



Removing illegal levies

Working with states under the 2025 tax laws to rein in road taxes that inflate fares

5



More direct support

More funding for cash transfers to vulnerable households and subsidised credit for small businesses

Help that is targeted, temporary and affordable.



Ten further steps (6 to 10)

Each measure reaches the people who need help without putting the wider economy at risk.

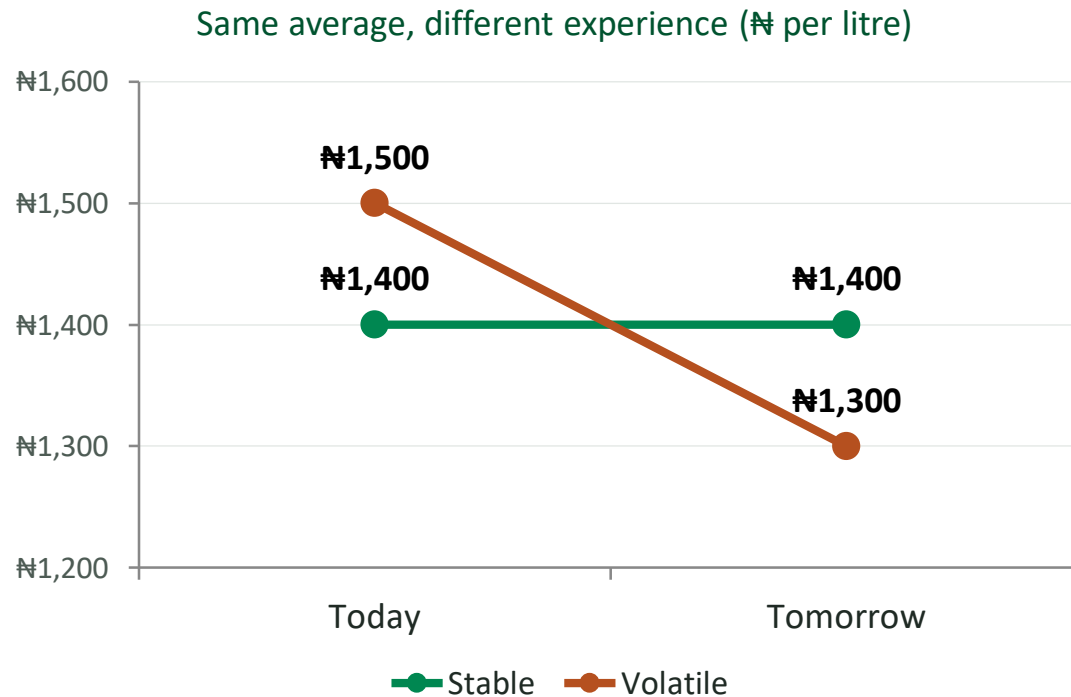
6		A faster CNG rollout	Scaling deployment with the states; transporters should pass savings on in lower fares
7		An excess profit tax, under consideration	For operators who exploit consumers; proceeds only for transport support and vouchers for low earners
8		Less red tape	Cutting regulatory costs that feed into the price of goods and services
9		National Strategic Fuel Reserve	Products released under published rules when disruption or hoarding threatens supply
10		Better traffic and logistics	Smoother urban traffic to save fuel; NIPOST address codes to cut logistics costs

None of these measures restores a blanket subsidy.



Price modulation: smoothing, not suppressing

Pump prices should not have to follow every swing in global crude or the exchange rate.



The ceiling

A negotiated ₦1,350 a litre on the ex-gantry or landing cost of petrol

When costs rise above it

Refiners and importers carry the shortfall and recover it later, when crude or the naira allow, without breaching the ceiling

Reviewed every month

Reset where costs require, with the figures published

Why it matters

Volatility itself adds uncertainty and cost, and fares that jump rarely come down as fast

This is neither a subsidy nor a price control.



Make reform's gains reach more Nigerians, more quickly

Not reverse a necessary reform

- The cost of fuel is real, and we do not dismiss it
- Nigeria has lived through the subsidy cycle: scarcity, smuggling, a collapsing currency and a fiscal crisis
- A comprehensive package of fiscal measures to bring inflation to single digits, sustainably: details in the coming months