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PRESS BRIEFING

Fuel Prices and the Subsidy Question

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Honourable Minister of Finance and Coordinating Minister of the Economy

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Opening

Good afternoon, ladies and gentlemen of the press. Thank you for joining us.

Today we want to speak plainly about the price of fuel. We know what it means for the commuter in Lagos, the farmer in Kano and the trader in Aba. Prices have risen, and Nigerians are feeling it. That concern is legitimate, and this government recognises it.

In recent weeks, there has been debate about proposals to return to fuel subsidy, including one described as a “production subsidy” for local refining. We do not question the motives of those who propose it. We agree on the problem. Where we differ is on the remedy.

So I will do three things this afternoon, with proper context using data and evidence. First, I will explain what is driving prices. Second, I will clarify why a subsidy would make matters worse. Third, I will set out what the government has done, and what more we are prepared to do, to ease the burden.

1. Elevated fuel prices is caused by a global shock, felt everywhere

The pressure on fuel prices today began far from our shores, in the Gulf, a conflict now in its eighth month. By mid-September, shipping through the Strait of Hormuz was running at roughly 13 percent of its pre-war level. Brent crude is trading at over 100 dollars a barrel, almost 50 percent higher than before the war.

The squeeze is sharpest in refined products. Diesel exports from the Middle East and Russia are down 75 percent from a year ago. On the other hand, crude tanker rates from West Africa reached record highs in September as the world scrambled for supply outside the

Gulf. Unfortunately, the International Energy Agency expects the pressure on refined products to last for months.

No country has been spared. In the United States, diesel has reached a record 6.50 dollars a gallon, about 73 percent above its pre-war price. In the Philippines, diesel has nearly doubled. Bangladesh is paying close to three times the pre-war price for spot cargoes of gas.

Closer to home, Zambia offers a lesson. Its government suspended fuel duties to hold prices down. When that relief ran out this month, pump prices rose by about 24 percent in a single adjustment. Relief that cannot be sustained does not remove the pain. It postpones it, and then delivers it all at once, often with greater force.

Our own numbers tell the same story. Before the conflict, with crude near 70 dollars a barrel, petrol sold for about 830 naira a litre. Today it averages about 1,400 naira. That increase was caused by a global conflict in which we had no say. Ironically, without the removal of subsidy, the impact would have been far greater.

For Nigeria, the impact of higher crude prices is mixed. It supports the budget and Federation revenue. But production is below forecast, and legacy crude commitments from the subsidy era absorb much of the gain. At the same time, households and businesses face higher fuel, transport and logistics costs, and the burden falls hardest on the most vulnerable.

Yet there is one thing Nigerians have not faced through these months: queues. Fuel has remained available in every state. In a crisis of this kind, availability is the first form of affordability.

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

Let me turn to the proposals to bring back fuel subsidies in one form or another. I offer four reasons for caution.

First, the pump price follows the exchange rate. Crude, freight and refining inputs are all priced in dollars. To force the naira price down, the government must in effect subsidise the foreign exchange. That is the multiple exchange rate system that brought the economy close to a collapse before President Bola Ahmed Tinubu's administration reformed it in 2023.

To be clear, what is being proposed is not a production subsidy. A true production subsidy supports a producer who cannot compete at market prices. This is different, it is a discount

on crude, passed through to the pump. That is a consumption subsidy by another route, with the same bill attached.

Second, a subsidy hides volatility; it does not remove it. If the pump price is fixed while crude, freight and the exchange rate all move, the risk does not disappear. It moves onto the public balance sheet. With crude above 100 dollars, that commitment would be large and open-ended.

Consider the arithmetic. Nigeria consumes roughly 50 million litres of petrol a day. To return petrol to its pre-reform price would cost more than 20 trillion naira a year, before any allowance for inflated consumption and smuggling. Even the 500 naira a litre that some have promised would cost over 16 trillion naira a year. Amounts of that size are 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.

Third, discounted fuel creates leakages. Our petrol is already far cheaper than in most neighbouring countries. Widen that gap, and Nigerian taxpayers would be subsidising motorists across our borders, as we did for years. Cheaper fuel would also raise consumption at home, at a time when global supply is tight. Excess consumption anywhere means higher prices everywhere, and that comes back to us as imported inflation.

Fourth, consider where the road ends. Subsidy removal released 15.8 trillion naira to the Federation Account between June 2023 and December 2025. Of that, 10.4 trillion went to states and local governments. In May 2023, 27 states could not reliably pay salaries. Today, none is in that position. At the federal level, about two-thirds of the savings combined with additional independent revenue and borrowing were utilised on spending that went directly to average Nigerians, through higher wages, infrastructure, electricity subsidy and social transfers. The balance went to stabilising the economy, mainly by way of higher cost of servicing debt as interest rates went up to tame rising inflation.

Return subsidy and the sequence is familiar. Weaker revenue invites a sovereign credit downgrade, as the rating agencies have already signalled. That would put at risk the upgrades we have recently earned, including our first from S&P in fourteen years. Borrowing becomes costlier. Capital leaves. Reserves fall. The naira weakens. The progress on inflation, which has allowed the Central Bank to begin lowering interest rates, would be put at risk.

Our estimate is that the exchange rate could approach 3,000 naira to the dollar within months, and so-called subsidised petrol would cost at least 2,000 naira a litre. That is well above what Nigerians pay today.

A subsidy does not lower the cost of fuel. It only changes how it is paid, and when. Nigerians have paid that bill before, in scarcity, in inflation and in a collapsing currency. However it is described, a subsidy must be financed: through salaries and pensions not paid on time, through higher taxes, or through the printing of money. Each of these has done great harm before. Short-term relief bought with long-term fragility is the most expensive money a government can spend.

We remain open to ideas. But any credible proposal should answer three questions. *What will it cost? How will it be funded sustainably? And what pump price will it deliver?* We will engage in good faith with any proposal that shows its arithmetic.

3. What government has already done

Removing the subsidy has never meant doing nothing. Over the past three years, the government has acted to moderate prices in ways that are sustainable.

- **Local refining.** Deregulation made domestic refining viable. That is why supply has held while other countries scramble for scarce cargoes.
- **Tax and duty waivers on petroleum products.** Measured against African and global averages, these save Nigerian consumers between 400 and 600 naira a litre today, equivalent to over 5 trillion naira in potential tax revenue. Petrol here is 20 to 30 percent cheaper than in Benin, Togo and Cameroon, and 30 to 40 percent cheaper than in Ghana, Kenya and South Africa. It is roughly 35 percent below the world average, and among the 25 lowest-priced in the world.
- **Naira-for-crude.** Local refiners buy Nigerian crude in naira. This eases demand for dollars and keeps the transaction transparent and less exposed to volatility. This will get better as domestic crude supply improves.
- **A stable currency.** Let me make an important clarification here. Naira was not devalued, rather Naira depreciated because we ran out of reserve to defend the artificial exchange rate which was only accessible by the highly connected while manufacturers and average Nigerians pay a huge premium for FX in the parallel market. Today, the gap between the official and parallel rates has narrowed from over 60 percent to under 5 percent. Reserves stand at about 55 billion dollars, the highest level in eighteen years. This is the single biggest lever on pump prices, and one we cannot afford to lose.
- **Stronger oversight.** The Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) is guarding against hoarding, diversion and

unjustified margins, while ensuring product quality and preventing under-dispensing at the pump.

- **Cheaper alternatives.** More than 120,000 vehicles now run on CNG, served by over 400 conversion centres, 96 refuelling stations and 18 Liquefied-to-Compressed Natural gas (L-CNG) stations. Over 550 CNG buses have been deployed so far. Where they run, fares have fallen by 30 to 50 percent. We have also removed taxes on electric vehicles and solar equipment, and cut import duties on all vehicles. Customs data show that imports of CNG-powered vehicles including tricycles, electric vehicles and renewable energy equipment have more than doubled since May 2023, with duty waivers of over 100 billion naira. Some states plan to introduce CNG buses and electric tricycles at scale.
- **Support where it matters most.** We continue to subsidise electricity for vulnerable consumers, and feed gas and fertiliser for producers, to protect households and moderate energy and food prices.

It is true that many governments have offered relief in this crisis. Look closely at what they have done. By the International Energy Agency's (IEA) count, more than 50 countries have adjusted energy taxes; Nigeria has done even more by granting a full waiver of taxes and duties on petrol, worth over 3.3 trillion naira for the year up to 30 September 2026. Vietnam has relied on tax relief, as we have. Brazil renews its diesel support thirty days at a time. Twenty-five countries have turned to renewable electrification to reduce their exposure to imported fuel. Nigeria is doing the same.

The IEA itself advises that measures to save fuel consumption and secure supply are more effective, and more fiscally sustainable, than broad subsidies. Hence the common thread among governments is relief that is targeted, temporary and affordable by way of fuel tax adjustments.

What more we are doing and considering

We recognise that these measures, important as they are, do not fully relieve the pressure households feel today. So the government is taking further steps.

1. **A margin discount at NNPC stations.** We are offering a discount on petrol dispensed by NNPC Limited for the next 30 days, with priority for public transporters nationwide.
2. **Forward sales of crude to domestic refineries.** As production rises and previously committed crude is freed up, this would shield pump prices from volatility in the global market.

- 3. Price modulation.** Pump prices should not have to follow every swing in global crude or the exchange rate. The government is negotiating a ceiling of 1,350 naira a litre on the ex-gantry or landing cost of petrol, to keep pump prices stable. Where costs rise above the ceiling, refiners and importers will carry the shortfall and recover it later, when crude prices or the exchange rate allow, without breaching the ceiling. This is neither a subsidy nor a price control: it is designed to smooth prices over time rather than suppressing them. The reasoning is simple. 1,400 naira a litre today and 1,400 tomorrow is better than 1,500 today and 1,300 tomorrow, because volatility itself adds to uncertainty and cost. And when fares go up sharply, they rarely come down as fast. The ceiling will be reviewed every month, reset where costs require, and the figures published for transparency.
- 4. Removing illegal levies.** Working with the states under the 2025 tax reform laws, we are reining in the road taxes and levies that inflate fares and logistics costs.
- 5. More direct support.** We are increasing funding for cash transfers to the most vulnerable households, and for subsidised credit to small businesses and consumers.
- 6. A faster CNG rollout.** The federal government is scaling deployment together with the states. We encourage transporters to pass the savings on to passengers in lower fares.
- 7. An excess profit tax.** We will consider this for operators who take undue advantage of consumers, anywhere along the energy value chain. The proceeds will be used exclusively to cushion the impact of fuel prices, through transport support or vouchers for urban minimum wage earners who are the most vulnerable. We will also work with the National Assembly to consider enhanced tax relief for low-income earners under the 2027 Finance Bill.
- 8. Less red tape.** We are cutting regulatory costs that feed into the cost of doing business and, indirectly, into higher prices of goods and services.
- 9. National Strategic Fuel Reserve.** To protect households and businesses from future energy shocks, the Federal Government is investing in a National Strategic Fuel Reserve. Refined products will be released into the market under clear, published rules whenever a global disruption or hoarding threatens supply and price stability. This is not a subsidy and it does not fix prices, rather it secures supply and reduces price volatility. It will prevent artificial scarcity, deter market manipulation and anchor long-term energy security, so that a deregulated market delivers stable growth and not sudden price shocks.

10. Better traffic and logistics management. Traffic management agencies will improve the flow of traffic, especially in major urban centres to reduce fuel consumption. Also, NIPOST's newly launched address codes will help make logistics more efficient and cheaper.

To be perfectly clear, none of these measures restores a blanket subsidy. To do so would amount to creating longer term harm for a short-term cure. Each measure is designed to reach the people who need help, without putting the wider economy at risk.

Closing

Let me end where I began. The cost of fuel is real, and we do not dismiss it. Removing the subsidy came at a price, and many households are still bearing it.

But the alternative has been tried. Nigeria has already lived through that cycle: scarcity, smuggling, a collapsing currency and a fiscal crisis. We cannot afford to live through it again, least of all in response to a temporary disruption, and at the very moment the results of reform are gathering pace.

Our task is not to reverse a necessary reform designed to set our country on the path towards sustained prosperity. It is to make sure its gains reach more Nigerians, more quickly and in more tangible ways. That is the work before us, and that is the work we are committed to doing under the leadership of His Excellency, President Bola Ahmed Tinubu, GCFR.

The Federal Government is also working on a comprehensive package of fiscal measures to bring inflation down to single digits, sustainably, in the near term. I will share further details in the coming months.

Thank you all for your understanding and kind attention. May God bless you, and may God bless our dear country, the Federal Republic of Nigeria.