

PETROLEUM DEREGULATION: THE ROUTE TO ECONOMIC BUOYANCY

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Successive Nigerian governments have faced stiff opposition from the masses whenever there are plans to deregulate the price of Premium Motor Spirit (PMS), generally known as petrol in the country.

Petrol is one of Nigeria's most in-demand products, Its utility spans sectors such as transportation, household, Small Medium Enterprises (SMEs), religious gatherings among others.

Yet, petrol consumption for the masses has come at a great cost for the federation's treasury, thereby making total deregulation of petrol a perennial discourse in the Nigerian polity.

As a result, the government incurs huge expenses importing refined petrol into the country when it subsidizes the price of fuel. This means the masses purchase petrol at a cheaper rate instead of a price that reflects the global price of crude oil because the government uses its resources to pay for the difference.

Considering the controversy and legal tussle that accompany plans to deregulate petrol, various attempts were made by previous National Assemblies to legalize deregulation through the Petroleum Industry Bill.

The 9th National Assembly succeeded in passing the bill where its predecessors left off. The lawmakers passed the legislation in 2021. Thankfully, President Muhammadu Buhari gave his assent for the passage of the Petroleum Industry Act of 2021.

Although the Federal Government is yet to implement the sections of the Act that enables deregulation, one thing is certain, it will happen sooner than later and Nigerians must brace up for it.

The bitter truth is Nigerians must understand that the fuel subsidy regime is no longer sustainable. The country is undergoing its worst financial crisis since the 1980s, as such, the government can no longer bear such financial burdens.

Ideally, when the price of crude oil rises globally, it among others. should reflect positively on the federation's account. But, the reverse has been the case because the Nigerian National Petroleum Corporation expends billions of naira

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on subsidy.

Nigeria's revenues have been on a steady decline from internal challenges such as increased oil theft in the Niger Delta which has affected the country's ability to meet its oil production quota as well as external challenges such as the COVID-19 pandemic and the Russian-Ukraine war among others.

It would be foolhardy to downplay concerns expressed by Nigerians with regard to the deregulation of the petroleum industry. No doubt, this will drive the price of goods and services higher, thereby reducing the purchasing power of the masses currently suffering the pressures of recurrent double digit inflation figures.

Another concern is the apparent distrust of the government's commitment to adhering to fiscal prudence. Many rightly worry that funds saved from the deregulation of the industry may be mismanaged by officials whose duties it is to manage the funds.

But, in the long term, it is in the best interest of the country that deregulation happens sooner than later. First, the government needs the money saved to fund infrastructural projects designed to improve the economy in the long run.

Also, the money saved from deregulation can be used to provide palliative measures sectors such as transportation, especially for agricultural products and the labour force.

Similarly, the PIA mandated the incorporation of the NNPC as a limited liability

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company. When full deregulation is attained public concerns for the company's activities would wane because the public would begin to see the advantages therein.

It is also important to recall that the company holds a 20% stake in the upcoming Dangote Refinery, and government is encouraging the private sector players to invest in the establishment of more modular refineries around the country through its issuance of licenses. Walter Smith and others have established modular refineries in different parts of the country, but are yet to start producing PMS due to government pump price regulation. But if petrol is fully deregulated, one may expect the country's expenditure on importation of PMS to reduce and consequently affect the price.

It is safe to assert that the long-term gains of deregulation far outweigh the short-term pains that will come with it.