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THE POLITICAL ECONOMY OF DEREGULATION POLICY IN THE DOWNSTREAM SECTOR OF THE PETROLEUM INDUSTRY IN NIGERIA (1999-2015)

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ABSTRACT: *Successive governments in Nigeria since 1999 have faced the challenge of whether or not to adopt deregulation policy in the downstream sector of the petroleum industry. In fact, the decision of whether or not to adopt deregulation policy as a panacea for remedying the perennial fuel scarcity and arbitrary price increases in petroleum products has been an albatross around successive governments in Nigeria. This paper interrogates the political economy of deregulation policy in the downstream sector of the petroleum industry in Nigeria since the enthronement of democratic rule in 1999, hence contends that the subsidy regime of successive governments has not addressed the perennial scarcity and arbitrary price increases of petroleum products in the country. The paper maintains that the fuel subsidy regime has been an epitome of corruption as it has failed to address the original intentions of its founding fathers. It is the view of this paper, therefore, that a complete deregulation policy in the downstream sector that will ensure government's outright removal of fuel subsidy, remains the only antidote to addressing the perennial scarcity and arbitrary price increases of petroleum products by ambitious petroleum marketers in Nigeria. It is by so doing that market forces shall become the major determinants of the prices and distribution of petroleum products for the teeming consumers in Nigeria. The paper concludes that savings that would accrue from fuel subsidy removal could be channelled into addressing the ailing infrastructure and human capital in the country.*

KEYWORDS: Political economy, deregulation policy, downstream sector & petroleum industry

INTRODUCTION

Oil has remained the major source of foreign exchange earning in Nigeria since its discovery in large scale in Oloibiri in 1958. It is imperative to state that agriculture which used to employ 75% of the Nigerian population and contribute over 80% to GDP, was later relegated for oil (Akov, 2015:395). Nigeria remains the world's 14th largest producer of crude oil and 10th in gas. Nigeria has four petroleum refineries, two of which are located in Port Harcourt, one each in Kaduna and Warri with a combined installed capacity of 445,000 barrels per day including a large network of pipelines and depots strategically located (Onuegbu, 2015:2). Yet, these refineries are said to be operating about 26% capacity utilisation due largely to what Onuegbu (2015) described as political interference in the management of the nation's refineries and the preposterous lack of crude to refine. The resultant effect, therefore, is that Nigeria now largely exports crude oil and gas through the Nigerian National Petroleum Corporation (NNPC) and

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the Nigeria Liquefied Natural Gas Limited (NLNG) for her foreign exchange earnings and depends on importation of refined petroleum products for consumption by her teeming population. Nigeria's daily consumption 40 million litres of petroleum products (premium motor spirit) far outweighs daily production of all the five refineries, resulting in over dependence on imported refined products. This has worsened and depleted Nigeria's foreign reserves since the return of democracy in Nigeria in 1999.

There is no doubt that despite the enormity of the country's wealth in both crude oil and gas reserves, Nigerian citizens have continued to wallow not only in poverty but in perennial scarcity of petroleum products occasioned by arbitrary price increases by over ambitious petroleum marketers. These situations have persisted in the country over the years in spite of measures adopted by successive governments to cushion the effects by way of subsidy.

Subsidy regime dates back to 1973 when it became imperative after the civil war to adopt some short term measures to cushion the effects of the high cost of imported petroleum products on the people by the Federal Military Government led by General Gowon at the time (Onuegbu, 2015:3). The Federal Government at the time operated fuel subsidy with the aim of reducing the effect of actual market prices of the products on the people as the landing cost was a huge burden, hence the need to make the products not only available but affordable (Igbe, 2013). Igbe (2013:4) argues that the intention of the founding fathers in operating the subsidy regime fared well between 1973 and 1983. In 1986, the Federal Military Government led by Ibrahim Babangida increased the pump price of petrol from 20k to 39.5k, representing about 97.5% increase at the time. In fact, Nigerians experienced high cost of petroleum products during the Babangida administration as much as five times. The last of the pump price during his regime stood at 70k from 60k before he stepped aside in 1993 (http://bestreserarchprojects.blogspot.com.ng/2012/05/fuel-subsidy-removal-in-nigeria.html).

Consequently, other successive regimes after the Babangida administration severally increased the pump price of petrol amidst mass protests. Experiences clearly showed that subsidy payments by governments after Babangida regime became worsened with the prices astronomically rising to N20 before the final exit of the last military administration on May 29, 1999. The emergence of civilian rule in 1999 did not however ameliorate the problem of fuel subsidy either. Under Obasanjo administration in 2000, the pump price was moved from N20 to N30, a clear upward of 50%. This was a clear departure from the original intention of those who founded the subsidy as it was gradually subdued and exited with occasional price increases (Igbe, 2013).

The history of oil industry in Nigeria, especially the downstream sector, is the history of scarcity and arbitrary price increases of petrol products, subsidy payments and the removal of subsidy by successive governments. It is important to state that the price of fuel has continued to rise from 1986 until the emergence of Yar'Adua administration in May 2007, when it subsidized the pump price to N65 per litre (http//distatncelibraryng.blogspot.com.ng/2014/o4/effect-of-fuel-subsidy-removal-on.html). The price later was moved to N87 under Jonathan administration which ended on May 29, 2015. The administration of Jonathan witnessed huge subsidy payments that took the larger chunk of the country's annual budget. It has been argued in several quarters that subsidy payments have been estimated between 1.3 trillion and 1.5 trillion on annual basis, representing about 30% of Nigeria's annual budget or even more. Moyo and Songwe (2012:1) have expressed that "in 2011 alone, Nigeria's fuel subsidy cost the

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country an estimated $8 billion and the price tag for 2012 was expected to be even greater". They further argued that "by 2011, the subsidy accounted for 30 per cent of the Nigerian government's expenditure and it was about 4 per cent of the GDP and 118 per cent of the capital budget". NEITI's audit report cited in Onuegbu (2015:3) aptly restates the narrative when it said in very clear terms that:

> The value of the subsidies has gone from $1 billion in the 1980s to prohibitive $6 billion. Available data show that the Federal Government spends about N1.4 trillion, about 30 per cent of its total yearly expenditure yearly on fuel subsidy. Specifically, the government spent a whooping N4.5 trillion on fuel subsidy claims between 2006 and 2012.

It may be interesting to note that the Nigerian Senate in late 2015 approved N521 billion out of N575 billion supplementary budget sent to it by the Buhari administration to settle backlog of fuel subsidy claims even at a time the pump price of PMS was sold at N180. This is very disturbing especially when viewed against the backdrop of fallen prices of crude oil in the international market, leading to loss of revenue to a country that depends solely on crude oil for her survival in the face of ailing infrastructure and human capital. It has been argued that the subsidy regime of government has been engrossed in corrupt practices. Onuegbu (2015:1) contends that "the PPPRA template that is used for computation is a good example of legalised fraud as it is made up of every known and conceivable cost items".

Successive governments have always advanced justification to deregulate the downstream sector and consequently remove subsidy on petrol as savings made could be channelled into critical infrastructure in the country. The moves by successive governments to remove subsidy as part of deliberate efforts to deregulate the sector have always not only been criticised but resisted by the Nigerian people through the civil society organisations and labour unions on the strengths of massive corruption in the subsidy regime and the fact that governments have not been and will not be sincere in living up to their promises of channelling savings made to critical infrastructure as being canvassed. In other words, successive governments in Nigeria since 1999 have faced the challenge of whether or not to adopt deregulation policy in the downstream sector of the petroleum industry. In fact, the decision of whether or not to adopt deregulation policy as a panacea for remedying the perennial fuel scarcity and arbitrary price increases in petroleum products has been an albatross around successive governments in Nigeria, especially when viewed against the backdrop of huge mind-boggling annual subsidy payments to fraudulent oil marketers.

It is on this background that this paper attempts to interrogate the political economy of deregulation policy in the downstream sector of the petroleum industry in Nigeria since 1999 when the country transited from military rule to democracy against the backdrop of huge corrupt subsidy regime in a depressed global economy, ailing physical infrastructure and human capital. In other words, the paper shall do a critique of the politics and economics of the deregulation policy with a view to answering the questions of whether or not the deregulation policy would address the perennial scarcity of refined petroleum products, arbitrary pump price hikes as well as the challenges and prospects of a fully deregulated downstream sector of the petroleum industry in Nigeria.

Definition of terms

Deregulation policy

Deregulation aims at "promoting competition in areas previously considered to be natural monopoly of an individual, group of people or government enterprises" (Monday, 2013:1). There are two phases of deregulation: partial deregulation and full deregulation. While the former reiterates less government regulation with a view to increasing efficiency in the distribution process and protect the consumers' rights, the latter entails an outright removal of statutory controls on oil price settings (Monday, 2013). The concept of deregulation in the downstream sector of the petroleum industry in Nigeria presupposes deliberate government processes, actions and inactions of removing or reducing state regulations in the refining, importation, sales, marketing, and distribution of petroleum products in Nigeria. In a similar vein, deregulation in the downstream sector of the petroleum industry typifies government's deliberate efforts at the removal of regulatory controls in the management of refining, importation, marketing, sales and distribution of petroleum products in Nigeria. Similarly, deregulation in the downstream sector involves removal of governmental controls in the business of refining, importation, sales, marketing and distribution of petroleum products. Deregulation epitomises "the undoing and repeal of governmental regulations of the economy" (https://en.wikipedia.org). It means to allow for free and efficient market forces (demand and supply) determine the prices of petroleum products. Deregulation connotes "removing barriers to competition" (www.economicshelp.org). Some other views conceive deregulation in the context of "revision, reduction, or elimination of laws and regulations that hinder free competition of supply of goods and services" (www.businessdictionary.com). Furthermore, deregulation conceptualises "the reduction or elimination of government power in a particular industry, usually enacted to create more competition with the industry" (www.investopedia.com).

Downstream sector of the petroleum industry

It is important to state what the downstream sector entails in the petroleum industry in Nigeria. Nigeria basically has two main sectors in the petroleum industry: the upstream and the downstream. While the upstream sector deals with exploration and production activities of crude oil and gas, the downstream borders on the activities of refining, distribution, and marketing of crude oil local consumption (Nkogbu & Okorodudu, 2015:35). Ibanga (2012:1) has said that the Nigerian oil industry is divided into two sectors: the upstream (deals with exploration and production) and the downstream (deals with the refining of crude oil for domestic consumption). The downstream sector involves "the refining of petroleum crude oil and the processing and purifying of raw natural gas as well as the marketing and distribution of products derived form crude oil and natural gas" (http://en.wikipedia.com). The commonly consumed products of the downstream sector in Nigeria include: gasoline or petrol, kerosene, diesel oil, fuel oils, lubricants, asphalt, natural gas, liquefied natural gas, petroleum gas and so many other petro-chemicals. All these fall under the downstream sector of the petroleum industry in Nigeria.

Therefore, the deregulation policy in the downstream sector of the petroleum industry in Nigeria entails a completely free market economy leading to the refining, importation, sales, marketing and distribution of petroleum products widely consumed in the country such as petrol, kerosene and diesel etc.

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Subsidy

Subsidy on petroleum products has become a household concept in Nigeria. Subsidy is a deliberate government policy aimed at cushioning the effects of high oil prices at the international market by way of bearing the burden of price differentials of landing cost of refined products and the pump price (Oboh, 2014:1). Subsidy regime in Nigeria are said to be fraught with controversies as the amount of money set aside in the recent past on subsidy payments by government annually amounts to 30 per cent of Nigeria's annual budget. It reached a crescendo in the Nigeria's 2011 and 2015 annual budgets, where subsidy alone amounted to between N1.4 and N1.5 trillion, representing about 30 per cent of the country's total annual budget, a scenario that is not only mind-blowing to a sane mind but capable of crippling the entire economy of the country. The Centre for Public Policy Alternatives (2011:1) defines subsidy as "any measure that keeps prices consumers pay for a good or product below market level for consumers or for producers above market". The examples in this regard include but not limited to grants, tax reductions and exemptions or price controls.

Conceptual and theoretical framework

Conceptual and theoretical framework is a sine qua non to a directional course in a research work. There is no gainsaying that conceptual and theoretical framework serves as a navigational basis of analysis in a research paper. Curtis & Kommers et al (1993:458) were right when they observed that:

> to the extent that an economy is managed by the government rather than "self run" by market forces, economics is simply an aspect of politics. In such an economy, myriad of decisions (…) must be made by someone in the government. Thus, although understanding the economic system is essential to the understanding of any nation, when it comes to understanding the politics of a nation, economics is more important in socialist systems than capitalist ones.

The above premise gives the theoretical basis for the choice of political economy approach for this paper. Therefore, the theoretical thrust of this paper is anchored on Marxian political economy theory of the state, an extrapolation of political economy approach espoused, inter alia, in the works of Marx (1958), (Engels, 1978), Lenin (1949), Ake (1985) cited in Anele (2003) and classical elite theory traceable to Plato but elaborated in the thoughts of Vilfredo Pareto and Gaetano Mosca (Chilcote, 1994) cited in Akov (2015) and Michels cited in Varma (1975) and Nweke and Nyewusira (2010). This is very important in interrogating the political economy of deregulation policy in the downstream sector of the petroleum industry in Nigeria. This becomes imperative as the issues surrounding whether or not the downstream sector of the petroleum industry has to be deregulated, prompting subsidy removal has been a conundrum between the Nigerian state and the dominant or ruling class, representing dominant class and elite on one hand and the working class on the other hand who bears the burden of the policy. Note that antagonisms always ensue between the Nigerian state and the dominant economic class on one hand and the working class and civil societies on the other hand, when the issue of deregulation policy is mentioned on the front burner of any national discourse. This has always polarised the Nigerian people along class and group interests, which the underlying motive is economic. Each time the government contemplates deregulation certain economic and political interests are put into consideration. Questions such as who benefits immensely from the deregulation policy? - the state, the ruling elite, the dominant economic class or the

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working class or the helpless peasant Nigerians that are managing to survive?. Again a lot of questions arise as to why successive governments in Nigeria have not been able to deregulate the downstream sector over the years, despite the difficulties they have had to manage the subsidy payments.

There is no doubt that all these can only be explained within the context of Marxian political economy, specifically the theory of the state and classical elite theory. In the context of the foregoing, it will be interesting to do a concise but precise surgical expositions of classical Marxian political economy and elite theory as it affects the analysis of this work.
Political economy underscores the economic conditions of political events including the impact of economic institutions on society. Uranta and Nweke (2011) posit that political economy attempts to focus on the consequences of political phenomenon on economic outcomes as its central concern. The classical or liberal perspective of political economy is concerned with growth and development of Europe. However, Marxian political economy theory centres on economic determinism.

It is important to state that political economy as a concept or theory is concerned with the study and use of economic theory and methods to influence political ideology. It is "the interplay between economics, law and politics and how institutions develop in different social and economic systems, such as capitalism, socialism and communism" (www.investopedia.com/terms/p/political-economy.asp). Political economy is also concerned with the analyses of public policies and how such can be developed and executed to meet the goals and aspirations of society. In society, as different people and groups engage in wholesome activities in a bid to grow and develop depending on their interests, political economy deals with the aggregation of these potentially competing interests as it were (www.investopedia.com/terms/p/political-economy.asp).

In a similar vein, Caporaso and Levine (1992) in exploring some very important frameworks for understanding the relationship between politics and economics, including the Classical, Marxian, Keynesian and Neoclassical, political economy expresses very deep interrelationship between the political and economic affairs of the state.

In his own submission, Ake (1981:1) has held that political economy approach "gives primacy to material conditions, particularly economic factors, in the explanations of social life". Ake cited in EKpe (2002:125) opines that political economy pays particular attention to the economic structure of society and indeed uses it as a point of departure in studying other aspects of society which include politics, religion, culture etc.

Nyewusira and Nweke (2014: 652) conceive political economy in the light of the understanding of the ways in which economics and government policies interact. They further assert that:

> political economy focuses attention on not only the production and management of material wealth of the society but also its distribution among the various segments, groups or classes. It provides for a holistic study of issues, phenomenon and policies of any state. Such questions as to why some people are poor while others are rich, the social responsibilities of the state and the forces and motives driving government policies and programmes, social relations of production, distribution and exchange in a society, are treated with the prism of political economy

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Corroborating the above, Akani (2010:69) has held that man is an economic being and that this attribute has made it imperative to assess humanity's achievements and civilization from one epoch to another. He further states that the reproduction of society as a result of economic drives and desires is incontrovertibly the very foundation of human attainment. Akani (2010) further held that:

> The economic system or mode of production is the essential foundation of social life. It largely determines other aspects of social life, particularly the legal system, the political system and morality. The primacy of economic activity to man's historical endeavours was also noted when Marx asserted that it is not the consciousness of men that determines their existence, but their social existence that determines their consciousness.

Nweke (2009:14) in collaborating the above position has opined that political economy involves the totality of the relationship between the economic sub-structure and the superstructure as espoused in the works of Marx and Engels' dialectical and historical materialism. He further asserted that Marx and Engels held that it is the economic substructure that determines the juridical, political, religious, and cultural superstructure. This is because the propertied class will always take decisions, formulate ideals, policies and programmes that will protect its investments at the expense of the working class and the peasantry. This position becomes imperative when situated within the context of deregulation policy in the downstream sector of the petroleum industry in Nigeria. It accounts for either the continuous retention and occasional threats to the removal of the subsidy on petroleum products in Nigeria by the Nigerian state and civil societies and labour unions respectively.

Both Akani (2010) and Nweke (2009) borrowed their submissions from Marx's political economy of historical and dialectical materialism which is the basic foundation of his theorising bordering on the state, classes and class struggles and the like. In fact, Sabine and Thorson (1973: 698) vividly capture the underlying foundations of Marxian political economy of historical and dialectical materialism when they summarised his statements thus: in the social production which men carry on they enter into definite relations that are indispensable and independent of their will; these relations of productioncorrespond to a definite stage of development of their material powers of production. The sum total of these relations of production constitutes the economic structure of society – the real foundation, on which rise legal and political structures and to which correspond definite forms of social existence. The mode of production in material determines the general character of the social, political, and spiritual processes of life. It is not the consciousness of men that determines their existence, but, on the contrary, their social existence determines their consciousness. At a certain stage, the material forces of production in society come in conflict with the existing relations of production, or – what is but a legal expression for the same thing – with the property relations within which they had been at work before. From forms of development of the forces of production these relations turn into their fetters. Then comes the period of social revolution. With the change of economic foundation the entire immense superstructure is more or less rapidly transformed.

McMurtry (1992:430) agrees no less with the above when he stated that:

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> above the economic structure stands the state or, as Marx more precisely puts it, "the legal and political superstructure" ("the police, the army, the courts and bureaucracy," RZ*, 193-94). This state or superstructure is the "official stratum" of society, which "arises upon" the economic structure as its sanctioned and coercive regulator.

McMurtry in lending further credence to the above, stated that Marx was very right amid the conventional criticism over his distinction between the economic substructure and legal-political superstructure. McMurtry in Susser (1992:430-31) has contended that: We can see, then, that the conventional criticism of Marx's distinction between economic substructure and legal-political superstructure is false. The distinction here, contrary to standard objections, is both precisely securable and substantial in character. The really contentious point here not Marx's distinction *per se,* but the relationship that he supposes between the factors he distinguishes. Why, the question is repeatedly put, is the economic order conceived as the "base" and the state its "superstructure"? Why does he conceive the former as primary and the latter as secondary? Marx suggests a number of mutually reinforcing answers to this query, which we can summarise…

Going by the above premise, it may be interesting to assert that the role of the Nigerian state in all of these accounts for the need to adopt Marxian political economy theory which is all encompassing: the historical and dialectical materialism and the theory of the state as enunciated by eminent theorists to explain the whole scenario that encumbers the deregulation policy in the downstream sector of the petroleum industry.

No doubt, Marx conception of the state is predicated on the material conditions of society dependent on historicism. It has, however, been argued that Marx's works did not actually centre on a given theory on the state rather they were scattered and not very consistent, hence it was Lenin who collated and systemised Marx's ideas of the state (Duncan, 1982 cited in Anele, 2003: 14). Anele (2003) observes that Marx conceives the state as a veritable instrument at the disposal of the bourgeoisie for the exploitation and subjugation of the proletariat and peasantry. Marx and Engels (1971:38) cited in Anele (2003:14) say

"the executive of the modern state is but a committee for managing the common affairs of the whole bourgeoisie". Boguslavsky et al and Engels cited in Anele, have held that the state was not never in existence from beginning as it was artificially created in the historical epoch when the society was divided into classes – the exploiters and the exploited. No wonder Lenin cited in Anele (2003:16) opined that "the state is a product of and a manifestation of the irreconcilability of class antagonisms". Anele (2003:16) therefore holds that:

> this means that the state emerged under specific economic and social conditions that give rise to he cleavage of society into classes. In other words, the state exists where there are class antagonisms and class struggles. From available historical facts, the motive force for the evolution of the state is situated in the internal logic of a given society, the dialectical negation.

Engels cited in Anele (2003:16) is of the view that the state is a product of the historical epoch of society which has become entangled in an insoluble contradiction with itself resulting in irreconcilable class antagonisms, which it has no power to exercise due to its vested interests.

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He further asserts that in order that the these opposites, classes with conflicting economic interests may not be consumed in a fruitless exercise, it became expedient to have a power above society to moderate the conflicts and keep itself afloat and alienated. Similarly, Ake (985:1) has also corroborated the above when he held that:

> the state is a specific modality of class domination, one in which class domination is mediated by commodity exchange so that the system of institutional mechanisms of domination is differentiated and dissociated from the ruling class and even the society and appears as an objective force standing alongside society. The state form of domination is autonomised, that is, the institutional apparatus of class domination is largely independent of social classes, including the hegemonic social class.

From the forgoing, it is clear that the role of the state is not to resolve the contradictions between the opposite classes inherent in the society but merely mediates in the conflicts between and among them, at least, to ensure it perpetuates itself and class in power. Therefore the classical Marxian political economy theory of the state as espoused in the works of very important theorists is apt here as it is intended to bring to fore the explanation underlying successive government's approaches to the deregulation policy in the downstream sector of the petroleum industry in Nigeria. A critical review of the situation shows clearly that internal contradictions of irreconcilable differences of the opposite classes have been responsible for the rot experienced in the downstream sector of the petroleum industry in Nigeria and the state's inability to effectively take rightful decisions that would once and for all resolve all the lingering issues surrounding deregulation policy. We see successive governments in Nigeria politicise the deregulation policy. No successive governments has come out clear to deregulate the sector to ensure that perennial scarcity and arbitrary increases in petroleum prices experienced in Nigeria are tackled headlong to ensure affordability of the products and efficiency in the distribution.

Since this paper is predicated on two theoretical frameworks, which are however, closely related to each other, the need to briefly explore the theoretical expositions of the elite theory a swell becomes not only inevitable but imperative. The elite theory is principally traceable to Plato but espoused elaborately in the thoughts of two eminent Italian political sociologists, Vilfredo Pareto and Gaetano Mosca (Akuv, 2015:396). Perhaps it is important to add that the theory of ruling elite is often associated with three scholars: the Italians Vilfredo Pareto (1848-1923) and Gaetano Mosca (1858-1941) and the German Robert Michels (1876-1936). The trio constitute the 'classical elitists' who influenced thinking about power in the twentieth-century political science (Hague, Harrop & Breslin, 1982:12). Michels studied power specifically in organisations rather than in the larger society and was famously associated with the 'law of oligarchy'. His theory was basically exposing the class of leaders who are few but hold unto their party leadership so tight such that their views and decisions only prevailed over their subjects even in socialist democracies at the time. This of course is not different from what prevails in modern times where it is often times difficult to separate party from government programmes. Heads of governments in our time eventually are leaders of their parties hence are so rigid with party decisions that are often misconstrued for state decisions. And those must be seen to be complied with by their subjects.

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In his own part, Akuv (2015:396) clearly explains the theory of elitism when he affirms that:

> based on the theoretical stipulations of elitism, the political system is structured in into two groups; the few who lead, that is the elite, and the many who follow, the masses. The elite possess ideological commitments and manipulative skills which make them suitable for leadership responsibilities, whilst the masses or the "apolitical clay" are much larger category of passive, inert followers who have both little knowledge and less influence in public affairs.

To Pareto cited in Varma (1975:144) and Nweke and Nyewusira (2010:274), there exist two classes in society: (i) a higher stratum, i.e. the elite which is divided into governing and non-governing and (ii) a lower sratum, the non elite. Mosca cited in both Varma (1975:147) and Nweke and Nyewusira (2010:275) sees the society as being also divided along two major classes in consonance with Pareto. He contends that the first class is in the rulership, though few in number but performs political functions. They take decisions and force them on the other class who are helpless. They have both monopolising power and manipulative skills over the second class, which he calls the ruled, who constitutes majority in number, yet are less powerful in deciding their fate. Mosca strongly believes that in every society, the governing elite tries to find a moral and legal basis for remaining in power and taking certain decisions on behalf of the power. Mosca cited in Nweke and Nyewusira (2010:275) has argued that the "political formula may not and often times do not embody truth. Rather, it is a simple fraud, cleverly contrived to dupe the masses into subjection".

Fundamental to elite theory is the fact that those who manage Nigeria's common wealth in collaboration with oil marketers constituting themselves into strong cartels/cabals have, in connivance with the elite in the civil society organisations and labour unions in the country continued to play politics with the deregulation policy in the downstream sector of the petroleum industry. What explanations, for instance, can be made by successive governments in Nigeria over their inability to address the perennial scarcity and arbitrary price increases in petroleum products in the country despite the enormity of the huge subsidy payments to oil marketers over the years? Nothing therefore can best explain these other than a combined theoretical framework of classical Marxian political economy and elite theory as the political elite in collaboration with the oil conglomerates and civil society groups and labour unions who constitute a class of their own have continued to hold poor Nigerians to ransom. It is the masses who feel the impact of these policy summersaults in the downstream sector of the petroleum industry and not the privileged few class whose economic interests are to sustain the subsidy regime at the expense of the Nigerian people. In other words, the continuous retention of subsidy regime by successive governments in Nigeria without deregulating the downstream sector speaks volume of the massive corruption associated with it while the poor Nigerians are forced to bear the brunt of its effects.

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A critique of the political economy of deregulation policy in the downstream sector of the petroleum industry in Nigeria

(a) Arguments for and against the deregulation policy in the downstream sector of the petroleum industry

Arguments have been advanced for and against the deregulation policy in the downstream sector of the petroleum industry in Nigeria against the backdrop of the huge subsidy regime and its implications on the Nigerian economy. In other words, in Nigeria, there are divergent expressions by the public over the introduction of deregulation policy in the downstream sector of the petroleum industry. While we have proponents of the policy, there are also opponents of the policy. It is on this note, we are doing a critique of the deregulation policy with a view to identifying which way to go in the face of current dwindling revenues to government occasioned by astronomical global drop in oil prices. This shall enable us assess the challenges and prospects of deregulation policy in the downstream sector of the petroleum industry in Nigeria.

There is no doubt that, though, Nigeria is among the world's leading oil and gas producing countries of the world, yet has been encumbered in a paradox where fuel and power shortages, have become the order of the day in the midst of plenty thereby negatively impacting on both infrastructural and human capital developments (Ogunbodede; Ilesanmi & Olurankinse, 2010:10). It is worthy of note that a total of 445,000 barrels of crude oil per day are reserved for domestic consumption but the capacity of local refineries stand at 170,000 barrels per day, prompting a balance of 275,000 barrels difference to be refined abroad and imported into Nigeria (Aborisade, 2011:13). Perhaps it is also worthy to mention that the four existing refineries in Nigeria which ought to produce at full capacity at some points became moribund and often times when operational produce below capacity for whatever reasons. Similarly, the dire need to deregulate the downstream sector became imperative due largely to the very dilapidating state of the existing refineries with its attendant inefficiency in refining and distribution, ineffective and fluctuating price of the products as well as the propensity for institutionalised monopoly having adverse consequences on the country's economy (Anyadike, 2013:25). All these have been on the front burner of national discourse, hence the arbitrary scarcity and the poor pricing mechanism of the petroleum products are said to be fluctuating and skewing against the impoverished Nigerian populace who are supposed to be the major beneficiaries while the state officials in collaboration with their comprador oil cartels/cabals appropriate from the existing arrangements (Anyadike, 2013).

There is no gainsaying the fact that the intended objectives of the founding fathers of the subsidy regime was to alleviate poverty by subsidising the private consumption of refined products to maintain some level of stability in the pump price. Rising international prices of crude oil and refined products, over the years, have resulted in the significant increase in subsidy payments to fraudulent oil marketers, hence the colossal damage to the country's ailing economy (Siddig et al, 2014:5). This has made it difficult for the country to meet daily consumption needs of 40 million litres, and consequently has resorted to over dependence on importation of refined products to meet the local consumption. Since the country largely depends on imported refined petroleum products and with a preponderance of a poor population in dire need of the products, successive governments have adopted palliative measures by way of subsidy to ameliorate the sufferings of Nigerians. Yet, in the face of these measures, there

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have been monumental perennial scarcity and arbitrary price increases of petroleum products in Nigeria since 1999. This has resulted in so many stakeholders and researchers to call for a complete deregulation of the sector as way of solving the perennial scarcity and arbitrary price increases of petroleum products even in the face of global fall in oil prices and revenues accruable to the country.

The deregulation policy as conceived in 2003 was not only intended to remove regulatory controls on prices of the products but the unbundling of the entire sector to allow free market economy where new entrants can invest in the refining, sales, marketing and distribution and even importation and exportation of petroleum products (Nkogbu & Okorodudu, 2015:35). Indeed, the need to deregulate the downstream sector stems also from the fact that the state of Nigeria's four refineries and the lack of capacity to meet daily local consumption needs have become very worrisome. It was for these reasons the federal government under President Olusegun Obasanjo, on the recommendations of the Special Committee on the Review of Petroleum Products Supply and Distribution (SCRPPSD) set up in 2001 to review the challenges of the downstream sector of the petroleum industry, established the Petroleum Products Pricing Regulatory Agency (PPPRA) with a view to beginning the process of deregulation. Okugbu and Okorodudu (2015) further contend that:

> As recent events unfold in the petroleum industry, deregulation becomes inevitable as government participation in the downstream sector was characterised by some challenges which include: low investment opportunities in the sector, large scale smuggling of petroleum products, pipelines vandalisation, low capacity utilisation and refining activities in the nation's refineries, scarcity of petroleum products, mismanagement of revenue from petroleum and high level of corruption in the state-owned petroleum parastatals vis-a-vis political office holders.

It is important to state that rather than successive governments from then on to continue the deregulation process, they only concentrated on pump price and subsidy. The extent to which all of these have helped to address the challenges in the downstream sector is an issue of great concern. It has been severally advanced that the deregulation policy has several benefits such as increased efficiency in the refining and distribution of the products as well as low and stable prices of the products. No wonder some critics of the present scenario of a highly regulated downstream sector have questioned the rationale behind the high cost of the products even in the face of huge subsidy paid on the products. For instance, Onuegbu (2015:3) questioned the rationale for the current situation in the downstream sector when he observed that:

> as at 25 November, 2015, petrol sold for N180 per litre at a filling station in Port Harcourt as against the official price of N87 per litre. A city that has two of the Nigeria's four refineries. This is as the Nigerian Senate just approved N521 billion out of N574 billion supplementary budget to settle fuel subsidy claims at a time when crude oil price is very low, below $43 per barrel and not a few question if indeed there is still subsidy at the current crude oil price or are we paying for institutionalised corruption via the instrumentality of the PPPRA template especially when the revenue of the country has fallen drastically.

Accordingly, proponents of the deregulation policy in the downstream sector have maintained that if fully implemented that it will surely end the perennial scarcity and arbitrary pump hikes

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experienced in the country as free market economy offers better opportunities for real investments in the sector that are capable of stimulating the ailing economy for growth and development. Definitely, deregulating the sector allows private hands to come in and invest in the refining of crude petroleum and distribution of refined products to end users at more affordable and stable price regime. Of course the multiplier effects of these will be very unprecedented in the history of Nigeria's socio-economic and political developments. Even where at least, the government hands off regulatory controls of the sector, this will help in unbundling the monopoly of the NNPC in the refining and supply of the products as more major oil marketers can import and sell at market prices in the face of absence of local refineries to meet local consumption needs. As it is now, the NNPC lacks the capacity to not only maintain the local refineries to meet local needs but import adequate products that would go round the country (Anyadike, 2013). And leaving all of these in the hands of the NNPC leaves much to be desired as the huge funds expended in this regard by the government are enough to address the challenges of infrastructure and human capital begging for urgent attention. Presently, the downstream sector of the petroleum industry is still wallowing in the euphoria of partial deregulation where government intervenes in order to allow for efficient distribution and the protection of the consumers from being unnecessarily exploited (Monday, 2013:2). This is the argument that the opponents of the complete deregulation put forward as to why they kick against the policy. These minimal interventions by government, for the opponents of deregulation, help to create and protect employment within the industry and make a way for the entry of disadvantaged communities into the petroleum sector (Monday, 2013). These are arguments that have been canvassed by the critics of the deregulation policy.

Furthermore, it has been argued severally that the Ivory Tower (NNPC) in Abuja is an epitome of corruption especially when viewed against unaccounted huge subsidy payments to oil marketers in the country over time when subsidy began, which would have been at least if not eliminated but reduced if deregulation had been fully adopted and implemented. The corruption that goes on within the Ivory Towers on the management of the subsidy regime is mind-fainting which a fully deregulated downstream would have resolved. It was revealed that several companies were involved in the subsidy scam as they shared over N1.426 trillion between January and August 2011 alone (Akuv, 2015). A critical review of the scenario clearly shows that within the period petrol was sold even higher than the approved pump price. Some oil marketers have always claimed that the reason for the higher pump prices than the approved ones has always been the subsidy debts owed them by the government. The question in the lips of every Nigerian consumer of the products in this regard, has been: even when the subsidy is eventually paid to oil marketers by the government, do they refund the differences to the consumers? Tables 1, 2 and 3 below show companies implicated in the fuel subsidy infractions by the House of Representatives, the annual subsidy payments vis-à-vis annual budgets from 2006 to 2015 and the different pump price regimes from 1966 to 2016. A closer look at the tables clearly tells you that the subsidy pump price hikes and subsidy regimes are not sustainable. Nkogbu and Okorodudu (2015:36) agree no less, as shown in tables 1, 2, and 3 that the present subsidy regime is not sustainable and that its intent has been obviously defeated owing to problems of leadership and mismanagement of resources. Several administrations have tended to implement some aspects of the deregulation policy as table 3 reveals by way of not only petroleum price increases but the granting of licenses to build new refineries to stimulate free market economy, yet all these efforts appear not to have seen the light of the day. Former Presidents Obasanjo, Yar'Adua and Jonathan all made attempts to deregulate the sector but ended up further entrenching themselves in the rot the system has created over time. The

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more they did attempt to do the needful, it was either the civil society groups and labour unions will frustrate the moves as they did during the Jonathan administration in 2013.

However, many have criticised the present regulated and fuel subsidy regimes as being fraught with corrupt tendencies, giving rise for the urgent need of a complete deregulation to eliminate such nefarious tendencies. This is really one justification for the deregulation policy. The table below comprises of the companies that were implicated by the fuel subsidy investigations by the National Assembly which unfortunately did not see the light of the day as those implicated are still walking free on the streets of Nigeria:

Table 1: (Companies implicated in the fuel subsidy investigation by the House of Representatives)

S/N	Company	Infraction description	Amount (N)
1.	Aluminnur Resources Ltd	Subsidy vessels for which mother vessels were no longer optional; No shipping documents.	N1,051,030,434.64
2.	Brula Energy Ltd	Subsidy payments for which mother vessels were not found in location claimed at the time of transhipment.	963,796,199.85
3.	Caades Oil and Gas Ltd	No evidence of sales proceeds in banks.	487,799,826.80
4.	Capital Oil Gas Ltd	Subsidy payments for which mother vessels were not found in location claimed.	8,898,180,238.91
5.	Capital Oil Plc	Subsidy payments for which mother vessels were not found.	1,216298517.20
6.	Ceoti Ltd	No evidence of sales proceeds in banks	1,773,421,842.01
7.	Conoil Plc	Subsidy payments without proof of mother vessels bill of laden or daughter of vessel bill of lading.	2,9848,078,077.90
8.	Downstream Energy Ltd.	Subsidy payments for which mother vessels were not found.	1,774,089,040.63

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9.	Eterna Plc	No evidence of sales proceeds in banks; no proof of existence of mother/daughter bill of lading.	2,122,859123.70
10.	Eurafic Oil and Gas Ltd.	Subsidy payments for which mother vessels were not found.	2,261,859,123.70
11.	Heyden petroleum	Subsidy payments for which mother vessels were not found.	594,716,089.31
12.	Lumen Skies Ltd.	Transactions disclaimed by banks.	774,787,752.86
13.	Majore Investment Ltd	Subsidy payments without authorized signature.	959,813,734.22
14.	Master Energy Oil and Gas Ltd	Subsidy payments for which mother vessels were not found.	2,908,996,291.29
15.	Matrix Energy Ltd.	Subsidy payments for which mother vessels were not found; no shipping document evidencing payment.	6,233,502,137.15
16.	Menol Oil and Gas Ltd.	Subsidy payments for which mother vessels were not found.	1,691,595,830.87
17.	Mob International Services	No evidence of sales proceeds from banks	2,137,328,914.10
18.	MRS Oil and Gas Plc.	No shipping documents evidencing payments	6,086,531,305.33
19.	Nasaman Oil Services Ltd.	Subsidy payments for which mother vessels were not found; no authorised signature/evidence of sales proceeds from banks.	3,081,370,678.34
20.	Naticel Petroleum Ltd	No evidence of sales proceeds in banks.	3,081,370,678.34

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21.	Ocean Energy Trading and Services Ltd	Payments for which vessels were not found.	1,778,180,051.20
22.	Pinnacle Contractor company	Payments for which vessels were not found.	2,755,646,744.04
23.	Surfix Oil and Gas Company	Payments for which vessels were no longer operational.	1,033,119,489.60
24.	Tonque Oil Services	No evidence of sales proceeds in banks.	1,575,014,046.51
25	Top Oil and Gas Development Company Ltd.	Payments for which vessels were not found; no shipping documents were signed.	2,360,733,485.43

Source: The Nation cited in Akuv (2015:402-403)

From the table above, we can vividly see how the nation is being reaped of hard earned revenues by unscrupulous oil marketers in collaboration with their government collaborators in the NNPC, its subsidiaries and state officials. The Centre for Public Policy Alternatives (2011:32) corroborates the position above when it observed that the NNPC is the net importer of Nigeria's 80% fuel products and subjects consumers to international price regimes. It further contends that the NNPC despite, being a monopoly of domestic fuel supply, engages in the licensing of importers and distributors, fixes local pump price as we can see in table 3 below, owns petrol stations and depots and administers fuel subsidy payments to oil marketers as we can see in table 1, where fraudulent practices take the centre of the subsidy regime in Nigeria over time. The Centre for Policy Alternatives (2011:32) in its report stated inter alia that:

> The NNPC therefore acts as a regulator, a distributor, producer and competitor in the retail markets. With this arrangement in place, the Nigerian energy markets can be classified a regulated monopoly with added distinction that the regulator is also competitor in the market.

It went further to observe that arguments have been advanced for the continuation of the present monopolistic arrangements on the ground that there "is the need to protect the Nigerian consumers from vagaries of international markets and to prevent exploitation by private sector actors". The Centre for Policy Alternatives affirms that:
The demand and supply situation is therefore subject to three major influences.monopoly effect, a subsidy effect and a price fixing effect acting independently and in concert to produce a truly complex and confusing economic picture. Issues such as corruption are treated as additional taxes on the consumer.The various arguments that have been advanced for the deregulation policy stem from the way and manner the subsidy regime has been operated by the same NNPC and its subsidiary PPPRA. The table below shows the geometric and inconsistent progression

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of the yearly subsidy regime vis-à-vis Nigeria's annual budget estimates. It reached a crescendo in 2011 and 2015 respectively where the country had to spend over 30% of her annual budget on subsidy payments. Recall also that since 1999, Nigeria has been spending about 70% of annual budget on recurrent expenditure and often times less than 30% on capital expenditure. Specifically, in 2015 budget proposal by the former government of Goodluck Jonathan, recurrent expenditures took about 91%.. BudgIT (2014:1) in its 2015 budget analysis has said that:

> … based on BudgIT analysis, recurrent expenditure (salaries, overheads, statutory transfers and debt service costs) totalled N3.97trillion, which is an unbelievable 91% of the entire 2015 budget proposal. … if the total recurrent expenditure of N3.97trillion (…) is removed from the aggregate budget expenditure of N4.358trillion, then "the common man's priority" – the capital expenditure – will come down to a paltry N387billion, a mere 9% of the budget .

This has affected negatively the country's infrastructural and human capital developments. Assume that over 30% of the country's revenues going for the settlement of subsidy claims is added to the one for capital expenditure on an annual basis, the country ought to have witnessed very significant progress in the area of infrastructure and human capital developments. This is one evil the highly regulated downstream sector of the petroleum industry has caused the country. Resisting the temptation of the perceived benefits of the subsidy regime which is however in the short run could reduce the fund leakages from the nation's treasury, increase the balances in the federation account (Ejiofor, 2015) and foreign reserves and ultimately address the decrepit infrastructure and human capital begging for dire attention in the country.

Table 2 Annual Subsidy spending vis-a-vis annual budgets (2006-2015)

S/N	Fiscal year	Amount (N)	Yearly percentage difference/progression (%)	Annual budget estimate (N)	Percentage of subsidy vis-à-vis annual budget (%)
1.	2006	151.9 billion	-	1.9 trillion	8 %
2.	2007	188 billion	19.2%	2.3 trillion	8.2%
3.	2008	256.3 billion	64.5%	3.6 trillion	7.2%
4.	2009	421.5 billion	39.2%	3.8 trillion	11.2%
5.	2010	673 billion	37.4%	4.6 trillion	14.6 %
6.	2011	(1.3 trillion) Revised			

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		to 2.19 trillion	48.2%; 66.6%	4.5 trillion	29%; 44.9%
7	2012	888 billion	24.2%	4.7 trillion	18.9%
8.	2013	971 billion	8.6%	4.9 trillion	20.7%
9	2014	971 billion	0.01%	4.7 trillion	20.7%
10.	2015	1.4 - 1.5 trillion	30.6% – 35%	4.5 trillion	31.1% – 33.3%

Source: Data extracted from Nwachukwu and Obasi (2015:2) retrieved from www.vanguard.com/2015/05/why-fuel-subsidy-must-go-2/ and secondary data by the researcher.

It is important to note that the various price regimes that can be seen from the table 3 below have not helped matters. They have rather reaped the people of their hard earnings rather than alleviate their plight as canvassed by the opponents of deregulation policy. Table 3 below indicates various price changes of petroleum products by successful governments at intervals to reflect the concerns of the teeming consumers. The table clearly shows that between 1999 and 2012, prices of the petroleum products have changed as much as 13 times within an administration or between administrations depending on the level of agitations from the critical publics. Monday (2013:2) argues that "some Nigerians see the policy as away of introducing high prices by the government, while other people view it as away of ending the scarcity and shortages of petroleum products". The government's belief is that fuel subsidy disrupts the system and encourages corruption. Deregulation brings with it competiveness and efficiency in the system and results of which rub off on the people in the guise of lower prices, improved service delivery and regular availability of petroleum products. Proponents of the policy have also argued that with deregulation in place, more skilled and unskilled jobs will be created and this will reduce incidences of pipeline vandalisation and oil theft due largely to the expansionist tendencies of the policy. These will reduce cases of oil smuggling hence neighbouring countries that patronise smuggled petroleum products will likely seek for very legitimate means of getting their products. All these will eventually lead to ending perennial scarcity and the arbitrary price hikes of petroleum products as we can see in the staggered prices of petroleum products in table 3 below which has not helped the public either as far back as 1966 till date. Agboola (2015) has also argued that until the government musters the political will to completely deregulate the downstream sector, Nigeria will continue to experience fuel scarcity. Agboola (2015:1) further said:

> that there is no other choice but to do away with this fraud and contraption called fuel subsidy; the sector should be totally deregulated. In fact, I had expected the government to immediately follow up in the spirit of addressing the chaos in the sector with a measured announcement insisting on deregulating the oil sector, so

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> that only those who have resources should be involved in the importation and the right price fixed.

Agboola is of the opinion that if government replicates what it did in the telecommunications industry in Nigeria in the downstream sector, the country will be better for it as competition among the operators will eventually expand the horizon of the industry as availability of products will no longer be in contention and the prices drastically reduced for the consumers. Guardian (2015:2) reports that the Minister of State for Petroleum, Emmanuel Ibe Kachikwu has said that “subsidy creates distortions in government revenue distribution as a result of round tripping and unnecessary carry-over expenditures yearly in away that is difficult for government to control”. He is further affirmed that deregulation policy was very essential in encouraging inflow of private sector and foreign investment and to ensure that the country has a fair share from her abundant God’s given resources by way of fair and stable price regime and full cost recovery and reasonable margins for operators in the sector. Guardian (2015:1) further reiterates the above statement when it quotes Tunji Oyebanji, Chairman and Managing Director of Mobil Oil Nigeria Plc, as having said that “the regulation of price of petrol is disincentive to investment in downstream”. He further said that “subsidy removal will lead to a significant reduction in government expenditure and guarantee more money for productive capital projects and to finance intervention programmes”. The Guardian (2015:2) states that that Oyebanji affirmed that:

> pump prices will trend international product price with consumers’ benefits from seasonality and there will be increased confidence from the international community in the Nigeria economy. It will also improve transparency and accountability in the downstream sector for all stakeholders and increased competition and investment in the sector by the players.

Table 3: (Fuel pump increases over time (1966- February 2016))

S/No	Date	Price per litre	Regime	Percentage difference
1.	1966 – Sept 30, 1976	8.4/5k per litre	Tafawa Balewa, Aguiyi Ironsi, Yakubu Gowon and Murtala Mohammed	-
2.	Oct 1, 1978	15.30k	Olusengun Obasanjo	78.86%
3.	April 20, 1978	20k	Alhaji Shehu shagari	-
4.	March 1, 1986	39.5k	Ibrahim Babangida	80%
5.	April 10, 1988	42k	“	

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6.	January 1, 1989	42k for commercial vehicles and 80k for private vehicles	"	43%
7.	Dec 19, 1989	60k uniform price	"	43%
8.	March 6,1991	70k	"	16.6%
9.	Nov 8, 1993	#5	Ernest Shonekan	614%
10.	Nov 22,1993	#3.25	Sanni Abacha	
11.	Oct 2, 1994	#15	"	361.5%
12.	Oct 4, 1994	#11	"	
13.	Dec 20, 1998	#25	Abdusalami Abubakar	127%
14.	Jan 6, 1999	#20	"	
15.	Jan 1, 2000	#30	Olusegun Obasanjo	
16.	June 8, 2000	#25	"	
17.	June 13, 2000	#22	"	
18.	Jan 1, 2002	#26	"	18.2%
19.	June 20, 2003	#40	"	53%
20.	July 9, 2003	#34	"	
21.	Oct 1, 2003	#38.50 and #42	"	
22.	May 29, 2004	#49.90k	"	
23.	Jan 2005	#50.50k	"	
24.	Aug 2005	#70	"	
25.	Jan 2007	#65	"	
26.	Jan 1, 2012	#140	Goodluck Jonathan	117%
27.	Jan 2012	#97 and #87	"	
28.	Jan. 2016	#86 (NNPC stations) and #86.50k (other dealers)	Mohammadu Buhari	

Sources: Data extracted from Akuv (2015) and Guardian December 25, 2015; Ogubodede and Olurankinse (2010) and secondary data by the researcher.

However, some opponents of the deregulation policy have contended that the policy will impact negatively on the economy of the country. It has been held that deregulation would always give the oil marketers opportunity of fixing prices of their products hence will result in exploiting the consumers unnecessarily (Monday, 2013). This will affect seriously their disposable income, leading to low per capita income and the country's GDP.

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From the table 3 above, it is clear that though, there remained steady price increases, all the price reductions by successive governments were not effected willingly but by mass protests and civil disobedience by civil society organisations and organised labour.

It will be recalled that on December 12, 2011, the National Economic Council headed by former Vice President, Namadi Sambo decided that government was gong to remove subsidy on January 1, 2012. The withdrawal of the subsidy generated lots of mass protests from the Nigerian Labour Congress and civil society organisations in January 2013 that lasted days before an agreement was reached with government over the implementation of the policy. It gave birth to the SURE-P as a palliative measure to cushion the effects of the subsidy removal. The opponents of the then policy held that the when such happens that the economy is always in comatose as prices of goods and services will always rise astronomically as a result of high cost of transportation (Igbe, 2015:5). This, they have argued, have multiplier effects that are negative on the economy, hence would want sustenance of the subsidy regime.

However the arguments for and against the deregulation policy in the downstream sector of the petroleum industry, those in favour of the policy tend to far outweigh those in disapproval of the policy. Nwaozuzu (2015:10 corroborated this position when he said that:

> However, on the balance of scale, the arguments in favour of deregulation of pump prices outweigh those in favour of regulation. That is, market equilibrium price is better attained through the interaction of supply and demand forces.

This is the thrust of our paper in view of the many on-going debates regarding the deregulation policy in the downstream sector of the petroleum industry in Nigeria.

Challenges and prospects of deregulation policy in the downstream sector of the petroleum industry in Nigeria

The importance of a critical examination of the challenges and prospects of implementing the deregulation policy in the downstream sector cannot be over-emphasised. Monday (2013:2) has rightly observed that deregulation policy is neither new nor peculiar to Nigeria as it has been successfully operated in other countries of the world and resulted in the growth of their economies. Such countries include Canada, Japan, United States, Brazil etc. But some other countries like Argentina, Philippines, South Africa etc. did not find it easy as Nigeria is presently doing. This is largely due to the fact that despite the many years of the conception of the policy by successive governments in Nigeria, the policy is still generating debates among stakeholders in the industry. The decision of whether or not to deregulate the downstream of the petroleum industry has become an albatross around successive governments in the country due to constant threat by labour unions for a show-down if they go ahead with the policy. In other words, the decision of whether or not to implement the policy has always been frustrated by the civil society organisations and the labour unions in the country. They have often accused governments of attempting to impoverish the Nigerian workers and people by the obnoxious policy of deregulation. Most times they accuse government officials of having hidden agenda in their efforts to deregulate. For instance, attempts by the federal government during the administrations of Olusengun Obasanjo and Goodluck Jonathan to privatise the ailing refineries as part of the deregulation process were rebuffed by the civil society organizations and the labour unions, alleging attempt by the state officials to sell the refineries to themselves and

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their cronies, hence mass actions to dissuade government from implementing the policy. Aborisade (2011:5) has emphatically stated that:

that it might not be an exaggeration to say that the history of class struggle in Nigeria as from 1978 or 1986/88 till date is perhaps the history of struggles against the prices of petroleum products. This is because, depending on the amount of increase, it could be predicated that any major increase, would sooner or later, be met with resistance in the form of mass actions.

In 2013, for instance, the civil society organisations and organised labour had mass protests that crippled economic activities in major cities in Nigeria, especially in Lagos to protest against subsidy removal. Ejiofor (2015:1) has said that:

> before we join the protest against subsidy removal, let us reflect on who the partial removal benefited most. Let us x-ray and correlate the economic end of selling crude below $65 a barrel and paying marketers to import the same crude.

Ejiofor (2015) argued that subsidy was an issue when the global oil price was sold above $100, hence should not be an issue with the current global fall in oil prices. For him, the Nigerian Labour Congress (NLC) should be more concerned about the obnoxious treatments of Nigerian workers by Indian and Lebanese companies and casualisation of workers that is on-going rather than mass protests against the deregulation policy of the downstream sector by the government. Also, the delays in processing subsidy payments to oil marketers often times lead marketers to hoard the supply with the primary motive of creating artificial scarcity in the country. However, due to the lack-lustre attitude and incompetence of the civil servants in the industry, the successive governments have no more plans for new refineries while they find it difficult to even maintain the existing ones (Ejiofor, 2015). The way it has been suggests that successive governments see maintaining the existing refineries as not sustainable and the possibility of private investors building new refineries are not also feasible as it appears that there is more profit to make in importing the products than in refining locally.

The foregoing narratives make the deregulation policy more challenging especially when viewed against the backdrop of near recession in Nigeria's economy heavily dependent on crude petroleum. This is why some critical stakeholders have advocated for a fully deregulated downstream to save the country from endemic corruption and looming economic quagmire.

Furthermore, the prospects of the deregulation policy in the downstream sector, often times appear gloomy due to the challenge of the socio-economic and political environments prevalent in the country. The transport, power and socio-economic infrastructure in Nigeria are not conducive for the kind of foreign investments that are being expected in the sector if the deregulation policy eventually flies. There is no gainsaying that over the years, the state of the nation's physical infrastructure and human capital is so appalling that is capable of scaring investors. All these and more are the factors that impede the realisation of a fully deregulated downstream sector in Nigeria. Nkogbu and Okorodudu (2015:37) in affirming this position, hold that:

> critics of the deregulation policy do opine that despite the good intentions behind it, it is not feasible given the deplorable state of the nation's refineries, roads, railways and other socio-economic infrastructure. The critics listed fixing and building of refineries, availability of petroleum products, provision of an enabling

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environment for meaningful restructuring of the petroleum sector, repair of roads, fixing the problems around power generation and supply among conditions to be met before deregulation could take off.

Again, Onuegbu (2015:4) has alluded to the challenge of infrastructure in the country pursuant to the deregulation policy. He said that the state of public infrastructure is on alarming decline, hence: there thus appears an inverse relationship between the removal of fuel subsidy and the state of public infrastructure (or what government calls ”critical infrastructure”) such that the more government removes subsidy the worse our “critical infrastructure” becomes.

It is for this reason he thinks government has some serious credibility problem and any argument to support deregulation translates to increasing the pain of the ordinary Nigerian. For Onuegbu (2015) the non-passage of the Petroleum Industry Bill which contains the legal framework for the deregulation policy by the 6th and 7th National Assembly, is a major challenge for the liberalisation of the entire petroleum sector which began in 2000. The major challenge here is, according to him, is the issue of removing fuel subsidy and unbundling of the NNPC and more contained in the bill ought to have launched the nation into haven of investments in the sector. So the non-passage of the bill which is very comprehensive is one challenge that affected the deregulation policy and therefore its prospects largely depends on the bill if revisited by the 8th National Assembly.

For Onuegbu (2015:4): without a legal framework for deregulation policy and liberalisation of the downstream sector, how will labour unions believe that political class, and indeed government, is serious about the down stream sector reforms and indeed the reforms in the nation’s oil and gas sector?.

The picture above is clear indication of the major challenge between government and organised labour in the implementation of deregulation policy in the downstream sector of the petroleum industry in Nigeria. The challenge of trust has impeded the process of implementation of the policy in the country.

Another challenge of the deregulation policy is the fact that as soon as successive governments announce plans to deregulate the downstream sector of the oil industry, Nigerian economy would always witness low down-turn and an arbitrary price increases, smuggling and pipeline vandalisation, hoarding of petroleum products and speculation that price hikes are likely to take place yearly rather than the anticipated boom (Ogunbodede & Olurankinse, 2010:2). This negatively affects the disposable income and demand for the petroleum products, hence standard of living becomes low. And when this happens, poverty becomes the next thing that sets in among the populace. This is one serious challenge to the deregulation policy in the downstream sector of the petroleum industry in Nigeria.

There is no doubt that all these constitute major impediments to the implementation of the deregulation policy by successive governments despite palliative measures usually adopted to ameliorate or cushion the effects of the partial deregulation process. For instance, the administration of Goodluck Jonathan introduced Subsidy for Reinvestment and Empowerment Programme (SURE-P) as a palliative measure to cushion the effects of fuel subsidy removal on the populace after mass actions by the civil society groups and organised labour. The programme was very comprehensive with lots of poverty alleviation schemes in the form of

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micro-credit loans, monthly stipends, transportation schemes and many others. But the programme was engrossed in corruption. It became a medium for siphoning public funds by government officials and their cronies. Hardly did the programme succeed in achieving what it was established to achieve. It was corruption personified. A chieftain of the People's Democratic Party and a former chairman of SURE-P, Christopher Kolade, was recently reported as having said "he resigned his position as chairman in 2013 because its operations were becoming tainted with corruption and politics, thereby losing its credibility", alleging that the officials of the Jonathan administration were practising "something that was lower than the transparency", expected of an interventionist agency like SURE-P (Premium times 2015a).

These are the kind of challenges that affect the prospects of the implementation of deregulation policy of government in the downstream sector. Presently in the 2016 budget proposal by the Buhari administration there is no provision for subsidy payments. Yet, in December, 2015, the Minister of State for Petroleum, Emmanuel Ibe Kachikwu had said there was no provision for subsidy payments in the 2016 appropriation and yet went ahead to announce a price regime reducing the price of petrol from N87 to N86 for NNPC stations and N86.50k for other dealers of the products which was to take effect from January 1, 2016. Our observations reveal that, petrol now sells for a regulated price of between N86 and N86.50k but without a clear statement and resolve by the government to implement full deregulation in the downstream sector of the petroleum industry in Nigeria. It is not clear if what is uploading is a partial deregulation or a gradual deregulation process or a semi regulated regime. For instance, if the government says that it does not have provisions for subsidy payments in the 2016 budget proposal, yet it went ahead to provide a new price template for petroleum products, even a little lower than the N87 pump price. It becomes worrisome to decipher what the intentions of government are in the present arrangement. Questions such as these are being asked: Is it that the present price regime is a direct reflection of the current global oil price? Is it that oil marketers have been left to solely import petroleum products and that the current prices reflect the current international market prices in a free market economy? Or is it that the NNPC is in a joint venture arrangement with other oil marketers to import products and still assumes its regulatory role and authority? Or is it that Nigerians do not deserve to know what the present arrangements are, and what the government intends to achieve apart from stating categorically that deregulation was imminent and that it does not have subsidy component in the 2016 budget estimates? Is all that the people need to know? Or is it another pattern of politics meant to hold the civil society organisations and organised labour in suspense and check against their usual antics? Of course, labour has said that it does not have problems with the planned deregulation provided set conditions were met before such a policy can be implemented.

Obviously what readily can tentatively provide answers to the questions raised is the reported World Bank advice that Buhari administration should as a matter of urgency take the advantage of the global fall in oil price to remove fuel subsidy so that it does not have effect on the populace. Premium Times (2015b:1) reports that World bank's lead economist, John Litwack, has said that "now is the best time for the government to scrap the subsidy, as doing so would not push retail pump price beyond an average of N100 per litre, or generate the kind pressure that would negatively impact on the people beyond what they are currently facing".

Having strong political will on the part of successive governments in taking bold decisions that would launch the country into full fledged deregulation in the downstream sector of the petroleum industry has been very challenging such as this. The Buhari government has been on

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the fence and the decision of whether or not to deregulate the sector became an albatross just like the previous governments. It is confronted with the challenge of resultant mass actions from the civil society organisations and organised labour should the announcement to fully deregulate the sector be made. This is the likely reason the government may have taken a subtle or soft-landing approach as suggested by the World Bank's lead Economist, John Litwack, to gradually move into the process of deregulation of the downstream sector that is almost in comatose.

Given these challenges that confront the implementation of deregulation policy in the downstream sector of the petroleum industry in Nigeria, it will be interesting to assert that the issue of whether or not to deregulate which has always hung in the balance for successive governments is one policy too many considering the political and socio-economic vulnerability of the Nigerian polity. Nwaozuzu (2015:3) agrees no less with this position when he categorically stated that:

> therefore, deregulation of fuel pump price is inescapable but highly politically-sensitive, particularly in developing countries, which are usually characterised by high population growth, high level of unemployment, low per capita income , absence of welfare system, poor public services, and infrastructure development, low levels of human capital development, superstition, etc.

Nwaozuzu (2015) reiterates that "issue of timing of full deregulation should be set in the context of a much broader macro-economic framework". He said deregulation has to take into account all actions and inactions that would loosen all bottlenecks around the downstream sector of the petroleum industry as well as give consideration to citizens' "social safety net".

This is the crux of the challenges that impede the prospects of smooth take-off of the deregulation policy in the downstream sector of the petroleum industry which the country has awaited for too longer that will eventually launch her on the part of downstream revolution where perennial scarcity of petroleum products and the arbitrary pump price hikes shall be thing of the past.

Summary, Concluding Remarks and recommendations

Summary

This paper critically examined the political economy of deregulation policy in the downstream sector of the petroleum industry in Nigeria (1999-2015). The paper has five sections: Introduction, definition of terms, conceptual and theoretical framework, a critique of the political economy of deregulation policy in downstream sector, specifically the arguments for and against the deregulation policy, the challenges and prospects of deregulation policy in the downstream sector and summary, concluding remarks and recommendations.

We adopted both classical Marxian political economy theory of the state and elite theory in the analysis of the paper. The paper has argued that a full deregulation in the downstream sector of the petroleum industry in Nigeria is not only a panacea to addressing the perennial scarcity and arbitrary pump price hikes experienced in the sector over the years but that its multiplier effects were to stimulate economical activities that would address the ailing physical infrastructure and human capital in the country. We also established the fact that the arguments for the

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deregulation policy in the downstream far out-weigh those against if placed on a scale of balance, hence advocated that the best time to implement the policy is now, given the global fall in the oil prices. The paper demonstrated that due to the endemic collaborative economic motives of the ruling elite alongside their counterparts in the downstream sector, the quest for achieving a fully deregulated oil economy has been very challenging and frustrating. And that it only requires a government that has strong political will like the Buhari administration to take decisive steps in implementing a fully deregulated oil economy as its benefits to the economy are enormous. The paper anticipated that, though the Buhari government has not been able to come out clearly that it is implementing a partial or full deregulation policy, the country is already in for either of them as there was no subsidy component in the 2016 appropriation bill sent to the National Assembly for consideration.

The reason for not coming out clear may not be unconnected to the fear of the political cum socio-economic sensitivity of the policy to the sustenance of a new administration that is just barely a few months old. And given the kind of the mass protests such steps had generated in the past, especially in early 2013, no government would risk such from the civil society organisations and organised labour, at least for the period.

CONCLUDING REMARKS AND RECOMMENDATIONS

Successive governments in Nigeria since the inception of democracy in 1999 have faced the challenge of whether or not to adopt deregulation policy in the downstream sector of the petroleum industry. In fact, the decision of whether or not to adopt deregulation policy as a panacea for remedying not only the perennial fuel scarcity and arbitrary price increases in petroleum products but the ailing economy and the state of both infrastructure and human capital has been an albatross around successive governments in Nigeria. We interrogated the political economy of deregulation policy in the downstream sector of the petroleum industry in Nigeria since inception, hence contend that the subsidy regime of successive governments has not addressed the perennial scarcity and arbitrary price increases of petroleum products in the country let alone the economy. We maintain that the fuel subsidy regime has been an instrumentality of corruption as it has failed to address the original intentions of its founding fathers.

We hold that the downstream sector of the petroleum industry in Nigeria is one sector too many. The sector touches, to a larger extent, on both the very rich and common Nigerians. As soon as it sneezes, the entire country catches cold at once. Unlike the upstream sector in which slight changes could take a little while to be noticed by the populace, the downstream nose-dives when once there is a hiccup in the chain of distribution. For instance, as soon as there is a little hitch in the supply chain of petroleum products in Nigeria, especially from the source, it quickly spreads like a wild fire the same moment unlike the upstream sector that its impacts may take quite a while to be felt by all. This is why, over time, successive governments have always played safe in matters concerning the downstream sector of the petroleum industry. Caution has always been the watchword. This is also one sector that appears to have an entrenched class interest that must be protected by the managers of the sector to avoid a backlash on their collaborative economic motives. This explains why it has not been easy for the ruling elite, over the years, to take decisive steps in addressing the rot they created in the sector. This is why the decision of whether or not to implement the deregulation policy by successive

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administrations in the downstream sector has been very challenging. To implement a fully deregulated downstream petroleum economy requires very strong political will on the part of government. It is either they are afraid of the backlash of their actions or inactions from their collaborators or that they are afraid of the political consequences of their actions or inactions as it were. Far-reaching measures that would launch the country into a fully deregulated petroleum economy are themselves politically and socio-economically sensitive to handle with a wave of hand by any administration.

On the other hand, the myriad of arguments for and against the deregulation policy is enough to hang a government in the balance in the choice of which policy to pursue due largely to the dire consequences each action or inaction may cause the nation. Whichever way, what is most important to the people is what would reduce the untold hardship suffered by the teeming consumers of the products across the country. It is on this note that we conclude that the benefits of a fully deregulated downstream sector of the petroleum industry far outweigh those of a regulated regime. The earlier the country implements the deregulation policy the better for the economy. And there is no better time to do so than now as it would largely address not only the perennial scarcity and arbitrary price hikes of petroleum products in the country but stimulate the economy such that the ailing physical infrastructure and human capital will be turned around for better. The multiplier effects of the socio-economic and political benefits of the deregulation policy in the downstream sector of the petroleum industry in the country are enormous and should not be sacrificed on the alters of politics and economics.

The future of Nigeria's downstream sector of the petroleum industry lies in the elite in power especially now that the entire global oil prices have fallen below expectation. Going into full deregulation, though with its initial hiccups and devastating effects on the masses, would have little or no effects as the current international oil prices would have no significant differences and consequences that could ignite the usual mass actions from the civil society organisations and organised labour. The deregulation policy requires this kind of subtle but far-reaching approach in addressing the long years of disequilibrium in the supply chain of the downstream sector of the petroleum industry. But in doing this, caution must be taken by the Buhari administration as the relative peace currently enjoyed in the sector may be a time bomb or amount to postponing the evil day. Practical steps in engaging critical stakeholders in the sector pursuant to the implementation of the policy is a sine qua non towards a joint identification of social safety net that will cushion the effects of the policy in the event that the global oil prices rise astronomically to avoid a repeat of occupy Nigeria mass action in 2013.

We conclude, therefore, that a complete deregulation policy in the downstream sector that will result in government's outright removal of fuel subsidy remains the only antidote to addressing the perennial scarcity and arbitrary price increases in petroleum products by ambitious petroleum marketers in the country. It is by so doing that market forces shall become the major determinants of the prices and distribution of petroleum products for the teeming consumers in Nigeria. A move that will not only address the country's economic challenges but will ensure that savings that would accrue from fuel subsidy removal and other revenues from the stimulated economy could be channelled into addressing the ailing infrastructure and human capital in the country.

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