

## Energy Consumption and Socio-Economic Development: The Promise and Threat of Subsidy Removal in Nigeria

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### Abstract

The goals of subsidies are to lessen inequality, help families escape energy poverty, and lessen the negative effects of volatile commodity prices on both producers and consumers. The study provides some insight into energy consumption and socio-economic development of subsidy removal in Nigeria using the discourse analysis methodology. The study revealed that fuel subsidy removal in Nigeria would free up funds for other sectors, encourage domestic refineries to produce more petroleum products, lessen Nigeria's reliance on imported fuel, create jobs, reduce the deficit in the budget and create a budget surplus, decrease government borrowing, reduce corruption related to fuel subsidy payments, intensify competition, revitalize domestic refineries, and ease pressure on the exchange rate. Again, the withdrawal of gasoline subsidies may have the unfavorable effects (threat) of short-term slower economic growth, more inflation, greater poverty, increased fuel smuggling, higher crime rates, higher petroleum product prices, and a loss of jobs in the unorganized sector and threatening the very existence of peace and security. The study submit that the government thoroughly assess the effects of eliminating fuel subsidies on people and businesses, and offer palliative care as well as various forms of financial assistance to lessen the negative effects on them. Moreover, we advise that before fuel subsidy reforms are implemented, the required safety nets for the impoverished be put in place.

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### **Background to the Study**

The topic of subsidies has become more and more important over the past three decades, particularly in developing nations. Subsidies can refer to the cash transfers that governments give to producers and consumers. For example, the government will frequently subsidize fuel to ensure that producers and consumers are not negatively impacted by rising fuel prices. According to the World Bank (2010), a fuel subsidy occurs when the government reduces customer charges and increases revenue for fuel producers. The main goal is to maintain fuel costs below those of the global market in order to promote consumption and manage price levels. Fuel price subsidies can be economically attractive since they reduce fuel costs and lessen the impact of fluctuations in the price of oil on a global scale. The dynamics of subsidies enable the government to control the market price of products and services, limiting the free market's ability to function. According to Amin and Chawdhurey (2016), fuel subsidy policies support economic activity by preventing price increases, managing inflation, and reducing the impact of fluctuations in global oil prices on the economy. Similarly, fuel subsidies promote fuel use with the goal of increasing real sector investment. According to Onyeizugbe and Onwuka (2012), reducing poverty and raising living standards for citizens are the primary goals of fuel subsidies. The goal of subsidies, which are defined as the difference between user and efficient pricing or as charging a retail price below the global price, is to lessen inequality, help people escape energy poverty, and then use this as a political pressure point. Despite being well-liked by the populace, subsidies frequently fall short of the impoverished since the rich, who are the ones who deserve the advantages, receive them first (Sandefur, 2018). Economic theory posits that subsidies distort market prices, resulting in unforeseen economic, environmental, and social repercussions, in addition to being a significant drain on fiscal resources.

The majority of Nigerians were unaware that the government had been providing fuel to Nigerians at a price below cost during the 1970s, when the subsidies had been in existence. The 1977 Price Control Act outlawed the sale of certain goods, including gasoline, above the set price. This regulation was enacted by the Olusegun Obasanjo administration to mitigate the consequences of inflation brought on by a global spike in energy costs. In Nigeria, fuel subsidies have generated debate and are viewed as unfair by certain commentators. Fuel subsidies were initially implemented in Nigeria in the 1970s in reaction to the 1973 oil price shock. In 1986, fuel subsidies were taken away in part. The fuel subsidies have been in effect ever since. The government abruptly stopped providing fuel subsidies in 2012. Massive protests followed the withdrawal, with the goal of forcing the government to bring back the fuel subsidy that it had cut (Ozili and Arun, 2023). Nigeria is the first country that has eliminated fuel subsidies. Fuel subsidies were eliminated by Indonesia in 1997 following the Asian financial crisis. When the fuel subsidy was removed, domestic fuel prices spiked, sparking weeks of violent rioting and protests that ultimately prompted the outgoing administration to step down in 1998 (Chelminski, 2018).

Nigeria's gasoline subsidy withdrawal in 2023 was a turning point in the country's economic, social, and environmental development. This significant change in policy has many ramifications that need to be thoroughly investigated in order to fully understand their far-reaching effects. Finding the complex web of effects—positive, negative, direct, and indirect—that result from the elimination of subsidies and analyzing their implications for the Nigerian economy and society constitute the central challenge of this research. Although the goal of the subsidy removal is to improve fiscal sustainability and be in line with global trends of reducing subsidies for fossil fuels, there are a number of obstacles to overcome (Ozili and Arun, 2023). The biggest of these difficulties is that eliminating subsidies may result in higher fuel prices, which would raise living expenses and potentially exacerbate socioeconomic disparity. This situation is similar to the worries expressed by Ude (2023), who highlighted that although the removal of subsidies may have long-term advantages, it may put a pressure on household finances, especially for those who are already marginalized.

The Nigerian economy's structural foundations add more levels of complexity. The country's reliance on imported oil and the current condition of its refineries increase the likelihood of rising fuel prices (Omitogun et al (2021)). A thorough analysis of the delicate balance that must be struck between regulating consumer costs and promoting domestic refining capacity is necessary, as the elimination of subsidies may make the problems caused by a weak domestic refining sector even more severe. Further research is necessary to determine how the loss of subsidies would affect infrastructure and public services. Positive change may result from the planned reallocation of subsidies' funding to public goods including infrastructure, healthcare, and education. But careful attention must be paid to how these moneys are used and how fairly they are distributed. It becomes crucial to make sure that the removal results in noticeable advancements in these areas without having unanticipated unwanted effects.

The intricate relationship between sociological, political, economic, and environmental elements intensifies the problem's complexity. The Nigerian gasoline subsidy withdrawal in 2023 is a complex issue with interconnected social equality, environmental sustainability, political stability, and economic viability. These elements have complex relationships that call for an integrated strategy that takes potential trade-offs and synergies into account. Determining the ramifications of this choice necessitates a careful examination that considers the various factors involved. This study's main goal is to tackle these issues and offer insights that advance a comprehensive knowledge of how the elimination of subsidies has affected Nigeria's economy and society. Policymakers must have a thorough understanding of these issues in order to make well-informed decisions that minimize disruptions to the vulnerable population while balancing the short- and long-term advantages. The paper is organized as follows. The review of related literature is presented in section 2. Section 3 is the theoretical framework. The methodology is discussed in section 4. In sections 5 and 6 discussed the arguments for and against subsidy removal. The conclusion and recommendations are presented in section 7.

## Literature Review

In his study, Dartanto (2013) investigated the relationship between Indonesia's fiscal balance and fuel subsidies from 1998 to 2013. He discovered that while eliminating 25% of fuel subsidies resulted in a 0.259 percentage point increase in poverty, eliminating 100% of fuel subsidies and reallocating 50% of the proceeds to government spending resulted in a 0.277 percentage point decrease in poverty. According to research by Fathurrahman et al. (2017), transferring subsidy payments to low-income households may impede economic growth while enhancing social wellbeing. On the other hand, eliminating fuel subsidies is typically accompanied by a pledge to use the savings on subsidies to implement specific reform. However, in Indonesia, people might oppose the reform if they thought the government was corrupt and found promises to replace gasoline subsidies with targeted expenditure less believable (Kyle, 2018).

The impact of eliminating fuel subsidies has also been examined in other international research. According to Harring et al.'s (2023) analysis of sentiments across national boundaries about the elimination of fossil fuel subsidies, the public would support this action if the fiscal monies saved were used as efficiently as possible. In Malaysia, Chatri (2014) evaluated how the removal of gas subsidies in the power sector affected the entire economy and discovered that this resulted in an increase in electricity prices, which was then followed by a drop in the demand for electricity from other economic sectors and a decline in the country's gross domestic product.

According to Antimiani et al. (2023), there is ongoing discussion on eliminating fossil fuel subsidies and repurposing the money to support the technological shift towards a sustainable and decarbonized EU economy. Fossil fuels are still heavily subsidized in EU countries. Sampedro et al. (2017) further contended that fossil fuel subsidies, which totaled US\$233 billion in 2014 – four times the number of subsidies allotted to support renewable energy – are a barrier to combating climate change in the EU because they divert investment away from clean energy sources. They did, however, demonstrate that the substitution of coal and gas for gasoline would result in a negligible decrease in CO<sub>2</sub> emissions if fuel subsidies were eliminated.

According to Nowag et al. (2021), the EU should gradually phase off its subsidies for fossil fuels by using state aid. According to Erickson et al. (2017), the G20 climate pledges might be met more quickly if tax breaks and other policies that encourage fossil fuels were eliminated. After looking at the Chinese situation, Lin and Li (2012) demonstrated that eliminating gasoline subsidies will have a negative impact on China but a favorable impact on other parts of the world. In a separate analysis, Ouyang and Lin (2014) demonstrated that in China, the financial gains from fossil fuel subsidies outweighed the gains from renewable energy subsidies.

Rentschler and Bazilian (2017) emphasized the concept of reform through complementing strategies in their study. The report concludes that overhauling fossil fuel subsidies requires more than just cutting subsidies; it also calls for extensive preparation

and a series of thoughtfully thought-out and ordered policy steps to provide public support and social protection for disadvantaged groups. Based on the experiences of certain nations, such Malaysia and Indonesia, it has been determined that the effectiveness of the reform also depends on the timing of the series of activities (Benes, Cheon, Urpelainen, and Yang, 2015).

Around the world, subsidies have been employed for a wide range of objectives, leading to large financial commitments from governments. For instance, the G20 countries gave over \$600 billion in subsidies between 2017 and 2019, the great majority of which went toward supporting the production of oil and gas rather than any other phase of the fossil fuel industry (Geddes, Gerasimchuk, Viswanathan, et al., 2020). Fossil fuel subsidies have mostly been utilized in developing nations, like Nigeria, as a redistributive policy tool, especially income redistribution, to protect the poor and lessen the impact of the spike in global crude oil prices. But this has put a heavy financial strain on poorer nations; thus, during the past 20 years, numerous initiatives to reform fossil fuel subsidies have been made. Numerous researches have been conducted on the justification, implications, impacts, and reforms of fossil fuel subsidies. But because there has been a lot of discussion and documentation of the topic in the literature, this study mostly focuses on current developments, especially as they apply to Nigeria.

Today, policies aimed at eliminating gasoline subsidies are difficult, especially in Nigeria. The policy's grave negative effects have typically been the focus of arguments against it. The literature has a number of studies in this field. Siddig, Aguiar, Grethe, Minor, and Walmsley (2014) observed in their study that although a decrease in the subsidy frequently results in an increase in output, it may have a negative effect on household income, particularly for low-income families. Richer households gain more from maintaining subsidies, especially those for fuel, than do impoverished households (Soile & Mu, 2015). The analysis found that the wealthiest 20 percent of families receive twice as much in gasoline subsidies as the poorest 20 percent. For households, the result seems to be primarily negative. On the other hand, some research has shown the reverse. Dennis (2016) discovered in this class of studies that while the removal was generally positive, its effects on specific households in developing nations were not uniform. It was suggested that the subsidies be removed. Finding a balance between the growing amount of citizen poverty and the financial burden on governments is necessary, according to the investigation's conclusions.

Bhattacharyya and Ganguly (2017) draw attention to the ways that changes in distributional equality, energy efficiency, and consumption patterns might result from the removal of cross subsidies in electricity pricing. Comparably, Labeaga et al. (2021) and Feng et al. (2018) investigate the potential effects of energy taxes and subsidy elimination on income distribution and poverty rates, respectively. These studies emphasize how crucial it is to take the equality implications of subsidy removal strategies into account. Majekodunmi (2013) and Chiluya (2015) are two studies that explore the social and political aspects of subsidy elimination. Majekodunmi (2013) focuses on the political

economy of the elimination of fuel subsidies, including citizen demonstrations and governmental actions. In contrast, Chilwa (2015) illustrates the interaction between technology and social movements by focusing on how social media shaped public discourse during protests against the elimination of fuel subsidies.

Sectoral and regional contexts are also studied in relation to the effects of subsidy elimination. Bazilian and Onyeji (2012) provided insight into the detrimental effects that removing fossil fuel subsidies and an inadequate public electricity supply might have on businesses. Rosas-Flores et al. (2017) examine how carbon taxes and the elimination of subsidies affect households in Mexico, finding differing effects on household welfare and income distribution. These researches highlight the possibility of context-specific effects from subsidy elimination, necessitating customized policy responses. Studies like Abd Obaida et al. (2020) and Harring et al. (2023) examine the topic of public acceptance and behavioral elements. Cross-national sentiments on the withdrawal of subsidies are analyzed by Harring et al. (2023), who find that the energy transition setting and socioeconomic characteristics have an impact on attitudes. According to Abd Obaida et al. (2020), the withdrawal of subsidies may have a moderating effect on SMEs' tax compliance behavior, hence influencing their tax compliance practices.

### **Theoretical Framework**

Applying a variety of theoretical frameworks with an emphasis on social, political, and economic aspects is necessary to analyze the elimination of subsidies. These frameworks shed light on both expected and unexpected repercussions, offering insightful information about the difficulties of subsidy withdrawal. Understanding the economic ramifications of subsidy withdrawal requires an understanding of economic theories. The Rational Choice Theory is one such paradigm that suggests people behave in a way that maximizes their own interests within certain bounds (Van Valkengoed & Van der Werff, 2022). This hypothesis can explain how customers adjust their spending patterns in response to price rises when subsidies are removed. Data from the 2012 demonstrations in Nigeria over the withdrawal of subsidies shows changes in consumer behavior brought on by abrupt increases in fuel prices (Apeloko & Olajide, 2012).

Political theories shed light on how public opinion and power relationships affect government choices to remove subsidies. According to the Public Choice Theory, political actors want to maximize their own interests, which may result in decisions that are not necessarily in the best interests of the general public (Obasi et al., 2017). This hypothesis explains the conflict between the interests of the people and the decisions made by the government in Nigeria's subsidy removal cases from 2012 and 2023.

The effects of subsidy elimination on society are clarified by social theories. According to Apeloko and Olajide (2012), the Theory of Social Conflict describes how conflict arises between society groups with different interests when policies jeopardize their well-being. The Theory offers a prism through which conflicts and disputes that emerge when policies such as the elimination of subsidies affect different social groupings differently

can be examined. It emphasizes how crucial it is to consider the social and distributional repercussions of such policies in addition to their economic ones. Policymakers can foresee and resolve any disputes by knowing these dynamics, working toward more socially and fairly acceptable policy choices. Environmental theories, which are especially pertinent in the context of climate action, consider the ecological impacts of eliminating subsidies. The Ecological Modernization hypothesis looks at how changes in policy can result in less fossil fuel consumption and other more sustainable behaviors (Van Valkengoed & Van der Werff, 2022). According to the notion, nations can move toward greater environmental sustainability by modernizing in a way that incorporates ecological factors into choices about economics and politics. It implies that improvements in cultural ideals, production processes, and technology advancements can all work together to lessen the effects on the environment. This idea is pertinent to the discussion of subsidy removal because it raises questions about how the elimination of fossil fuel subsidies can encourage the use of greener, more energy-efficient technologies and energy sources. To put it briefly, a multi-dimensional examination of subsidy elimination requires the use of multiple theories. Social theories shed light on societal ramifications, environmental theories address ecological effects, and economic theories explain market dynamics and consumer behavior. A thorough grasp of Nigeria's 2023 subsidy removal case can be attained by incorporating insights from several frameworks and firmly basing the research on actual evidence.

### **Methodology**

This study uses discourse analysis and case study techniques to delve deeply into the complex effects of subsidy removal on the Nigerian economy and society, taking inspiration from Rashid et al. (2019), who describe the case study method as a step-by-step guide for business researchers. This approach works especially well for comprehending intricate real-world occurrences in their surrounding contexts. The study's data collection is underpinned by qualitative research approaches, which predominantly utilize thematic analysis. In order to apply theme analysis in an organized manner and find patterns and meaning within the data, Braun and Clarke (2022) stress the importance of conceptual and design thinking. Using a theme analysis is in line with the study's objective of thoroughly examining the various effects of the elimination of subsidies on the Nigerian economy and society. This is a conceptual paper, so the main focus is on theoretical exploration, synthesis, and analysis rather than empirical data collection or statistical analysis. In order to understand existing theories, models, and conceptual frameworks relevant to subsidy removal and its effects on economies and societies, academic databases, scholarly articles, reports, and reliable sources were thoroughly reviewed. This iterative process helped identify important themes, knowledge gaps, and theoretical avenues to pursue.

### **Case Study 1: The Promise of Fuel Subsidy Removal**

Concerns that the subsidy scheme unfairly benefited the wealthy as spiraling expenses grew increasingly unsustainable were raised by the newly elected government of Nigeria in 2023. Emphasizes that money saved by eliminating gasoline subsidies would go

toward building vital public infrastructure. The elimination of fuel subsidies in Nigeria has a beneficial macroeconomic impact since the money that would have been used to pay for the subsidies might now be used to build vital public infrastructure in the country. Academic economists generally agree that public infrastructure spending might be funded by the money utilized for subsidy payments (Bazilian and Onyeji, 2012; Majekodunmi, 2013). Nigeria did not have enough money before the fuel subsidy was removed to finance the construction of vital public facilities. The government had to take on massive debt in order to finance the budget because there wasn't enough money. Nonetheless, the government might make proper use of these monies after the fuel subsidy is eliminated in order to build vital public infrastructure in Nigeria. This result is only possible if the government is open, truthful, and accountable for making sure that the money saved by doing away with fuel subsidies is used to build vital public infrastructure.

Financial resources are released to support the growth of other industries. According to another research, the money saved by eliminating gasoline subsidies might be used to advance the growth of other economic sectors (Ogunode, Ahmed, and Olumbenga, 2023; Ugbaka and Nnnak, 2020; Gidigbi and Bello, 2020). The elimination of gasoline subsidies can free up financial resources for the growth of other sectors that need a lot of financing and government action, in addition to building Nigeria's essential public infrastructure. The money that would have been used to pay for fuel subsidies could have gone toward funding the Student Loan Act's implementation as well as industries including tourism, healthcare, education, and agriculture. Many economic sectors underperformed before the fuel subsidy was removed because of poor private sector investment and pitiful levels of public spending into those industries as a result of limited government revenue. It is envisaged that the Federal Government will direct the funds that were previously allocated to gasoline subsidies toward other areas that require government support.

Eliminating fuel subsidies will lower the budget deficit and may soon result in a budget surplus. The elimination of the gasoline subsidy would have the additional benefit of allowing the existing budget deficit to be funded. Previous research indicates that gasoline subsidies are a contributing factor to Nigeria's increasing budget deficit, and hence, their elimination is necessary (Harun et al., 2018; Adagunodo, 2022). In the past ten years, Nigeria has experienced a fiscal deficit. More recently, it was estimated that the gasoline subsidy will cost ₦4 trillion in 2022 and an astounding ₦17 trillion in 2023, whereas the authorized budget for 2023 was just ₦21.83 trillion. This suggests that the fuel subsidy would account for almost 77% of the budget, pushing Nigeria closer to bankruptcy and into a chronic budget deficit. Furthermore, Nigeria's external debt service account for 90% of its earnings, which made the country's financial circumstances much more precarious throughout the fuel subsidy program. The recent elimination of the fuel subsidy is, in fact, a good thing for Nigeria's finances since it would lower the country's current budget deficit because the ₦17 trillion would go toward expanding the national budget. Nigeria may also eventually have a budget surplus.



Lower levels of government borrowing. The detrimental impact of gasoline subsidy payments on government borrowing has been discussed (Okongwu and Imoisi, 2022). The Nigerian government has been in debt since the beginning of the gasoline subsidy program, and this debt got worse during the recession of 2016 and the COVID-19 epidemic of 2020 (Ozili, 2022). In 2022, the government has been borrowing continuously from the Central Bank of Nigeria (CBN) in order to pay subsidies and settle debt. The only option available to the administration was to raise central bank borrowing. The FG recently securitized the ₦22.7 trillion that the government owes the Central Bank, with the national assembly's consent in 2023. The government's recent decision to remove the fuel subsidy suggests that it will no longer borrow money from the Central Bank because the saved money will now be available to pay for public spending. Increase in employment. The elimination of gasoline subsidies would also have a positive macroeconomic impact by creating jobs. More businesses will be able to import petroleum at competitive prices because to the downstream sector's complete deregulation (Olujobi, 2021). These businesses will employ people, generating employment. Additionally, the revival of Nigeria's local refineries will result in the creation of jobs. In addition, the Dangote refinery has the potential to increase employment by creating over 10,000 direct jobs in Lagos alone and over 30,000 indirect jobs throughout Nigeria once it begins to produce.

Increase the value of the exchange rate or lessen the strain on it. The government ought to permit domestic refineries to generate more crude oil and other petroleum products if the gasoline subsidy is eliminated. As a result, there will be a decrease in petroleum product imports and an increase in locally produced petroleum exports (Akinola, 2018). As a result, foreign exchange from gasoline imports will be preserved, while foreign exchange from gasoline exports will increase. The accretion of foreign exchange will raise the Naira's value relative to the US dollar and increase the availability of foreign exchange on the foreign exchange market. This will therefore cause the Naira to appreciate and the exchange rate to increase. With a refining capacity of 650,000 barrels per day, for instance, the Dangote Refinery can meet Nigeria's internal demand for refined petroleum products, lower the country's import of gasoline, and produce excess for export. The government might then use the billions of dollars saved from petroleum imports to enhance trade balances and lessen pressure on the exchange rate.

Decrease Nigeria's reliance on foreign fuel imports. Reviving Nigeria's domestic refineries once the gasoline subsidy is removed may encourage them to generate more petroleum products and lessen the country's reliance on imported fuel (Akinola, 2018). Think about the recently established Dangote Refinery. With a vast refining capacity of 650,000 barrels per day, it can cover Nigeria's internal demand for refined petroleum products, produce excess for export, and drastically cut down on the country's import of gasoline. Apart from the Dangote Refinery, the presence of additional local refineries with varying levels of refining capacity will augment Nigeria's refining capabilities and reduce its reliance on petroleum imports. Reduced carbon emissions by eliminating gasoline subsidies. Fuel subsidies have supported fossil fuel-based economic activities during the

past ten years, which has increased air pollution and carbon emissions in Nigeria. Fuel subsidies are partially to blame for the increase in CO<sub>2</sub> damage in Nigeria, which increased from US\$1.5 billion in 1998 to US\$5.23 billion in 2021. By 2030, Nigeria's fuel subsidy would have been eliminated, supporting continued efforts to mitigate climate change and lowering the country's greenhouse gas emissions globally. Eliminating fuel subsidies would also reduce Nigeria's supply and demand for fossil fuels, which would lower the country's carbon emissions (Omitogun et al, 2021).

### **Case Study 2: The Threat of Fuel Subsidy Removal**

Social discontent and demonstrations. The elimination of fuel subsidies could also have a detrimental microeconomic impact by causing social unrest and riots (Houeland, 2020). Protests may be sparked by an increase in the cost of petroleum products. Poor households will eventually run out of options and resort to social unrest and protest to force the government to undo the elimination of fuel subsidies if prices keep rising. Poverty and vulnerability have increased. The elimination of fuel subsidies has the unfavorable microeconomic consequence of temporarily increasing poverty (Raji, 2018). Families will experience instant suffering and hunger as a result. Individually, the elimination of the gasoline subsidy and the lack of palliatives may result in lower disposable income, less food being produced, less access to medical care for the sick, and the inability to pay for basic education in many areas of the nation, particularly in Northern Nigeria. There will be an increase in the number of hungry families, hungry children, and distraught parents. The spending power of middle-class and lower-class customers will decline, and small enterprises will experience pressure on their profit margins due to decreased sales volumes and increased costs. Additionally, if they try to pass the cost down to customers, they risk having them either not buy at all or buy less, which would mean less people patronizing the firm. In addition, the elimination of gasoline subsidies may have a disproportionately negative impact on low-income and vulnerable populations in the absence of social safety nets or other programs that help lessen the financial hardship brought on by this measure.

Decreased buying power and significant inflation. The withdrawal of gasoline subsidies may have a negative macroeconomic impact by slowing down the rate of economic growth (Houeland, 2020). The elimination of fuel subsidies would result in higher costs for necessities. As a result of growing costs, stagnant salaries, and a national minimum wage, people and small companies would have less disposable income. As a result, consumption spending will decline, which will reduce aggregate demand. A decrease in consumption would result in a lackluster demand from customers for the products and services that businesses provide. As a result, the rate of economic growth may be slowed and economic output and GDP may decline.

The elimination of fuel subsidies will also have the unfavorable macroeconomic effect of raising inflation (Mohammed, Ahmed, and Adedeji, 2020). The price of gasoline increased as a result of the loss of the fuel subsidy, going from ₦190 in May 2023 to ₦537 in June 2023 and ₦617 in July 2023 in Abuja. In the meantime, due to high transportation

costs, the price of gasoline in remote northern regions, such as Borno State, may exceed ₦600. This implies that most consumer and industrial goods that require gasoline for production or transportation will see a significant increase in price. Both the price of bread and local transit will rise, making it more difficult for the underprivileged and those with low incomes to afford. Both the rich and the poor will be affected, but as usual, the poor will be the most negatively impacted, with their purchasing power significantly reduced. The Federal Government's delayed implementation of palliatives to assist the impoverished and households impacted by the increase in the cost of necessities following the elimination of fuel subsidies may exacerbate the inflationary effect.

Increased smuggling of gasoline. Gasoline smuggling is a potential negative microeconomic consequence of the withdrawal of gasoline subsidies. In contrast to the situation where individuals smuggled Nigeria's inexpensive fuel to Niger Republic when the fuel subsidy was still in place, the increase in the price of gasoline following the removal of the fuel subsidy may increase the smuggling of cheaper fuel into Nigeria from neighboring countries (Idrisu, 2020). Since many Nigerians in rural regions cannot afford to purchase fuel at a cost of ₦537, there is likely to be an increase in the smuggling of cheaper fuel into these areas as a result of the elimination of fuel subsidies.

### **Conclusion and Recommendations**

The goals of subsidies are to lessen inequality, help families escape energy poverty, and lessen the negative effects of volatile commodity prices on both producers and consumers. Global subsidies are expected to account for roughly 7.4% of GDP by 2025. Nonetheless, there is proof in the literature that subsidy programs frequently fall short of their goals. As a result, people are becoming more concerned about the societal and private effects of subsidies, particularly those pertaining to fossil fuels. Reforms to fuel subsidies have sparked political backlash and protests, particularly in growing nations that produce a lot of oil. In order to secure future energy (fuel) supply and fulfill Nigeria's growth potential, successive Nigerian governments' attempts to do away with fuel subsidies have resulted in violent protests and other forms of severe opposition. We provide some insight into energy consumption and socio-economic development: the promise and threat of subsidy removal in Nigeria using the discourse analysis methodology. Fuel subsidy removal has promises for the economy. It would free up funds for other sectors, encourage domestic refineries to produce more petroleum products, lessen Nigeria's reliance on imported fuel, create jobs, reduce the deficit in the budget and create a budget surplus, decrease government borrowing, reduce corruption related to fuel subsidy payments, intensify competition, revitalize domestic refineries, and ease pressure on the exchange rate. Again, the withdrawal of gasoline subsidies may have the unfavorable effects (threat) of short-term slower economic growth, more inflation, greater poverty, increased fuel smuggling, higher crime rates, higher petroleum product prices, and a loss of jobs in the unorganized sector and threatening the very existence of peace and security. The study submits that the government thoroughly assess the effects of eliminating fuel subsidies on people and businesses, and offer palliative care as well as various forms of financial assistance to lessen the negative effects on them.

Moreover, we advise that before fuel subsidy reforms are implemented, the required safety nets for the impoverished be put in place.

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