PETROLEUM PRODUCTS PRICING: A CRITIQUE OF THE LEGAL FRAMEWORK AND THE FALLACY OF SUBSIDY IN THE OIL AND GAS SECTOR

By Iloba-Aninye Okechukwu**

1. Introduction

The issue of petroleum product prices has been endemic in the country as a result of the all-pervasive importance of the products. Without these products the nation practically grinds to a halt. That is why any change in price results in a reaction from Nigerians that bothers on revolution. Car owners resort to the use of public transportation, public transportation owners raise the cost of transportation, majority of the citizens resort to cooking their food with fire woods, industrial establishments, having obtained the inputs at higher cost, transfer these increased costs to the final consumers the reaction is cyclical and endless. The relevance of these products is captured in the principal Act[1] that makes provision for petroleum activities in the country. The price control provision in the Petroleum Act, empowers the Minister of Petroleum Resources to fix the prices at which petroleum products or any particular class or classes thereof may be sold in Nigeria or in any particular part or parts thereof.[2]

This being the case, it is expected that the issue of the price of petroleum products be left, as dictated by the Act, to the Petroleum Minister, who in reaching a decision beneficial to Nigerians, not Nigeria in the first place, must have recourse to the information necessary as inputs and variables to price determiniation.[3] The inescapable conclusion or inference from this statutory provisions is that while the price of export crude oil can be determined by international market forces, the prices of the products of petroleum, that is, Premium Motor Spirits(PMS), Dual Purpose Kerosine(DPK) Automotive Gas Oil (AGO) Low Profile Fuel Oil (LPFO) should be determined by the petroleum minister.

In spite of the currency of this judicious and egalitarian provision the federal government sponsored a bill, which as at the time of writing has been passed into law by the national assembly establishing the Petroleum Products Pricing Regulatory Agency (PPPRA). So there appears to be a

** Lecturer, Commercial Law Dept. ABU, Zaria

[1] Petroleum Act, 1969.

[2] Section 6(1) petroleum Act 1969

[3] Ibid Sub-section 2

conflict between these two statutory bodies, as to which one will take precedence over the other.

Since the inception of this federal government in 1999, it has claimed that it is subsidizing domestic petroleum products. This erroneous claim is derived from the nefarious act of relating domestic pump prices to the international increases in crude oil prices. Thus, prior to 1999 especially before 1973 the oil companies determined the retail prices of petroleum products in Nigeria having got the approval of the petroleum minister. So, then there was no element of subsidy. Is government then sincere to Nigerians when it talks about subsidy?

These issues form the scope of this paper. The second issue, i.e. subsidy is not totally a legal issue, but it is inexorably tied to the pricing of petroleum products, which the petroleum Act, 1969 has taken care of.

2. Legal Framework for Petroleum Products Pricing.

The legal history of petroleum products pricing is traceable to the Mineral oils Act, 1914 (though now repealed) which provision is replicated in the Petroleum Act, 1969. Specifically, the Petroleum Act provides: "The minister may by order published in the federal gazette fix the prices at which petroleum products or any particular class or classes thereof may be sold in Nigeria or in any particular part or parts therefore".[4]

An analysis of this provision will leave no one in doubt in respect of whom and by what means the prices of petroleum products are to be fixed and published for the consumption of the public. In conferring this power, the Petroleum Act (hereafter PA) envisages that the fixing of petroleum products prices would be quite serious and therefore to lighten this burden makes it legally mandatory for any person appearing to the minister to have or to be likely to have information which is relevant to the fixing of any petroleum product prices to supply such information.[5] Also realizing that the petroleum minister is subject to human limitation the Petroleum Act granted the minister legislative power, as it were, to make rules and regulations that would enhance his performance and subsequent realization of the intendment of the Petroleum Act. Thus, by section 9(1)(d)(iii)[6] the minister is authorized to make regulations for the prices of refined products.

[4] Section 6(1) Petroleum Act.
[5] Section 6(2) Petroleum Act, 1969.
[6] Petroleum Act, 1969

Thus, it was that before 1973, the petroleum product marketers only had to be informed by the minister (in most cases through the petroleum ministry) of price at which the petroleum products were to be sold. Even during the dark ear of military dictatorship in Nigeria, this legislative function of the petroleum minister was performed as demanded by law.

Surprisingly, there exists, even as at the time of writing, a law[7] enacted by the National Assembly, which deals with petroleum products pricing in Nigeria. This curious piece of legislation has in section 1[8] created an Agency known as the Petroleum Products Pricing Regulatory Agency, which is autonomous, only answerable to the president and commander-in-chief[9] of the armed forces and shall not be subject to the direction, control or supervision of any other authority[10] in the land. From the foregoing, it is an attractive conclusion to say that either the post of petroleum minister has been dispensed with or that a parallel or even superior agency has been brought into existence for the purposes of determining the price of petroleum products for sale throughout the federation of Nigeria. Much as this appears plausible, it leaves a legal lacuna. Or, how else can one interpret a situation where a principal Act[11] in respect of petroleum has provided that the minister of petroleum shall determine the price of petroleum products, and without abrogating or repealing the provision in the principal Act, the National Assembly goes on to create an agency, saddling it with the same functions which the principal Act has bestowed on the minister. Agreed that the post of the minister is at the discretion of the president, yet where the president does not appoint a minister for an existing ministry, he thereby holds himself out as acting in dual capacity, that is, as a minister and president of the federation. The office of ministers is for the president to create in obedience to section 147 of the Constitution of the Federal Republic of Nigeria. In all this situation should the National Assembly not have repealed section 6 of the Petroleum Act, 1969 before proceeding to enact the Petroleum Products Pricing Regulatory Agency (Establishment) Act, 2003?. In any succeeding government, which appoints a full-fledged minister of petroleum and who desires to exert the power in section 6 of the Petroleum Act where would the PPRA's functions be located. This is a thematic issue!

[7] Petroleum Products pricing regulatory agency (Establishment) Act 2003
[8] Ibid.
[9] Section 1(3)
[10] Ibid
[11] petroleum Act, 1969

3. A Comparative Analysis of the Petroleum Minister's Function Under P.A and the PPRA'S Functions under the 2003 Act.

The petroleum Products Pricing Regulatory Act, (PPRA) 2003 has clearly spelt out the duties or functions for which the agency was established. These are to[12]

a) Determine the pricing policy of petroleum products;
b) Regulate the supply and distribution of petroleum products
c) Establish an information and data bank through liaison with all relevant agencies to facilitate the making of informed and realistic decisions on pricing policies
d) Moderate volatility in petroleum products prices, while ensuring reasonable returns to operators
e) Oversee the implementation of the relevant recommendations and programmes of the federal government as contained in the white paper on the report of the special committee on the review of petroleum products supply and distribution specified in the second schedule of this Act as they relate to its functions, taking cognizance of the phasing of specific proposals;
f) Establish parameters and codes of conduct for all operators in the down-stream petroleum sector;
g) Maintain constant surveillance over all key indices relevant to pricing policy and periodically approve benchmark prices for all petroleum products;
h) Identify macro-economic factors with relationship to prices of petroleum products and advise the federal government on appropriate strategies for dealing with them
i) Establish firm linkages with key segment of the Nigerian society and ensure that its decision enjoy the widest possible understanding and support;
j) Prevention of collusion and restrictive trade practices harmful in the sector;
k) Exercise mediatory role as necessary for all the stakeholders in the sector;
l) Other functions which the National Assembly may confer on the agency from time to time; and
m) Carry out such other activities as appear to it necessary or expedient for the full and efficient discharge of its functions under this Act.

Even a cursory study of the 13 point functions as above stated will convince any interested stakeholder that the PPRA's function/duties are

---

[12] Section 7

encapsulated in the brief, yet all encompassing provision of the function of petroleum products price fixing conferred on the petroleum minister.

The effect of the consequence of this avoidable state of affairs is legal/ legislative, administrative, economic as well as political. The legal/legislative effect is to have an uncertain state of the petroleum law whereby the single duty of determining petroleum products prices is shared by two statutorily created bodies. This may likely lead to a stalemate and confusion whenever these two bodies fix petroleum products prices independent of each other for the Acts (P.A and PPRA) did not instruct the bodies to collaborate in their duties or functions. A legal quagmire would be created if the Petroleum Minister, pursuant to section 6 subsections 2 of the P.A requests for information from the PPPRA which information is relevant to the fixing of petroleum products prices by the Minister. Where this happens, the subsection makes it mandatory that any person so requested by the Petroleum Minister shall be legally bound to use his best endeavours to supply the information accordingly. The National Assembly by creating the PPRA without first abrogating section 6 of the P.A has given birth to a legislative monster that will pose a difficult knot for the Judiciary to untie.

The concurrent existence of both bodies (Petroleum Minister and PPPRA) as regards their duties and functions as created by the P.A and PPPRA respectively creates an administrative quandary. An administrative quandary because, not having abrogated or repealed section 6 of the P.A the Petroleum Minister, where the post is not located in the President as it is now, may exercise the powers thus enshrined in the section simultaneously with the PPRA. And where this happens, bottlenecks and confusion may ensue. The Nigerian National Petroleum Corporation in an in-house publication[13] claimed that the PPPRA was established to superintend the deregulation process. This claim is fallacious because the implication of the duties in section 7 of the PPPRA Act is to pronounce the Petroleum Minister incapable of performing the statutory role of overseeing or superintending the entire downstream sector of the petroleum industry.

The adverse economic effect on the country of this situation is to have duplication of offices, officers, and budgetary expenditures. Creating the PPPRA implies a new set of staff for the agency with attendant and incidental salaries and other overheads from the federal purse. All staff in the PPPRA are required to and do perform clerical, administrative, legal

[13] "Deregulation of the Downstream sector of the Nigeria Petroleum Industry" paga7.

and other functions which the staff or departments immediately under the Petroleum Minister equally perform. These are unnecessary financial demands and strain on the federal revenue which revenue can be judiciously employed in furtherance of other services to the citizenry. Particularly, sections 5 and 10 of the PPPRA Act deal with issues of finance in respect of payment of emoluments of staffs and initial take of grant and annual subvention from the federal government respectively.

In the political sphere, this situation may aggravate the volatile nature of petroleum products and their prices. This may arise as a result of the economic importance of petroleum. It has been a political and economic weapon. Its production and distribution has been so politicized along the lines of oil-bearing communities against non oil bearing communities. This has led to the incessant kidnaps in the Niger-Delta, and the clamour for resource control by governments in the Niger Delta Region. In a scenario where the Petroleum Minister is from the same geo-political zone with the president, probability will be that they may work at cross-purposes with the PPPRA.

The above comments in respect of the non appointment of a substantive petroleum minister remains germane even under the present structural reforms carried out by the federal government in which various government ministries have either been emerged scrapped or renamed. Thus, there is created a parent ministry under which petroleum issues are controlled. This is the ministry of energy which is superintended by the energy ministry. Now, if the present energy minister is assertive of his duties and goes on to fix new and current prices of petroleum products, what becomes of the PPPRA?

4. Petroleum Products Prices and Government Subsidy.

Crude oil and its by products (Refined products) are so strategic in any nation's economy that they have in the course of national development assumed political as well as economic relevance. This has led various national governments to take active part in exploration production, refining distribution and marketing of petroleum and its by products.

Even in countries without this hydrocarbon deposit, their governments, in the bid to make available petroleum products, established national oil companies whose responsibilities cover essentially procuring and distribution of petroleum products, thus, making energy readily available at cheap price to its citizens. It is for these reasons that Kenya and Ethiopia established Kenya Petroleum Company (KPC) National Oil

Corporation of Kenya (NOCK) and Ethiopia Petroleum Enterprise (EPE) respectively. These enterprises are saddled with the duties of making available petroleum products at prices affordable by the majority of the countries' citizens, who are in the low-income bracket. These two landlocked African countries are not members of the Organization of Petroleum Exporting Countries (OPEC), yet their economic policies in this regard align in all "fours" with the driving objective principle of OPEC, which is that the control and the regulation of the production and the sale of the petroleum products of its member countries should be done by the national oil companies so that their citizens can derive maximum benefits from their God-given resources.

Nigeria as a member of OPEC, in its pursuit of liberalization and deregulation, runs counter to this avowed policy of OPEC, thus leaving her citizens to the hash and wicked grip of market forces which provide a leverage to multinational oil companies fleecing Nigerians of the maximum benefits from their God-given resources.

As at the time of writing (Jan 2007) Nigeria is passing through a difficult phase arising from acute petroleum products scarcity which has forced petroleum products marketers to sell the products at one hundred and fifty (N150.00) Naira. As is common in determining the selling price of any product, the cost of production is taken into consideration. Thus, the retail price of petroleum products refined in country is made up of four main cost groups:

(1) Production/procurement, refining and storage
(2) Inland delivery
(3) Profit margin
(4) Government taxes and duties.

However, when the Petroleum Products are imported as a result of the shortfall in production by the local refineries, the price becomes determined by other variables. The starting point for arriving at retail or pump prices is the Cost Insurance and Freight (C.I.F). On this forecast CIF price, the following cost components are added to compute the total cost of imported finish products, in other words the landing cost.

(a) Freight
(b) Insurance
(c) Bank charges
(d) Demurrage
(e) Port charges
(f) Operating expenses

(g) Taxes
(h) Transport costs
(i). Profit margin.

Where there is good economic environment for importation, these variables determine the price of petroleum products. However taking into consideration Nigeria's inability to refine enough products to meet local demand, the relevance of these variables becomes suspicious. For example, Nigeria, with four refineries with an installed capacity of 450,000 barrels per day (bpd) has a population figure of a little over one hundred and forty million (140m) persons. These four refineries, as at 2006 were able to refine only 27.7 percent of their installed capacity leaving a shortfall of 72.30, which has to be sourced externally.[14] As a result of the prevalence of pipelines vandalization, the refineries do not refine up to 15 percent[15] of the installed capacity learning 140 million Nigerians scrambling for the 15 percent. Under this type of scenario petroleum products price determination becomes unmindful of the above four main cost groups. The only determining variable would be demand.

---

[14] Sam Aluko: 'Petroleum Oil and Nigeria- The Fallacies of Government subsidy" Published in 'Conscience International' Magazine, Vol. 2 No 4 Edition 2006/2007 page. 9

[15] Vanguard Newspapers, Tuesday January 2nd Vol. 23 No 60236 at page 21.

TABLE 1

Comparative Refineries, Refining Capacities And Energy Use In OPEC Countries In 2002-2003

S/N	Name of Organisation of Petroleum exporting countries (OPEC)	Population (Million) (2003)	Number of Refineries (2003)	Refining Capacity in Barrels Per day (2003)	Percentage of Refining Capacity Achieved (2003)	Total Energy Produced in Metric tons of Oil Equivalent (2003)	Total Energy Used Metric Tons of Oil Equivalent (2003)	Energy used Per Head of Population in Kilograms of Oil Equivalent (2003)	Number of Motor Cars& Commercial Vehicles (2003)	Total Nominal Gross National Income in USA dollars (Billion)2003	Per Capital National Income in USA dollars (2003)$	Gross National Income in Purchsing Power Parity (PPP) Income in USA Dollars $ billion 2003	Nominal Per Capital Purchasing Powe Parity (PPP) Income in USA Dollars 2003
	1	2	3	4	5	6	7	8	9	10	11	12	13
1	Algeria	31.8	6	765,000	88.5	150,292,000	30,845,000	985	2,730,000	61.6	1930	89.0	5930
2	Ecuador	13.0	5		72.2	22,209,000	9,048,000	706	990,000	23.8	1,830	45.0	3,440
3	Gabon	1.3	3	366,000	77.5	12,690,000	1,596,000	1,209	66,000	4.5	3,340	7	5,500
4	Indonesia	214.7	14	1,056,000	86.5	240,908,000	156,086,000	737	5,720,000	173.5	810	689	3,210
5	Iran	66.4	8	1,494,000	89.7	240,522,000	133,960,000	2,044	1,320,000	133.2	2,010	465	7,000
6	Iraq	24.7	7	644,000	90.5	105,414,000	28,996,000	1,199	1,000,000	29.5	1,190	38.8	1,600
7	Kuwait	2.4	6	905,000	90.5	105,991,000	22,189,000	9,503	754,000	43.0	17,960	47	19,480
8	Lybia	5.6	6	725,000	88.8	69,519,000	18,704,000	3,433	1,211,400	25.6	4,570	35.0	6,400
9	NIGERIA	140.5	4	445,000	27.7	192,660,000	97,675,000	718	2,953,500	47.5	350	123	900
10	Qatar	0.624	3	655,000	88.7	73,505,000	20,875,000	8,775,000	292,500	13.4	21,500	18.1	29,100
11	Saudi Arabia	22.5	12	1,911,000	89.2	462,807,000	126,387,000	5,775	2,880,000	208.1	9,240	298	13,230
12	United Arab												
	Emirates (UAE)	4.0	3	645,000	88.8	142,148,000	36,072,000	9,609	435,600	71.0	17,750	92.8	23,200
13	Venezuela	25.7	6	1,199,000	97.5	210,150,000	54,006,000	2,141	2,266,000	89.7	3,490	122	4,750

Source: www. opec. org.

Comparative Refineries, Refining Capacities And Energy Use In Opec Countries In 2002-2003

Algeria, Gabon, and Venezuela, with populations of 8 million; 1.3 million and 25.7 million have 6, 3 and 6 refineries respectively. These refineries with installed capacities of 765,000, 366,000 and 1,19,000 bpd produced as at 2003 88.5, 77.5 and 97.5 percent of the installed capacities respectively.[16] Little wonder, therefore, that with a small population and three refineries, Gabon does not suffer shortages of petroleum products and this encourages price determination by the four main cost groups. The King of Saudi Arabia, on the 1st of January 2007 cancelled the planned twenty-five (25%) percent fuel price rise as a measure towards contributing to the welfare of the Saudi people.[17] This also is in consonance, with the objective of OPEC, that the citizens should have maximum benefit from their God-given resources.

In Nigeria the claim by the Federal government that it has been subsidizing petroleum products and by this fact the domestic pump price of these products must be increased to reduce or eliminate such subsidy is false. According to Professor Sam Aluko,[18] commodity is subsidized when the selling price is lower than the cost price. The crude oil in Nigeria as at 2001 was sold to Nigerian National Petroleum Corporation (NNPC) at $9.50 per barrel when the cost of producing 1 barrel was $7.50 per barrel.[19] Today, the cost of production, according to Aluko, is possibly less that $7.5 per barrel. The reason for this Aluko posits is because the wages of the workers have reduced comparatively to the dollar. So, the cheap labour being employed in the oil industry in Nigeria makes the unit cost of production of crude oil lower here than in any other OPEC country.[20] In various discourse in different fora and in national newspapers the all-important question has always been asked; what is the cost of producing a unit of crude oil? The NNPC and the government has failed or refused to provide an answer. It is obvious that when such answer is provided, Nigerians would be able to determine whether the government subsidizes petroleum products.

The untruth of the claim of subsidy can be realized from four misconceptions, which form the basis upon which government claims to subsidize the products.

---

[16] Sam Aluko op cit.
[17] Op cit, Vangard Newspapers, page 23.
[18] Op cit Sam Aluko
[19] Ibid
[20] Ibid

1 Tying the domestic price of refined petroleum products to the international price of crude oil, which we have in abundance and which we produce through the national oil company, NNPC by the method of production sharing contracts, risk service contracts, whereby the government contributes nothing by way of production and overhead costs. Even the joint venture contracts in which there is cash call obligation, the federal government hardly honours the calls. The joint venture partners have always complained of the difficulty in carrying out their duties owing to the fact of non-compliance with the cash calls by the federal government.

2 The federal government erroneously compares prices in neighbouring West African states to that of Nigeria. In doing this however, the government loses sight of the different geological environment, which denies these countries the natural deposits of hydrocarbons. The government sees the difference between the low prices in Nigeria and the high prices in these countries as the amount by which the government subsidizes these products. The reality is that these neigbhouring countries put high custom duties on import of petroleum products in order to raise enough revenue for development as they are not really as blessed with mineral resources. The high import duties translate to high pump prices.

In Britain for example, where the current price of a liter of petrol is 80 pence, 66.5 pence of this amount is government tax on a sale of a liter of petrol, which means that the real price of fuel in London is 13.5 pence, which in London translates to N32 per liter[21] (as it were) while Nigeria sells that same quantity of petrol for N65.00 officially. In the United States of America the cost of a liter of petrol is 78 cents including tax of 23 cents per liter. In effect the cost per liter of petrol is 53 cents exclusive of tax. This means that the true cost is 135 cents[22] per liter and if translated to Naria results in N18 to a liter. It is therefore deducible that it is tax element that pushes up the pump price of petroleum products and instead of the federal government to admit this much; their claim is that government subsidizes petroleum products. It can be seen therefore that the issue of government subsidy on price of petroleum products is a façade under whose cover the government hikes the pump prices.

[21] Op cit Sam Aluko
[22] Op cit Sam Aluko

3 There is also a misconception on subsidy which relates to the gap between changes in the domestic prices of petroleum products and changes in composite domestic consumer piece level. Changes in composite domestic consumer price are changes, which arise in respect of goods and services which prices are tied to the change in petroleum products prices. Between 1999 when the pump price was N20.00 and 2007 there been a 225% rise in price to N65.00 per liter with a corresponding rise in composite domestic consumer price of over 13%. Yet, wages have not increased correspondingly since 1999. It is therefore an inevitable conclusion to say that it is the Nigerian consumers of goods and services that are subsidizing the government by earning fixed wages and salaries while increasingly paying higher prices for petroleum products as well as for goods inexorably tied to petroleum products.

4 The four Nigerian refineries have an installed capacity of 450,000 barrels per day (bpd) and this quantity of crude oil if refined would barely satisfy the local consumers in Nigeria. However, since 1999 Nigerian National Petroleum Corporation (NNPC) had been receiving 300,000 bpd. Out of this, the federal government exported 50% in 1999, 45% in 2000 51% in 2001, 52% in 2002, 55% in 2003, 67.2% in 2004 and 68% in 2005[23]. The export proceeds were spent to import refined products at some profit to NNPC and the federal government. If the federal government had been allocating only 300,000 bpd to NNPC for local refining, out of the installed capacity of 450,000 bpd, it means that the extra 150,000 bpd constitute 'rent' to the government, and the revenue derivable there from should be seen as standing in for subsidy by government, if any. If government is a representative of the people and the petroleum products belong to the people, how is it that a people can subsidize their products as claimed by government?

5 Another misleading information about subsidy arises from recurrently relating the landing and handling costs of petroleum products imported to the local selling prices particularly to the prices of the 'white' products. The federal government makes no reference to other petroleum products such as paraffin wax, petroleum jelly, grease, base oil, bitumen, carbon black, which are sold at huge profits, which profits can more than compensate for any losses that derive from the sale of the 'white' products that is, premium motor spirit (pms) automotive gas oil (AGO) and dual purpose kerosene (DPK). For example, the price of Liquefied Petroleum Gas (LPG) for cooking rose from N2,000 per tonne in 1999 to

[23] Op Cit Sam Aluko

N10,000 per tonne in 2006. The prices of fuel oil, waxes, bitumen and asphalt together with base oils, have also risen more than 50% since 1999.[24] Yet, we are told that the government subsidizes petroleum products.

Inadequate Refineries And The Need For More

A study of table 1 will highlight the yawing need for an increase in the number of refineries in Nigeria. The real issue, however, is not the mere physical construction of refineries, but making the new refineries to work at full capacity, while upgrading the present four such as to bring them into producing at the totally installed capacity of 450,000 barrels per day (bpd).

The Federal Government has, within the past eight years issued license to corporate bodies for the construction of refineries. Years after the issuance, no one has commenced the construction of a refinery. It is not that these licensees do not have the funds or the technical expertise, but they have been stayed away because of the uncertainties, which the Federal Government has woven into the oil market. Or, how else can one explain a situation where the Federal Government claims to be deregulating the downstream section of the oil and gas industry, yet it regulates the price of the end product. There appear to be an inherent contradiction in the act of deregulating the downstream and at the same time fixing the pump price.

The need to build more refineries is underscored by the sheer number of vehicles in the country coupled with the population. It has been roughly estimated that Nigeria consumers between 35 to 40 million liters per day.[25] This invariably will translate to permanent scarcity of petroleum products, especially the premium motor spirit. In the past eight years, the country has witnessed an increase in retail outlets. This increase is not commensurate with the refining capacities of our refineries. The independent marketers, and sometimes the governments, resort to importation which government cherishes, as cronies, friends and family members are given the contract to import finished products.

Apart from the above, the continued importation of finished products is encouraged by western powers, especially Europe. This is so because Europe is saturated with refineries and they need markets for these products. For example, shell has refineries all over the world and would

---

[24] Ibid

[25] The Punch Vol 17 No 3168 of Wednesday 7th May 2006 at page 17.

therefore do anything except to build a refinery in Nigeria. Otherwise, the sale of their refined product would reduce since Nigeria imports form the countries where shell has refineries. Venezuelan, for instance, has since last year stopped selling crude oil. They only export refined products. This has necessitated the construction of seven more refineries to add to the already existing six.[26]

The Venezuelan practice is something that the Nigerian government should emulate, but this can only be realized where there is a political will and where the national interest subsumes personal or individual economic gain. If adopted, this will make Nigeria a net exporter of refined products, which will definitely earn Nigeria more foreign exchange and enable the Nigerian oil industry to dominate the supplies to African countries.

It will also make Nigeria self-sufficient in refined products in such a way that even in war times, we will not bother unduly in respect of which country we will buy from. The adoption of this Venezuelan system will lay to rest the issue of dollar parity whereby Nigeria buys these products based on international prices. The importation of refined oil presupposes payment of the products in international currencies, paying for freight, demurrage, insurance, but where only refined are exported, it forecloses these payments.

However, for this to be realizable more refineries will have to be built. Giving out licenses would not translate into construction where the political will is not there. The government should as a matter of urgency take overt the construction of refineries and give it to experts to manage for the benefit of Nigerians. A serious government that seeks the welfare of its citizens must do this.

Conclusion

It is evident that the issue of petroleum products supply and pricing in Nigeria has been so politicized that even foreign countries, to a great extent, determine what goes on in the industry. This is particularly so where these foreigners have collaborators in government. A drastic decision is required if we must untie our oil and gas industry from the shackles of foreign domination. Venezuela has done it, we can also do it. All it requires is a patriotic government that takes the interests and future of Nigeria into consideration.

---

[26] This Day vol. 10 No 3549 of Tuesday Jan. 11, 2007 at page 25

The issue of determining the pump prices of petroleum products should be left to the Petroleum Minister, while the Petroleum Products Pricing and Regulatory Agency (PPPRA) be made to subordinate itself to the Minister, only giving expert advice to the Minister for purposes of arriving at a pump price that would be beneficial to the citizens and guaranteeing reasonable returns on investments. We need a Hugo Chavez in Nigeria.