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# Fuel Prices and the Subsidy Question

## **Press briefing**

Federal Ministry of Finance, Abuja

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Honourable Minister of Finance and  
Coordinating Minister of the Economy

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# Prices have risen. The concern is real.

**Government recognises the pressure on Nigerians.**  
For the commuter in Lagos, the farmer in Kano  
and the trader in Aba.

We agree on the problem. We differ on the remedy.

**01**

## **What is driving prices?**

A global supply shock.

**02**

## **Why the caution about subsidy?**

Four reasons and the cost of bringing it back.

**03**

## **What is government doing?**

Measures already in place, plus ten further steps.





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# A global shock is pushing fuel costs up

The Gulf conflict is in its eighth month.  
Refined products face the sharpest squeeze.

## ~13%

Shipping through the Strait of Hormuz, compared with pre-war levels, by mid-September.

## \$100+ per barrel

Brent crude, almost 50% above pre-war.

## 75% fall

Diesel exports from the Middle East and Russia, year on year.

## Record tanker rates

From West Africa in September.

The IEA expects pressure on refined products to last for months.







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# Other countries are feeling the pressure

## UNITED STATES

Diesel reached a record **\$6.50** a gallon.  
About **73%** above pre-war.

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## PHILIPPINES

Diesel prices have nearly **doubled**.

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## BANGLADESH

Spot gas cargoes cost close to **3 times** the pre-war price.

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## ZAMBIA

Pump prices rose about **24%** in one adjustment when duty relief ran out.

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**“Relief that cannot be sustained does not remove the pain. It postpones it.”**





# Nigeria’s pump price followed world prices

BEFORE THE CONFLICT

**Crude oil:** ~\$70 per barrel

**Petrol:** ~~~₦~~830 per litre

AT THE BRIEFING

**\$100+** per barrel

**~~~₦~~1,400** per litre

Petrol figures are averages.

Higher crude prices support the budget and Federation revenue.

But production is below forecast. Crude commitments from the subsidy era absorb much of the gain.

Households and businesses face higher fuel, transport and logistics costs. Vulnerable Nigerians bear the greatest burden.

The briefing states that fuel has remained available in every state, without queues.

“In a crisis of this kind, availability is the first form of affordability.”





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# Why government is cautious about subsidy

A discount on crude that reaches the pump is a consumption subsidy, even when called a “production subsidy”. The bill remains.

## 01

### **The exchange rate matters**

Crude, freight and refining inputs are priced in dollars. Forcing down the naira price would mean subsidising foreign exchange, returning to the multiple-rate system reformed in 2023.

## 02

### **The risk moves to government**

A fixed pump price does not stop crude, freight or currency costs changing. Government would carry a large, open-ended bill while crude is above \$100 a barrel.





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# Discounted fuel can create wider costs

## **03** | **Cheaper fuel can leak across borders**

A wider price gap with neighbouring countries encourages smuggling. Nigerian taxpayers would subsidise motorists outside Nigeria.

Cheaper fuel also raises consumption when world supply is tight. Higher demand can push global prices up and bring inflation back to Nigeria.

## **04** | **Revenue and the naira face risks**

Lower revenue can trigger a credit downgrade, more expensive borrowing, capital flight, falling reserves and a weaker naira.

These are the remaining two reasons for caution in the briefing.





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# What would bringing subsidy back cost?

**Nigeria uses roughly**  
50 million litres of petrol a day.

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**OVER ₦20 trillion a year**

To return to the pre-reform petrol price.

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**OVER ₦16 trillion a year**

To sell petrol at ₦500 per litre.

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These estimates exclude any rise in consumption and smuggling.

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Almost everything the Federation Account shared among federal, state and local governments in 2025.

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That would put salaries, pensions, schools, hospitals and security under pressure.

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**“A subsidy does not lower the cost of fuel.  
It only changes how it is paid, and when.”**

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# What the briefing says reform has delivered

JUNE 2023 TO DECEMBER 2025

## **₦15.8 trillion**

Released to the Federation Account.

## **₦10.4 trillion**

Of that amount went to states and local governments.

## **27 states in May 2023. Zero today.**

States unable to pay salaries reliably.

At federal level, about two-thirds of savings, together with additional independent revenue and borrowing, supported higher wages, infrastructure, electricity subsidy and social transfers.

The balance supported economic stability, mainly higher debt-servicing costs as interest rates rose to tackle inflation.





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# The risks of reversing reform

**The briefing describes this sequence:**

- 1 Weaker revenue
- 2 Credit downgrade
- 3 More expensive borrowing
- 4 Capital leaves
- 5 Reserves fall
- 6 Naira weakens

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## **GOVERNMENT ESTIMATE, IF SUBSIDY RETURNS**

Exchange rate could approach **₦3,000/\$** within months.  
“Subsidised” petrol could cost at least **₦2,000** per litre, above the ~**₦1,400** average at the briefing.

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Recent credit upgrades, including the first S&P upgrade in 14 years, could be at risk. Progress on inflation and interest-rate reductions could also be at risk.

**“ Short-term relief bought with long-term fragility is the most expensive money a government can spend.”**





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# Any subsidy proposal must show the cost

Government remains open to ideas that show their arithmetic.

**01** | **What will it cost?**

**02** | **How will it be funded sustainably?**

**03** | **What pump price will it deliver?**

A subsidy has to be financed. The briefing identifies the risks of late salaries and pensions, higher taxes or printing money.

Nigerians have paid these costs before through scarcity, inflation and a weakening currency.

Government will engage in good faith with credible proposals that answer these questions.





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# What government has already done

Over three years, government has acted to moderate prices sustainably.

## **LOCAL REFINING**

Deregulation made domestic refining viable and helped supply hold up.

## **TAX AND DUTY WAIVERS**

Save consumers ~~N~~400–600 per litre against African and global averages. Over ~~N~~5 trillion in taxes forgone.

## **NAIRA-FOR-CRUDE**

Local refiners buy Nigerian crude in naira, easing dollar demand and exposure to currency swings. This improves as domestic crude supply grows.

## **STRONGER OVERSIGHT**

NMDPRA guards against hoarding, diversion, unjustified margins and short-dispensing, while checking product quality.

## **SUPPORT WHERE IT MATTERS**

Electricity subsidy for vulnerable consumers. Feed gas and fertiliser support for producers.





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# A stable naira helps keep fuel costs down

**FOREIGN EXCHANGE PREMIUM**

## Over 60%

**before. Under 5% now.**

The gap between official and parallel exchange rates.

## ~\$55 billion

**Foreign reserves at the briefing.**

The highest level in 18 years.

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**The briefing distinguishes depreciation from devaluation:**

The naira lost value when reserves ran out defending an artificial rate available mainly to the well connected.

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Manufacturers and ordinary Nigerians had paid a large premium in the parallel market.

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**“A stable currency is the single biggest lever on pump prices, and one we cannot afford to lose.”**





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# How Nigeria's petrol price compares

Figures presented in the 8 October 2026 briefing.

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## **20–30% cheaper**

Than Benin, Togo and Cameroon.

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## **30–40% cheaper**

Than Ghana, Kenya and South Africa.

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## **~35% below**

The world average. Among the 25 lowest-priced countries.

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## **₦400–600 per litre**

Consumer savings from tax and duty waivers, measured against African and global averages.

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## **₦3.3 trillion**

Petrol taxes and duties waived in the year to 30 September 2026.





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# Cheaper transport and energy alternatives

**CNG** means compressed natural gas.

**120,000+**  
vehicles run on CNG.

**400+**  
conversion centres.

**96**  
refuelling stations.

**18**  
L-CNG stations.

**550+**  
CNG buses deployed.

**L-CNG** converts liquefied natural gas to compressed natural gas.

**30–50% lower fares**  
Where CNG buses operate.

**More than doubled since May 2023**  
Imports of CNG vehicles, including tricycles, electric vehicles and renewable energy equipment.

**Over ₦100 billion in duty waivers.**  
Taxes removed on electric vehicles and solar equipment.  
Import duties cut on all vehicles.

**Some states plan CNG buses and electric tricycles at scale.**







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# How other countries are responding

The International Energy Agency advises saving fuel and securing supply as more effective and less costly than broad subsidies.

## 50+ countries

Have adjusted energy taxes. Nigeria granted a full waiver of petrol taxes and duties.

### VIETNAM

Has relied on tax relief.

### BRAZIL

Renews diesel support 30 days at a time.

## 25 countries

Have turned to renewable electrification to reduce exposure to imported fuel. Nigeria is doing the same.

**The common approach:** targeted, temporary and affordable relief, including fuel tax adjustments.





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# Ten further steps

## Steps 1–5

The briefing recognises that measures so far do not fully relieve household pressure.

**01**

### **Discount at NNPC stations**

A petrol margin discount for 30 days, with priority for public transporters nationwide.

**02**

### **Forward crude sales to local refineries**

As production rises and committed crude becomes available, helping shield prices from global swings.

**03**

### **Price modulation**

A ₦1,350-per-litre ceiling under negotiation for ex-gantry or landing cost, reviewed monthly.

**04**

### **Remove illegal levies**

Work with states under the 2025 tax laws to curb road taxes that increase fares and logistics costs.

**05**

### **More direct support**

Increase funding for cash transfers to vulnerable households and subsidised credit for small businesses and consumers.

**Targeted, temporary and affordable help.**





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# Ten further steps

## Steps 6–10

**06**

### **Faster CNG rollout**

Scale deployment with states. Transporters should pass savings on through lower fares.

**07**

### **Excess profit tax: under consideration**

Target operators exploiting consumers. Proceeds solely for transport support and vouchers for vulnerable urban minimum-wage earners. Consider more tax relief for low earners under the 2027 Finance Bill with the National Assembly.

**08**

### **Less red tape**

Cut regulatory costs that raise business costs and prices.

**09**

### **National Strategic Fuel Reserve**

Release refined products under published rules during disruption or hoarding. Prevent artificial scarcity and manipulation, reduce volatility and secure supply.

**10**

### **Better traffic and logistics**

Improve urban traffic flow to save fuel. Use NIPOST address codes to make deliveries cheaper and more efficient.

**These measures do not restore a blanket subsidy.**





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# How price modulation would work

## **₦1,350** per litre

Ceiling under negotiation for the ex-gantry or landing cost of petrol.  
This is the cost before retail distribution, not a guaranteed pump price.

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### **WHEN COSTS RISE ABOVE THE CEILING**

Refiners and importers carry the shortfall. They recover it later when crude prices or the exchange rate allow, without breaching the ceiling.

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### **MONTHLY REVIEW**

Reset the ceiling where costs require. Publish the figures.

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### **THE BRIEFING'S EXAMPLE: SAME TWO-DAY AVERAGE**

**Stable:**      **₦1,400** today.    **₦1,400** tomorrow.

**Volatile:**    **₦1,500** today.    **₦1,300** tomorrow.

Price swings add uncertainty and cost. Fares that rise sharply rarely fall as fast. The briefing describes this as smoothing prices over time, rather than a subsidy or price control.





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# Make reform's gains reach more Nigerians

## More quickly, In more tangible ways.

The cost of fuel is real. Government recognises that many households still bear the burden of subsidy removal.

The briefing states that the impact of the global conflict would have been greater without subsidy removal.

Nigeria has lived through the subsidy cycle: scarcity, smuggling, a weakening currency and fiscal crisis.

The commitment is to help more Nigerians benefit from reform under President Bola Ahmed Tinubu, GCFR.

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## WHAT COMES NEXT

Government is working on a comprehensive package of fiscal measures to bring inflation sustainably to single digits in the near term.

Further details are expected in the coming months.

Source: Federal Ministry of Finance press briefing, 8 October 2026. Figures and estimates as supplied.

