

# Policy Briefing

## Protests and Accountability in Nigeria's Energy Sector

Since 2016, Nigerians have experienced a stable fuel supply even if prices have continued to rise. This supply stability came to a sudden halt in January 2022, bringing back memories of long queues and harsh living conditions witnessed since 2007. To explore the implications of this change we revisit our study on **demanding power and accountability in the Nigerian energy sector**. The study conducted from 2019–21 as part of the **Action for Empowerment and Accountability (A4EA)** research programme found a significant lack of accountability in fuel subsidy management in Nigeria.

### Key messages

- Struggles over fuel prices in Nigeria's energy sector persist.
- Lack of accountability by authorities involved in managing the subsidy scheme to citizens is due to weak institutions, mismanagement of oil resources, elite capture, and endemic corruption.
- The perceived mismanagement of the subsidy regime has created a considerable trust deficit between citizens and the government.
- Addressing corruption, creating mechanisms for including citizen voice in policymaking processes, effective government communication, ensuring transparency, addressing the impact of policy shifts on people's lives, and empowering citizens to hold public authorities to account are measures the Nigerian government and other actors engaged in the energy sector should use to promote accountability.



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## Background

Towards the end of January 2022, Nigerians raised the alarm over contaminated fuel. Some people reported damage to car engines, while others reported air pollution causing breathlessness. The Federal Government acknowledged the problem and named and blamed fuel importers, assuring Nigerians of quick action. The incident resulted in a sudden petrol price spike from about N162 (US\$0.39) to N500 (US\$1.2) per litre or even higher in some places. Long and chaotic queues ensued, reminding the country of experiences from the last decade – hiked fuel prices, prolonged street protests, and the imperious conduct of fuel station attendants. Importantly, it resurfaced the need to find solutions to the energy sector crisis, especially the role of subsidies, and the question of accountability and openness in Nigeria's energy sector.

Despite being a leading producer of crude oil in Africa, Nigeria remains a net importer of petroleum-finished products such as petrol, diesel, and kerosene. With a large population of over 200 million people who rely on petroleum products to meet their energy needs for transport and cooking, Nigeria has historically subsidised fuel prices. **The subsidies serve two purposes: to maintain price stability and to help alleviate poverty by cushioning poor people.** However, the process of providing subsidies is complex, involves multiple actors, and has proven unsustainable.

## Do protests lead to accountability?

While protests have elicited some level of accountability from the government – through short-term responses such as lowering of fuel prices to quell the protests or negotiating with workers representatives such as labour unions or interest groups – they have largely failed to lead to long-term structural and organisational change in the management of oil resources in Nigeria. In most cases, the government has employed knee-jerk



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mechanisms resulting only in short-term reviews of fuel prices before further increases. This was the case between 2012 and 2015 following repeated reductions in fuel subsidy causing constant hikes in fuel prices. The protests have also failed to benefit the marginalised and less powerful, who comprise the majority of the population and often suffer the greatest pain. To promote accountability and achieve stability, transparent systems founded on inclusive public participation and recognition of people's priority needs must be implemented. These should include legal parameters that protect both consumers and oil marketers from random fuel hikes or opaque pricing that end up hurting the poorest most.

## Opacity and exclusion underpin citizen mistrust

Central to citizens' dissatisfaction with the energy sector is their exclusion from fuel policy formulation, and insufficient or underwhelming government communication on changes in fuel pricing policy. Consequently, citizens perceive the government subsidy scheme and fuel pricing policy as opaque and as a wider scheme to exploit Nigeria's oil wealth for the benefit of a few elites and foreign companies. Underwhelming government communication and an apparent lack of political will to tackle widespread corruption plaguing the oil subsidy scheme also breeds citizens' mistrust in the scheme and in government more broadly.

In 2012, for instance, the Goodluck Jonathan administration reduced the fuel subsidy, resulting in an over 100 per cent increase in fuel prices from N65 (US\$0.16) to N141 (US\$0.35). The reduction was made within a context of claims of widespread corruption and embezzlement in the oil sector, which the government acknowledged but made little effort to tackle. The price hike pushed Nigeria's consumer inflation from 10.35 per cent in December 2011 to 12.6 per cent in January 2012. Food inflation rose from 11.5 per cent to 13.1 per cent within the same period.

In response, citizens across the country mobilised on the streets in spontaneous protests and demonstrations across major cities such as Lagos, the Niger Delta region, and in the diaspora. The President was accused of unilaterally imposing the hike without consultation in order to protect a powerful clique of corrupt officials and cartels who had taken advantage of the subsidy scheme. On 9 January 2012, the Nigeria Labour Congress (NLC) announced strikes and protests, thus backing the protests that emerged spontaneously, and the NLC emerged as the spokesperson of protestors, engaging in dialogue with the government.

## **Lessons on promoting accountability**

**Bolstering citizens' inclusion in fuel policy formulation** can increase their acceptance and ownership. Paying attention to the impacts of subsidy reforms on the poorest through consultations and by addressing and incorporating these issues into fuel governance policies would be a good step toward strengthening accountability. Evidence of such spaces and participatory



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efforts will show that the voices and agency of the most affected groups have been considered.

**Institutional mechanisms to address corruption and public resources mismanagement are essential.** Nigeria is said to lose billions of naira every year through fraudulent schemes within the energy sector. **Addressing corruption and mismanagement is thus a policy priority if the fuel subsidy scheme is to achieve its goal of cushioning the most vulnerable in society.** Tackling corruption is also vital in ensuring that the huge revenues from oil exports are channelled into appropriate developmental projects that benefit poor people. Addressing corruption requires implementing institutional and legal reforms that seal loopholes.

**Effectively communicating policy direction** will enable the government to overcome information deficits that undermine policy implementation. Despite several policies governing the oil sector, most of the respondents in our study reported being unaware of them. This implies that policymaking processes are unclear or less inclusive, especially for ordinary Nigerians who are most affected by increases in fuel prices. Communicating government policies and encouraging public feedback through public consultative forums is essential for bolstering accountability and trust in government processes.

**Encourage transparency and public scrutiny.** Transparency is necessary for (re)building citizen trust and confidence in the government's management of oil resources. Current evidence reveals that Nigeria's oil sector is fraught with widespread opacity and captured by an unknown landscape of local and international cartels who control and disproportionately benefit from the subsidy scheme. Creating a transparent leadership that encourages citizens to scrutinise the systems and processes is necessary to create an environment where staff are accountable to the public.

## Policy recommendations

To enhance accountability in the fuel subsidy regime, the Nigerian government and energy sector actors should:

- **Develop measures to address corruption and mismanagement of funds in the energy sector.** This should include legal and institutional backstops that ensure effective appropriation and use of resources to benefit the poor.
  - **Ensure better inclusion and incorporation of Nigerian citizen voice** within the policies that govern oil resources, including the management of the subsidy regime. Measures that open up civic space for dialogue and consultation are better placed to produce effective outcomes than protests.
  - **Effectively communicate the government's policy direction to citizens** to get buy-in and create civic awareness. These efforts could be enhanced through the use of citizen-friendly communication channels such as social media and toll-free radio-calling stations.
- **Address the socioeconomic impact that removal or reduction of fuel subsidies** would cause for ordinary citizens whose daily lives depend on access to petrol and other petroleum products to maintain equity in energy provisioning.
  - **Empower citizens and regularise mechanisms** that promote citizen action in holding public authorities to account. Public forums where citizens openly engage with government officials and elected leaders could be effective in enhancing interaction between government actors as duty-bearers and citizens as rights-holders.
  - **Adapt and institutionalise proven norms and practices** such as environmental, social, and governance (ESG) reporting to enable and support Nigeria's energy sector public and private players to create a culture of integrity, honesty, and transparency in the sector. ■

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### Further reading

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