

Short, Medium, and Long-Term Budgeting and Fiscal Planning Roadmap Milestones for Energy Enthusiasts

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Abstract: This study examined the importance of a structured short-, medium-, and long-term budgeting and fiscal planning roadmap for enhancing sustainability and performance in Nigeria's energy sector. The study was motivated by the persistent disconnect between annual budgeting decisions, medium-term fiscal frameworks, and long-term development strategies, which has contributed to policy inconsistency, inefficient resource allocation, and weak sectoral performance. Using a conceptual and empirical review approach, the study analyzed budgeting practices across different planning horizons and assessed their implications for key energy reforms in Nigeria. The theoretical foundation was anchored on Incrementalism Theory, Fiscal Planning Theory, Sustainable Development Theory, and Public Investment Theory. Empirical evidence was drawn from Nigeria's power sector privatization and the fuel subsidy removal policy under the Tinubu administration. Findings revealed that while short-term reforms such as privatization and subsidy removal were implemented decisively, inadequate medium-term transition mechanisms and weak long-term financing frameworks limited their effectiveness and sustainability. The study further identified policy asymmetry characterized by strong initial policy actions, partial implementation in the medium term, and poor continuity in the long term. These gaps have contributed to persistent electricity shortages, inflationary pressures, increased poverty levels, and reduced industrial competitiveness. The study concluded that sustainable energy development requires an integrated fiscal planning framework that aligns short-term operational priorities with medium-term structural reforms and long-term sustainability goals. Consequently, it recommended a phased roadmap emphasizing fiscal discipline, targeted social protection, infrastructure financing, public-private partnerships, renewable energy investments, climate-responsive budgeting, and institutionalized multi-year expenditure frameworks. Such an approach would enhance policy coherence, improve financial efficiency, attract investment, and support Nigeria's transition toward a resilient and sustainable energy future.

Keywords: Budgeting Practices; Fiscal Planning Roadmap; Energy Sector Development; Energy Policy Reforms.

1.0 BACKGROUND TO THE STUDY

The global energy landscape is experiencing significant transformation due to climate change concerns, technological advancements, and evolving policy priorities. However, many stakeholders, including small-scale investors, researchers, startups, and policy advocates, often lack a structured and time-sensitive approach to budgeting and fiscal planning. The absence of clearly defined short-, medium-, and long-term financial roadmaps frequently leads to fragmented investments, inefficient resource allocation, and limited scalability of energy initiatives, particularly in emerging markets such as Nigeria. (Bredino et al. 2022).

Short-term financial decisions in the energy sector are often made without adequate alignment to medium- and long-term objectives, resulting in inefficiencies and unsustainable outcomes. For example, pilot investments in renewable energy technologies may not progress to large-scale implementation due to insufficient financial continuity and planning (Musgrave & Musgrave, 1989). Additionally, medium-term expansion initiatives are frequently limited by inconsistent funding mechanisms, inadequate forecasting models, and policy uncertainties, including difficulties in fully utilizing reforms such as the Petroleum Industry Act (Opuala-Charles & Bredino, 2025).

Furthermore, long-term fiscal planning in the energy space is hindered by limited access to capital, insufficient integration of sustainability goals, and weak alignment with global frameworks such as the Sustainable Development Goals. This disconnect undermines the ability of energy enthusiasts to contribute effectively to energy transition goals, infrastructure development, and environmental sustainability.

Consequently, the lack of a coherent budgeting and fiscal planning roadmap that integrates short-, medium-, and long-term milestones presents a critical challenge. Without such a framework, energy enthusiasts may struggle to optimize investments, manage risks, and achieve sustainable growth. This study therefore seeks to address this gap by examining how a structured fiscal planning roadmap can enhance decision-making, improve financial efficiency, and support the long-term development of the energy sector.

1.1 AIM & OBJECTIVE OF STUDY

The main aim of this study is to examine how the lack of alignment between short-, medium, and long-term budgeting and fiscal planning affects the performance and sustainability of Nigeria's energy sector, and to develop a coherent roadmap framework that

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enhances policy effectiveness, financial efficiency, and long-term energy development in Nigeria.

The specific objectives are to:

- i. Assess the nature of short-term budgeting practices in Nigeria's energy sector and how they influence immediate policy outcomes and operational efficiency.
- ii. Examine the effectiveness of medium-term fiscal planning mechanisms, particularly in terms of implementation, infrastructure development, and policy continuity.
- iii. Evaluate long-term fiscal strategies in the energy sector, with emphasis on sustainability, investment alignment, and energy transition goals such as Renewable Energy adoption.
- iv. Identify gaps and disconnects between short-, medium-, and long-term planning horizons in key energy reforms, including power sector restructuring and subsidy removal policies.
- v. Analyze the economic implications of policy asymmetry in the energy sector, including impacts on inflation, industrial productivity, and fiscal stability.
- vi. Develop a strategic fiscal planning roadmap with clearly defined milestones that align budgeting across time horizons for improved energy sector performance.

2.0 LITERATURE REVIEW

2.1 Theoretical Review

2.1.1 Short-term Budgeting Practice: Theoretical and Conceptual Literature

1. Theoretical Foundations of Short-term Budgeting

Short-term budgeting practices are grounded in several classical and modern public finance theories:

a. Incrementalism Theory

Incrementalism, associated with Lindblom, is one of the dominant theories explaining short-term budgeting behavior. It posits that budgeting decisions are made through marginal adjustments to previous allocations rather than radical restructuring (Lindblom, 1959). In practice, most annual budgets in energy sectors build upon prior-year figures, adjusting for inflation, political priorities, and revenue changes.

In energy budgeting, incrementalism explains why subsidies, electricity tariffs, and fuel allocations often change gradually rather than abruptly, even when reforms are urgently needed (Lee et al., 2020).

b. Line-Item Budgeting Theory

Line-item budgeting theory emphasizes detailed categorization of expenditures into specific items (e.g., personnel costs, maintenance, fuel subsidies, capital projects). This approach enhances accountability and control over public spending (Bland, 2013). In the energy sector, line-item budgeting allows governments to track specific costs such as power plant maintenance, fuel imports, grid expansion, and renewable energy pilot projects (Premchand, 1993).

c. Fiscal Control Theory

Fiscal control theory focuses on ensuring compliance with approved budget limits and preventing overspending. Short-term budgeting is a key mechanism for enforcing fiscal discipline within a fiscal year (Musgrave & Musgrave, 1989). This theory is particularly relevant in energy systems where cost overruns in infrastructure projects or subsidy leakages can destabilize national budgets.

d. Agency Theory

Agency theory explains the relationship between principals (government or citizens) and agents (ministries, agencies, or state-owned enterprises). Short-term budgeting serves as a control mechanism to align the behavior of energy sector agencies with government priorities through budget ceilings, approvals, and monitoring systems (Simon, 1997).

2. Conceptual Understanding of Short-Term Budgeting Practice

Short-term budgeting is conceptually defined as the annual process of estimating revenues, allocating expenditures, and authorizing spending within a fixed fiscal year (Lee et al., 2020). It focuses on immediate priorities rather than long-term projections.

Its core conceptual components include:

a. Revenue Estimation

This involves forecasting government income from oil revenues, taxes, tariffs, and external funding. In energy-dependent economies, revenue volatility significantly influences short-term budgeting decisions (CBN, 2024).

b. Expenditure Allocation

This refers to the distribution of financial resources across sectors such as power generation, fuel subsidies, renewable energy projects, and administrative costs (Premchand, 1993).

c. Budget Execution

Budget execution involves the actual release and utilization of funds. In the energy sector, this determines whether projects such as grid expansion, refinery maintenance, or rural electrification are implemented on schedule (Bland, 2013).

d. Monitoring and Control

This ensures that spending adheres to approved allocations. It includes auditing, performance tracking, and expenditure reviews (Musgrave & Musgrave, 1989).

3. Short-Term Budgeting in Energy Governance

Short-term budgeting plays a central operational role in energy sector management by translating policy decisions into immediate financial actions (IEA, 2024). Key applications include:

- **Fuel Subsidy Management:** Determining annual subsidy allocations and adjustments based on global oil prices and domestic consumption (NNPC Limited, 2024).
- **Electricity Sector Financing:** Funding generation, transmission, and distribution costs within the fiscal year (NERC, 2024).

- **Maintenance and Operations:** Financing routine maintenance of power infrastructure to avoid system failures (TCN, 2024).
- **Emergency Energy Response:** Providing rapid funding for energy shocks, such as fuel shortages or power outages.

4. Instruments of Short-Term Budgeting

Several tools are used to implement short-term budgeting effectively:

- **Annual Budget Statement:** The formal document outlining government revenue and expenditure plans.
- **Appropriation Act:** Legal authorization for spending public funds.
- **Cash Allocation Plans:** Monthly or quarterly release schedules for ministries and agencies.
- **Supplementary Budgets:** Adjustments made during the fiscal year to address unforeseen changes.

2.1.2 Medium-Term Budgeting Practices: Theoretical and Conceptual Literature

1. Theoretical Foundations of Medium-Term Budgeting

Medium-term budgeting practices draw from several interrelated theoretical perspectives in public finance and policy planning.

a. Fiscal Planning Theory

Fiscal planning theory emphasizes rational allocation of scarce public resources over time. It argues that governments must move beyond annual incremental budgeting toward forward-looking frameworks that anticipate revenue flows, expenditure commitments, and macroeconomic constraints. Medium-term budgeting is therefore a mechanism for smoothing fiscal volatility and improving intertemporal efficiency (Lee et al., 2020).

b. New Public Management (NPM) Theory

NPM theory advocates for efficiency, performance orientation, and results-based governance. Within this framework, medium-term budgeting is viewed as a tool for linking policy objectives to measurable outputs over multiple years (Osborne & Gaebler, 1992). In the energy sector, this allows governments to align subsidy reforms, infrastructure investments, and renewable energy transitions with performance targets.

c. Incrementalism Theory (with Medium-Term Adjustment)

Traditional incrementalism suggests that budgeting evolves through marginal changes to previous allocations. However, medium-term budgeting modifies this theory by introducing forward expenditure ceilings and policy-driven adjustments over a rolling multi-year horizon, thereby reducing rigid dependence on historical budgets (Lee et al., 2020).

d. Public Choice Theory

Public choice theory highlights the influence of political incentives on fiscal decisions. Medium-term budgeting is conceptually important here because it constrains short-term political manipulation by embedding spending decisions within a pre-agreed multi-year fiscal framework, improving transparency and accountability (Musgrave & Musgrave, 1989).

2. Conceptual Understanding of Medium-Term Budgeting Practice

Medium-term budgeting (MTB) is typically operationalized through a Medium-Term Expenditure Framework (MTEF), which links policy, planning, and budgeting in a unified structure (Lee et al., 2020). It consists of three key dimensions:

a. Aggregate Fiscal Discipline

This refers to maintaining sustainable expenditure levels within projected revenue ceilings over a medium-term horizon. In energy budgeting, this ensures that large-scale infrastructure projects such as power plants, transmission networks, and renewable energy investments remain fiscally sustainable (IMF, 2024).

b. Strategic Allocation of Resources

This dimension ensures that resources are directed toward priority sectors and programs aligned with national energy policies. It helps governments prioritize energy access expansion, subsidy restructuring, and clean energy transition initiatives (IEA, 2024).

c. Operational Efficiency

Medium-term budgeting improves efficiency by providing ministries, departments, and agencies (MDAs) with predictable funding envelopes. This reduces delays in project execution and improves cost control in energy infrastructure delivery (Osborne & Gaebler, 1992).

3. Medium-Term Budgeting in Energy Sector Planning

In energy-focused fiscal planning, medium-term budgeting plays a transformative role in addressing structural inefficiencies such as subsidy burdens, underinvestment in infrastructure, and policy inconsistency (World Bank, 2024). Key applications include:

- **Capital Investment Planning:** Ensuring phased funding for energy infrastructure projects such as refineries, gas pipelines, and renewable energy systems.
- **Energy Transition Financing:** Supporting gradual shifts from fossil fuel dependence to cleaner energy sources through predictable fiscal commitments.
- **Subsidy Rationalization:** Structuring subsidy reforms over time to minimize economic shocks while maintaining social stability.
- **Risk Management:** Incorporating macroeconomic risks such as inflation, exchange rate volatility, and global oil price fluctuations into multi-year fiscal projections.

4. Key Instruments of Medium-Term Budgeting

Medium-term budgeting practices are implemented through several institutional tools:

- **Medium-Term Expenditure Framework (MTEF):** A three-year rolling expenditure plan linked to policy objectives.
- **Medium-Term Fiscal Framework (MTFF):** Establishes aggregate revenue and expenditure ceilings.
- **Medium-Term Sector Strategies (MTSS):** Sector-specific plans that align energy policy goals with budget allocations.

- **Performance-Based Budgeting Systems:** Link funding to measurable outputs and outcomes in energy projects.

5. Challenges of Medium-Term Budgeting Practices

Despite its theoretical strengths, medium-term budgeting faces implementation challenges, particularly in developing economies:

- Weak institutional capacity for accurate forecasting
- Political interference in budget revisions
- Poor integration between planning and budgeting agencies
- Data limitations in energy demand and revenue projections
- Inconsistent policy continuity across administrations

In energy sectors, these challenges often lead to budget deviations, project delays, and underfunded strategic initiatives (World Bank, 2024; IMF, 2024).

2.1.3 Long-Term Budgeting Practices: Theoretical and Conceptual Literature

1. Theoretical Foundations of Long-Term Budgeting

Long-term budgeting practices are grounded in several interrelated theoretical frameworks:

a. Intergenerational Equity Theory

Intergenerational equity theory emphasizes fairness in resource allocation across present and future generations. In budgeting terms, it argues that current fiscal decisions should not compromise the ability of future generations to meet their energy needs.

In energy systems, this theory supports investments in renewable energy, climate-resilient infrastructure, and sustainable financing models that reduce long-term environmental and fiscal burdens (United Nations, 2015).

b. Sustainable Development Theory

Sustainable development theory integrates economic growth, environmental protection, and social inclusion. Long-term budgeting operationalizes this theory by ensuring that fiscal policies align with long-range sustainability goals, such as carbon reduction, energy transition, and universal energy access. This theory is particularly relevant for energy enthusiasts advocating for a shift from fossil fuel dependence to cleaner and more resilient energy systems (United Nations, 2015).

c. Structural Change Theory

Structural change theory explains how economies evolve from traditional, resource-based systems to more diversified and technologically advanced systems. Long-term budgeting supports this transformation by financing large-scale energy infrastructure, innovation systems, and industrial diversification. In the energy sector, this includes investments in smart grids, hydrogen technologies, nuclear energy, and large-scale renewable deployment (IEA, 2024).

d. Endogenous Growth Theory

Endogenous growth theory emphasizes the role of internal investments—particularly in human capital, innovation, and infrastructure—in driving long-term economic growth. Long-term

budgeting enables sustained funding for energy research and development (R&D), technological innovation, and capacity building. This ensures that energy systems evolve through innovation rather than external dependency.

e. Public Investment Theory

Public investment theory highlights the role of government spending in providing long-gestation capital assets that private markets may underprovide. Long-term budgeting is essential for financing energy infrastructure projects with high upfront costs but long-term benefits, such as hydroelectric dams, national transmission networks, and renewable energy zones (Musgrave & Musgrave, 1989).

2. Conceptual Understanding of Long-Term Budgeting Practice

Long-term budgeting is conceptually defined as a strategic fiscal planning approach that aligns government expenditure with long-term national development goals, particularly in capital-intensive sectors like energy.

Its key conceptual dimensions include:

a. Strategic Capital Investment Planning

This involves identifying and financing large-scale energy projects with long-term payoffs. Examples include power generation plants, refinery rehabilitation, renewable energy parks, and cross-border energy infrastructure (NNPC Limited, 2024).

b. Energy Transition Financing

Long-term budgeting supports gradual transitions from fossil fuel-based systems to low-carbon and renewable energy systems. This includes funding for solar, wind, hydro, and hydrogen energy initiatives.

c. Debt Sustainability and Fiscal Responsibility

Long-term budgeting ensures that borrowing for energy infrastructure remains sustainable over time, preventing excessive debt accumulation that could destabilize future fiscal space (IMF, 2024).

d. Climate and Environmental Integration

It integrates climate change considerations into fiscal planning, ensuring that energy investments align with emissions reduction targets and environmental protection goals.

3. Long-Term Budgeting in Energy Sector Development

In the energy sector, long-term budgeting serves as the backbone of structural transformation and energy security. Its applications include:

- **National Energy Master Planning:** Designing long-range strategies for electricity generation, transmission, and distribution expansion.
- **Renewable Energy Transition:** Financing solar, wind, hydro, and hybrid systems to reduce dependence on fossil fuels.
- **Infrastructure Modernization:** Upgrading aging power plants, pipelines, and grid systems.
- **Research and Innovation Funding:** Supporting energy technology development and indigenous innovation.

- Climate Adaptation Investments: Building resilient energy systems capable of withstanding climate shocks.

4. Instruments of Long-Term Budgeting

Long-term budgeting is implemented through strategic policy and financial instruments, including:

- National Development Plans (10–20 years): Broad economic and energy transformation frameworks.
- Energy Master Plans: Sector-specific long-term blueprints for energy security and diversification.
- Public Investment Programs (PIPs): Lists of prioritized capital projects with long-term funding commitments.
- Sovereign Wealth and Infrastructure Funds: Mechanisms for saving and investing resource revenues in long-term projects.
- Climate Financing Frameworks: Dedicated funding systems for decarbonization and environmental sustainability.

2.2 EMPIRICAL ISSUES IN NIGERIA'S ENERGY SECTOR

2.2.1 Nigeria's Power Sector

1. Power Sector Privatization and Persistent Electricity Shortfalls

The privatization of Nigeria's power sector in 2013 marked a major turning point in the country's effort to reform a historically inefficient electricity industry. Prior to this reform, the sector was dominated by the state-owned Power Holding Company of Nigeria, which struggled with inadequate generation capacity, poor infrastructure, financial losses, and an inability to meet the growing electricity demand of the nation (World Bank, 2024). Frequent power outages and reliance on private generators had become defining features of Nigeria's energy landscape, constraining economic growth and industrial development.

The reform was driven by the need to introduce efficiency, competition, and private sector investment into the electricity market. As part of the process, the government unbundled PHCN into separate entities responsible for generation (GenCos), transmission, and distribution (DisCos). While the generation and

distribution companies were privatized and sold to private investors, the transmission segment was retained under government control through the Transmission Company of Nigeria (NERC, 2024). The expectation was that private ownership would bring in capital, technical expertise, and better management practices, thereby improving service delivery and expanding electricity access.

In the immediate aftermath, the privatization was seen as a bold reform, attracting both local and international investors. It also reduced the direct fiscal burden on the government, which had previously borne the cost of maintaining the inefficient power system. However, the outcomes have been mixed. While there have been marginal improvements in generation capacity, the sector continues to face significant challenges. These include inadequate transmission infrastructure, poor revenue collection by distribution companies, and a lack of cost-reflective tariffs. As a result, the sector has remained financially fragile, with persistent liquidity problems affecting the entire electricity value chain.

Moreover, the reform exposed structural weaknesses that were not fully addressed during the privatization process. The absence of synchronized investment across generation, transmission, and distribution created bottlenecks, particularly in the transmission network. Regulatory uncertainties and policy inconsistencies have also discouraged sustained private sector investment. Consequently, many Nigerians still experience unreliable power supply, and businesses continue to depend heavily on alternative energy sources, increasing operational costs.

In conclusion, the 2013 privatization of Nigeria's power sector represented a significant policy shift aimed at transforming the electricity industry through market-oriented reforms. While it achieved some short-term gains, such as attracting private investment and restructuring the sector, its long-term success has been limited by inadequate planning, weak institutional capacity, and poor alignment across the power value chain. The experience highlights the importance of comprehensive and coordinated reform strategies in achieving sustainable improvements in critical infrastructure sectors (IEA, 2024).

Following the unbundling and privatization of the Power Holding Company of Nigeria in 2013, Nigeria aimed to improve electricity generation, transmission, and distribution through private sector participation.

Table 2.1: Summary of Short, Medium Long-term budgeting on the Power Sector

Short-term focus	Medium-term gap	Long-term disconnect
• The government prioritized rapid privatization—selling generation and distribution companies to private investors to quickly reduce fiscal burden and improve efficiency.	• There was insufficient investment in transmission infrastructure, particularly under the Transmission Company of Nigeria, which remained government-controlled. This created a bottleneck: power generation increased modestly, but could not be effectively transmitted	• There was no fully integrated, financially sustainable roadmap ensuring cost-reflective tariffs, metering, and long-term capital recovery for investors

Economic Impact:

- Persistent electricity shortages forced businesses to rely heavily on diesel and petrol generators, increasing production costs.
- Reduced industrial productivity and competitiveness, discouraging foreign investment.
- Estimated billions of dollars lost annually due to unreliable power supply, constraining GDP growth.

2.2.2 Fuel Subsidy Removal under Tinubu: Shock Without Full Roadmap Alignment

The removal of fuel subsidy under the administration of Bola Ahmed Tinubu in May 2023 represents one of the most consequential economic policy shifts in Nigeria's recent history. For decades, the Nigerian government had subsidized petrol prices to keep them artificially low, despite the country's heavy reliance on imported refined petroleum products. While the policy provided short-term relief to citizens, it imposed a significant fiscal burden and discouraged investment in domestic refining (NNPC Limited, 2024).

Upon assuming office, Tinubu announced the immediate removal of the subsidy, arguing that it was no longer sustainable. This

decision was influenced by rising subsidy costs, which had consumed a large portion of government revenue under the management of the Nigerian National Petroleum Company Limited. The removal was intended to free up fiscal resources for critical sectors such as infrastructure, healthcare, and education, while also promoting a more market-driven energy economy (IMF, 2024).

Nigeria spent over 10.3 trillion naira on fuel subsidy between 2006 to 2019. Fuel subsidy is aimed at lessening the burden of the cost of fuel on Nigerians. There have been several protestations against subsidies and in 2021 while announcing the removal of subsidies, the Finance Minister described subsidies as “..unsustainable and economically disingenuous”.

Nigeria's Subsidy Spending (N'billion)

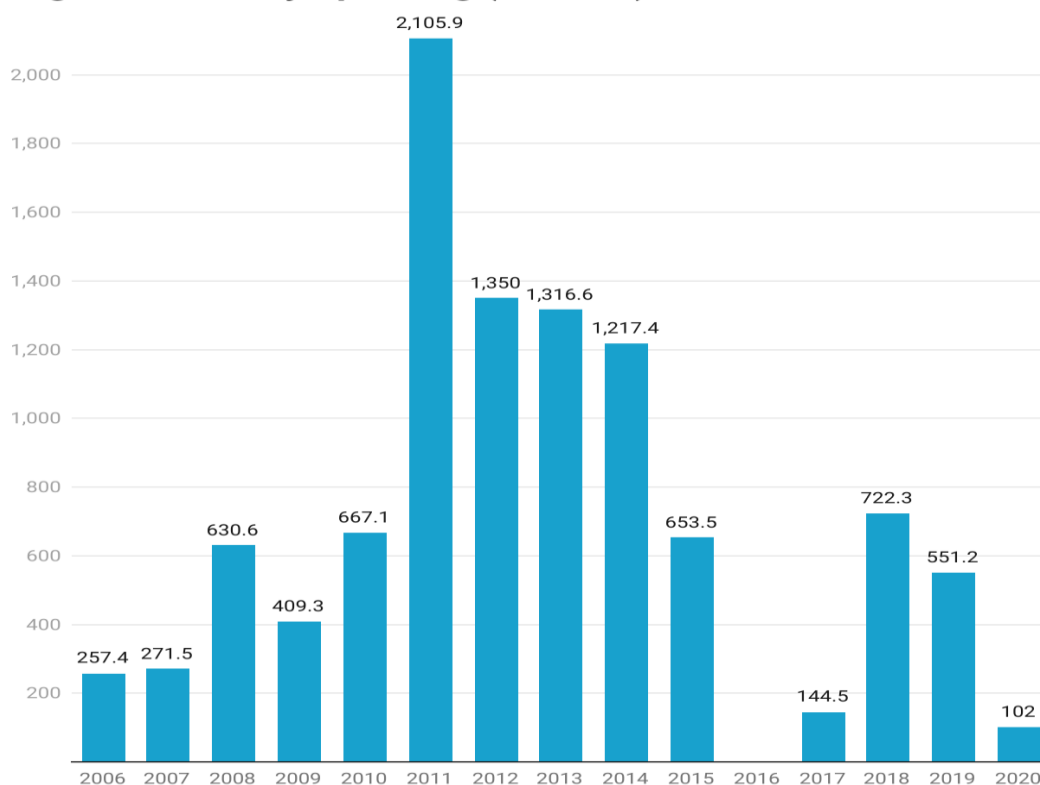


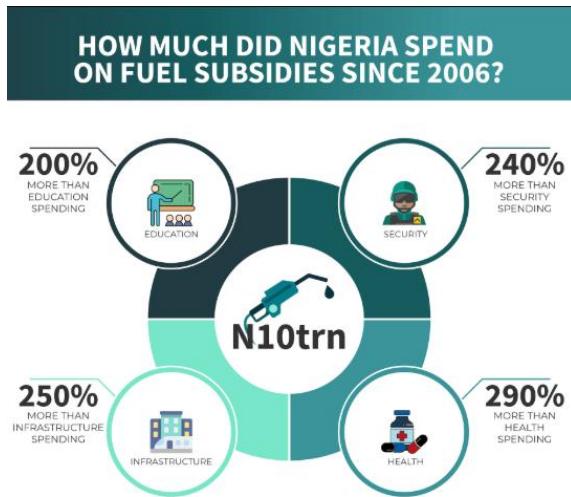
Chart: Dataphyte • Source: NNPC,PPPRN and Dataphyte Research • Created with Datawrapper

The highest spent on subsidy in the years under review was in 2011 with a total of 2.105 trillion naira. 2020 is the year with the lowest amount spent on subsidy with a total of 102 billion naira, followed by 2017 with N144.5 billion and no amount was recorded spent in 2016. The low figures in these years may be due to the crash of oil prices between 2014 and 2016 and then again in 2020 (CBN, 2024).

However, the policy implementation was abrupt and lacked a well-coordinated transition framework. In the short term, the removal led to a sharp increase in fuel prices, which in turn triggered widespread inflation across the economy. Transportation costs surged, food prices escalated, and the overall cost of living increased significantly. Many households and small businesses faced severe economic pressure, leading to public dissatisfaction and labour protests.

From a broader perspective, the subsidy removal exposed longstanding structural weaknesses in Nigeria's energy sector. The country's limited domestic refining capacity meant that it remained vulnerable to global oil price fluctuations and exchange rate instability. Although reforms such as the Petroleum Industry Act were designed to improve sector efficiency and attract investment, their full impact had not materialized at the time of the subsidy removal.

Despite these short-term challenges, the policy holds potential long-term benefits. By eliminating the subsidy, the government can reduce fiscal deficits, improve public finances, and create incentives for private investment in refining and alternative energy sources. Over time, this could lead to a more efficient and self-sustaining energy sector (IEA, 2024)..



In conclusion, the fuel subsidy removal under Tinubu can be described as a bold but imperfect reform. While it addresses critical long-term fiscal challenges, the lack of a phased implementation strategy and adequate social cushioning measures resulted in significant short-term economic shocks. The success of the policy will ultimately depend on how effectively the government reinvests the savings and implements complementary reforms to stabilize the economy and support vulnerable populations.

Where the Planning Disconnect Occurred

- **Short-term (Immediate Reform):**

Subsidy removal was implemented instantly, eliminating a major fiscal burden and increasing government revenues.

- Government revenues rose sharply within months.

- **Medium-term (Adjustment Gaps):**

Supporting measures—such as public transport systems, wage adjustments, and palliatives—were either delayed or insufficient.

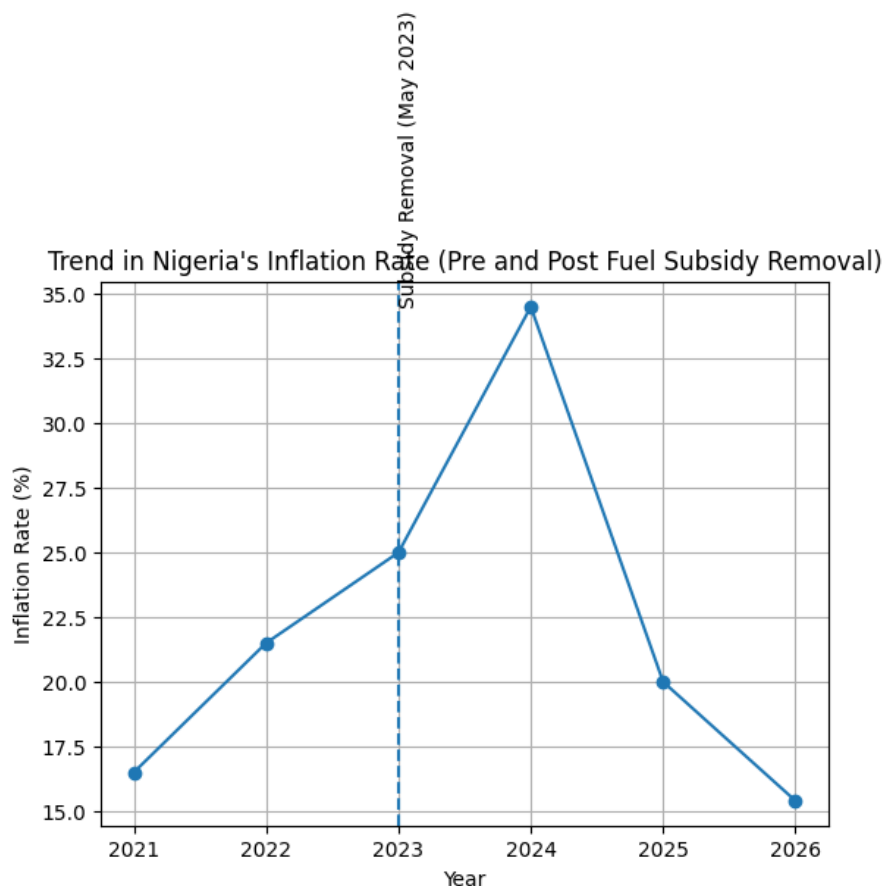
- Fuel prices surged, triggering widespread cost increases across sectors.

- **Long-term (Structural Transition Uncertainty):**

While the policy aimed to free resources for infrastructure and economic reforms, the transition to a fully deregulated and locally refined fuel system (e.g., functional refineries, CNG alternatives) remains incomplete and uneven.

Recent Economic Outcomes of the Fuel Subsidy Removal

The removal of fuel subsidy in Nigeria under the administration of Bola Ahmed Tinubu has generated a mix of immediate economic challenges and potential long-term benefits. In the short to medium term, the policy triggered significant macroeconomic adjustments that directly affected households and businesses. One of the most evident outcomes has been a sharp rise in inflation and the overall cost of living. With the sudden increase in petrol prices, transportation costs surged, leading to higher prices of goods and services across the economy (NBS, 2026). This inflationary pressure has disproportionately impacted low- and middle-income earners, reducing their real purchasing power.

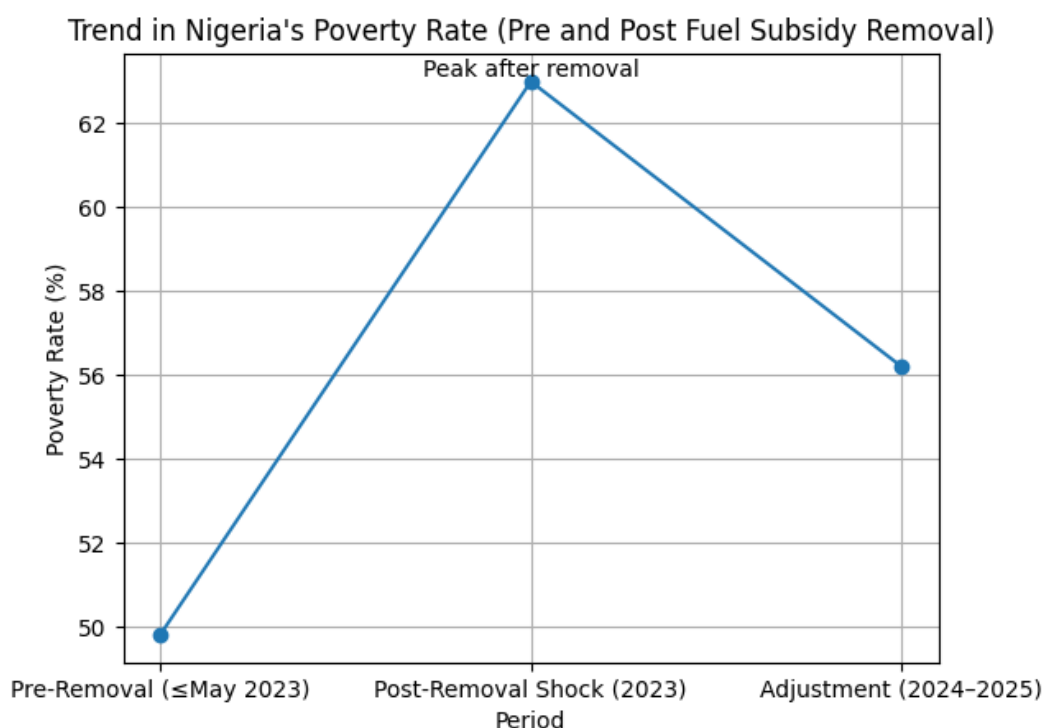


(Source: National Bureau of Statistics, 2026)

The graph illustrates a clear structural shift in Nigeria's inflation dynamics surrounding the fuel subsidy removal in May 2023. Prior to the reform, inflation followed a gradual upward trajectory, rising moderately from about 16–17% in 2021 to roughly 22% by early 2023, reflecting existing macroeconomic pressures but remaining relatively contained. However, immediately after the subsidy removal, the trend changes sharply, with inflation accelerating significantly and peaking at around 34–35% in 2024. This surge highlights the strong cost-push effects of higher fuel prices, which transmitted quickly into transportation, food, and general production costs across the economy. Following this peak, the graph shows a noticeable decline in inflation through 2025 and into 2026, suggesting a period of macroeconomic adjustment driven by

policy responses, base effects, and partial market stabilization. Overall, the graph captures a typical reform pattern: a stable pre-reform phase, a short- to medium-term inflation shock, and a gradual return toward stability over time.

Closely linked to this is the noticeable increase in poverty levels, with reports suggesting that a larger proportion of Nigerians now fall below the poverty line. The rising cost of basic necessities, particularly food, has placed additional strain on household budgets. Businesses have also been affected, as higher transportation and logistics costs translate into increased production expenses, which are often passed on to consumers. Consequently, both households and firms have had to adjust to a more expensive economic environment.



(Source: World Bank, 2026)

The poverty trend reveals a clear and immediate welfare impact following the removal of the fuel subsidy in Nigeria. Prior to the reform, the poverty rate stood at approximately 49.8%, indicating an already high but relatively stable level of deprivation. However, the removal of the subsidy triggered a sharp increase in poverty to about 63%, reflecting a significant welfare shock. This surge can be attributed to the rapid rise in fuel prices, which transmitted into higher transportation costs, food prices, and general living expenses, thereby eroding household purchasing power and pushing many vulnerable individuals below the poverty line.

In the subsequent adjustment phase, the poverty rate declined to around 56.2%, suggesting a partial recovery. This improvement likely reflects the combined effects of policy interventions, such as social palliatives and cash transfers, as well as gradual economic adjustments by households and markets. Nonetheless, poverty levels remained significantly above the pre-removal baseline, indicating that the recovery was incomplete and that the long-term welfare effects of the reform persist (World Bank, 2026). Overall,

the trend underscores a typical reform outcome in developing economies, where major policy shifts generate short-term social costs before any potential long-term benefits are realized.

The socio-economic strain has also manifested in social unrest and labour protests. Organized labour groups and civil society organizations have expressed dissatisfaction with the policy, citing the absence of adequate cushioning measures to mitigate its impact. Declining purchasing power and worsening living conditions have fueled public discontent, leading to calls for wage adjustments and government intervention.

Despite these short-term difficulties, the subsidy removal presents notable long-term prospects for the Nigerian economy. One of the most significant gains is the substantial fiscal savings realized by the government, estimated to be over one trillion naira within a few months of implementation. These savings have the potential to be redirected toward critical sectors such as infrastructure, healthcare, and education, thereby promoting broader economic development. Additionally, the policy has improved government revenue and

contributed to a reduction in the fiscal deficit, strengthening public finances.

Furthermore, the removal of the subsidy sends a strong signal toward market liberalization and increased private sector participation in the energy sector. By eliminating price distortions, the policy creates an environment that is more attractive to investors, particularly in refining and energy infrastructure (Opuala-Charles et al, 2025). Over time, this could lead to increased efficiency, improved supply, and reduced dependence on imported petroleum products.

In conclusion, while the removal of fuel subsidy in Nigeria has imposed considerable short-term economic hardships, it also offers a pathway to long-term fiscal sustainability and structural reform. The overall success of the policy will depend on the government’s ability to effectively manage the transition, reinvest savings productively, and implement supportive measures to protect vulnerable populations.

Negative (Short-Medium Term):	Positive (Long-Term Potential):
• Sharp rise in inflation and cost of living. • Increased poverty levels (reportedly rising to about 63%). • Higher transportation and food costs affecting households and businesses. • Social unrest and labour protests due to declining purchasing power.	• Significant fiscal savings (over ₦1 trillion within months). • Improved government revenue and reduced fiscal deficit. • Signals for market liberalization and private sector participation.

Economic Impact

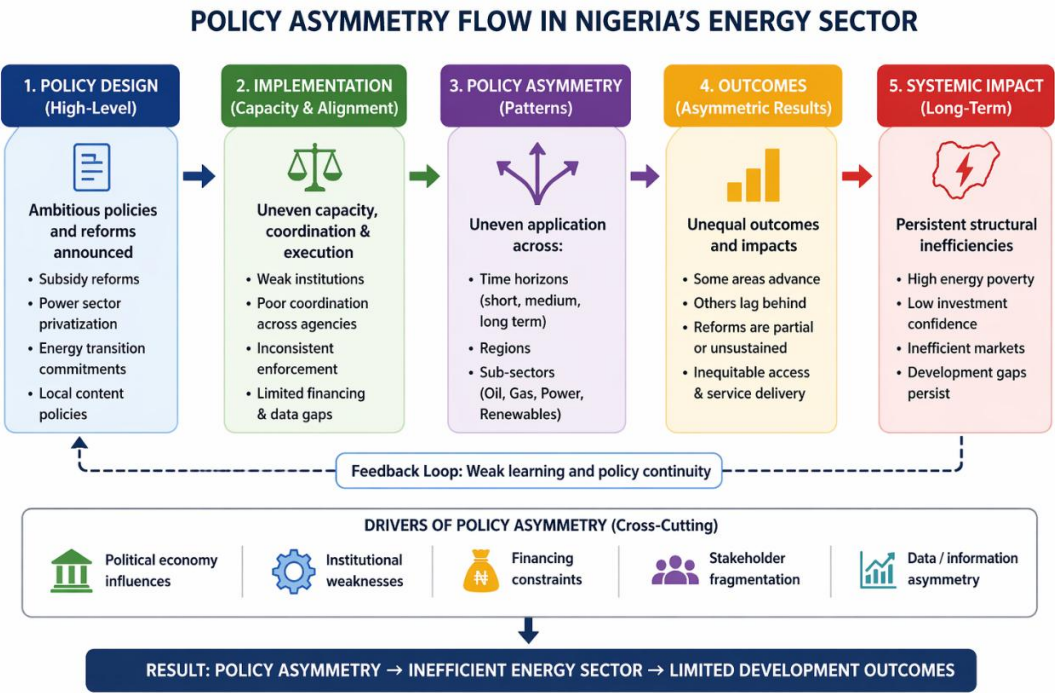
- Short-term economic hardship and contraction in real household income.
- Increased cost of doing business, especially in transport-dependent sectors.
- Potential long-term gains if savings are effectively reinvested in infrastructure and social systems.

The subsidy removal represents a strong long-term fiscal strategy, but the absence of a well-sequenced medium-term cushioning framework turned it into a short-term economic shock (World Bank, 2024).

3.0 Pattern of Policy Asymmetry In Nigeria Energy Sector

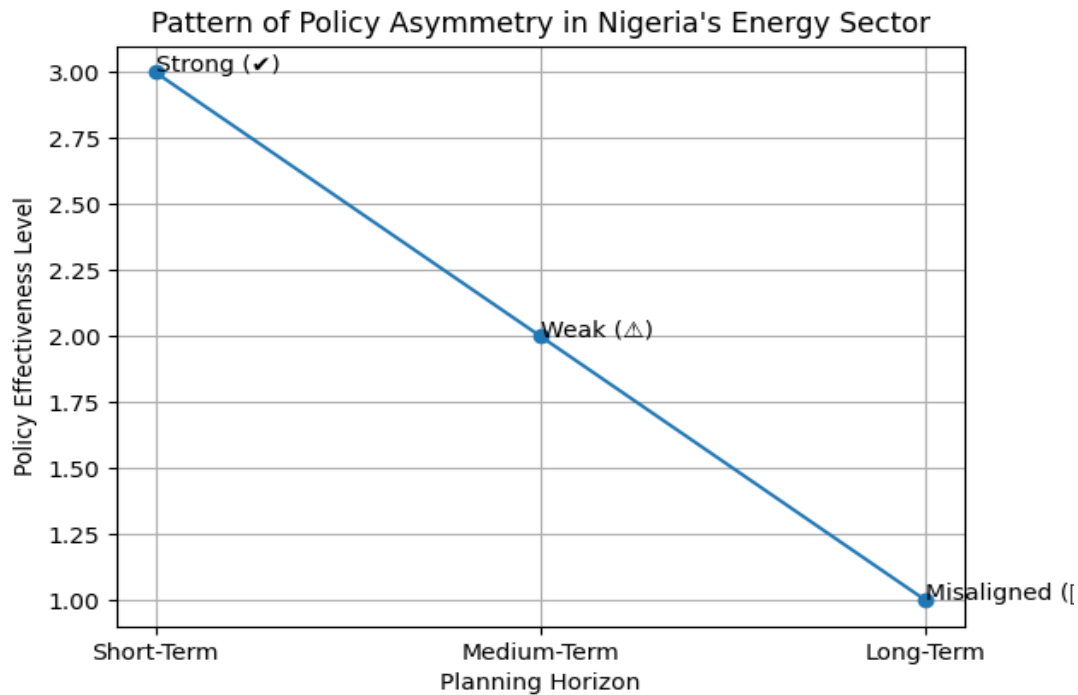
Patterns of policy asymmetry in Nigeria’s energy sector refer to the uneven design, implementation, and outcomes of energy-related policies across different time horizons, regions, and subsectors such as oil, gas, and electricity. In practice, this means that while certain policy areas receive strong political attention and bold reforms, others remain underdeveloped, inconsistently executed, or poorly aligned with long-term national goals.

In Nigeria, this asymmetry is often visible in the contrast between ambitious policy announcements—such as subsidy reforms, power sector privatization, and energy transition commitments—and the limited institutional capacity to sustain or coordinate these reforms effectively. As a result, policy actions in the energy sector frequently appear fragmented: short-term decisions are often bold but disruptive, medium-term reforms are partial and inconsistent, and long-term strategies tend to lack continuity and financing support.



These uneven patterns shape investment outcomes, energy access, and sectoral efficiency. Understanding policy asymmetry is therefore essential for explaining why Nigeria's energy sector,

despite significant resources and repeated reforms, continues to experience structural inefficiencies and development gaps.



The graph illustrates a pattern of policy asymmetry in Nigeria's energy sector, where effectiveness declines from short-term decisions to long-term outcomes. It shows that while policies are often bold at the initial stage, weak implementation and poor coordination over time undermine their sustainability. This mismatch across planning horizons results in suboptimal sector performance and limited long-term impact in Nigeria.

- Short-term: Nigeria gets it right through bold policy decisions such as privatization and subsidy removal; however, these are often weakened by poor sequencing and abrupt implementation.

- Medium-term: There are partial reforms and adjustments, but progress is hindered by weak institutional capacity and inconsistent execution.
- Long-term: Although ambitious goals like efficiency, liberalization, and sustainability are set, they are undermined by lack of integrated financing and policy continuity.

Overall, the graph emphasizes that strong beginnings without sustained follow-through lead to weak long-term outcomes in the energy sector.

PATTERN OF POLICY ASYMMETRY IN NIGERIA'S ENERGY SECTOR

Mismatch Across Planning Time Horizons



4.0 Policy Recommendation

To address persistent challenges in energy budgeting such as policy inconsistency, weak execution, funding gaps, and poor coordination, Nigeria's energy fiscal strategy should adopt a phased but integrated approach:

i) Short-Term (0–2 years): Stabilization and Efficiency

- Enforce strict budget discipline, transparency, and quarterly reporting in energy spending.
- Replace blanket subsidies with targeted energy support for vulnerable households.
- Prioritize quick-impact infrastructure (grid repairs, metering, transmission upgrades).
- Strengthen coordination between fiscal authorities and energy regulators.
- Establish a short-term energy stabilization fund for critical system support.

ii) Medium-Term (3–7 years): Structural Reform and Expansion

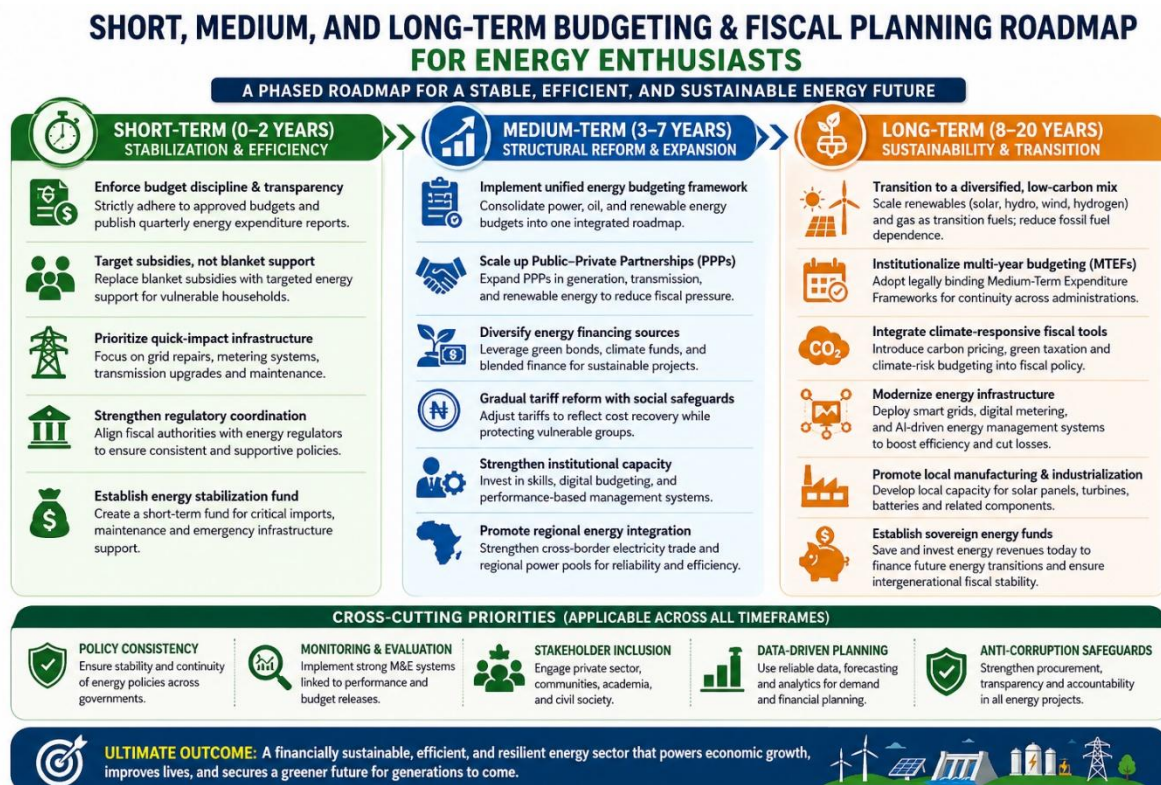
- Implement a unified energy budgeting framework covering power, oil, and renewables.
- Scale up Public–Private Partnerships (PPPs) to reduce fiscal burden.

- Expand access to diversified financing (green bonds, climate funds, blended finance).
- Gradually reform tariffs with social protection mechanisms.
- Strengthen institutional capacity and digital budgeting systems.
- Promote regional energy trade and grid integration.

iii). Long-Term (8–20 years): Sustainability and Transition

- Transition to a diversified and low-carbon energy mix (renewables, hydrogen, gas).
- Institutionalize multi-year budgeting (MTEFs) for continuity and predictability.
- Integrate climate-responsive fiscal tools (carbon pricing, green taxation).
- Modernize infrastructure using smart grids and digital energy systems.
- Promote local manufacturing and energy industrialization.
- Establish sovereign energy funds for intergenerational fiscal stability.

Graphical presentation of policy recommendation



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