APPRAISING THE LEGAL REGIME FOR PETROLEUM PRICING IN NIGERIA: IMPLICATIONS FOR PRICE MANIPULATIONS*

Abstract

This article examined the evolution and legal framework of Petroleum Pricing Regulations in Nigeria, from its historical subsidy regimes to the market-driven framework introduced by the OPEC, IEA and the Petroleum Industry Act (PIA) 2021. It posited that while the Regulators aim to foster deregulation and transparency, the absence of robust enforcement and clear market signals could lead to significant price manipulation, with severe economic and social implications for Nigerians. The article highlighted the key objectives and legal provisions within the PIA that relates to pricing, market regulation, and the roles of new regulatory bodies like the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) and the Nigerian Upstream Petroleum Regulatory Commission (NUPRC). It further examined the various forms and implications of price manipulation, including hoarding, artificial scarcity, and speculative pricing, on the Nigerian economy, consumer welfare, and overall market stability. Through a conceptual framework that linked price regulation, market dynamics, and socio-economic outcomes, this aimed to provide a comprehensive understanding of the challenges and opportunities presented by the PIA in ensuring fair and transparent petroleum pricing. It concluded with recommendations for strengthening regulatory oversight and mitigating price manipulation to maximize the benefits of the PIA for all stakeholders.

Keywords: Petroleum Pricing, Legal Framework, Price Manipulations, Nigeria

1. Introduction

Nigeria, Africa's largest crude oil producer, has historically grappled with the complex issue of petroleum product pricing. guided by OPEC, IEA and African Petroleum Producers Association. For decades, the pricing of premium motor spirit (PMS), diesel, and kerosene was heavily subsidized by the government, aimed at cushioning the impact of international oil price fluctuations on its citizens.[1]This policy, while intended to be pro-poor, led to massive fiscal drains, encouraged corruption, and disincentivized private investment in the downstream sector. The Petroleum Industry Act (PIA) 2021 was enacted to address these long-standing challenges, introducing a comprehensive legal, regulatory, and fiscal framework for the Nigerian petroleum industry.[2]A cornerstone of the PIA is the thrust towards market-led pricing for petroleum products, effectively deregulating the downstream sector. This reform has been significantly complemented by the emergence of private sector players, notably the Dangote Petroleum Refinery, which commenced operations in early 2024 and began supplying refined products to the Nigerian market, marking a pivotal moment in the nation's quest for energy self-sufficiency.[3]While this move is anticipated to foster transparency and efficiency, it simultaneously introduces new challenges, particularly the potential for price manipulation by market actors.

The deregulation of petroleum product pricing, as envisioned by the PIA 2021, shifts the responsibility for price determination from government fiat to market forces. While theoretically promoting efficiency, the Nigerian market, characterized by infrastructural deficits, supply chain vulnerabilities, and a history of opacity, is susceptible to various forms of price manipulation, including hoarding, artificial scarcity, and speculative pricing. These manipulations can negate the intended benefits of deregulation, leading to arbitrary price hikes, increased cost of living, economic instability, and social unrest. Despite the PIA's provisions for market regulation and consumer protection, and the significant boost in domestic supply from facilities like the Dangote Refinery, the effectiveness of these provisions in deterring and penalizing manipulation remains a critical concern.

The study aims to examine the mechanisms of petroleum pricing regulations in Nigeria under the new dispensation of the PIA 2021 and to highlight the implications of price manipulation in this deregulated environment. The study adopts a doctrinal research methodology, analyzing statutory provisions, particularly the Petroleum Industry Act 2021, alongside relevant academic literature, policy documents, and reports from governmental and non-governmental organizations. It will also draw on contemporary media reports and expert opinions to provide a current understanding of market dynamics and regulatory challenges in Nigeria's petroleum sector, incorporating recent developments such as the operationalization and impact of the Dangote Petroleum Refinery. The paper is focused on petroleum pricing regulations and the implications of price manipulation within Nigeria, with a specific emphasis on the transformative role of the Petroleum Industry Act 2021. While acknowledging the upstream sector, the primary focus is on the midstream and downstream aspects concerning product pricing. The temporal scope is from the passage of the PIA in 2021 to the present, incorporating the recent significant developments in domestic refining and distribution. A limitation

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[1]ThisDaylive, 'Only Market-determined Petrol Pricing Can Unlock Nigeria's Potential', ThisDaylive (14 September 2024) https://www.thisdaylive.com/2024/09/14/only-market-determined-petrol-pricing-can-unlock-nigerias-potential/ accessed 19 June 2025.

[2]KPMG, 'Petroleum Industry Act (PIA) 2021 - A Game Changer', KPMG (undated) https://assets.kpmg.com/content/dam/kpmg/ng/pdf/tax/petroleum-industry-act-(pia)-2021-a-game-changer.pdf accessed 19 June 2025.

[3]Businessday NG, 'Petrol imports drop 54% as Dangote boost supply', Businessday NG (12 June 2025) https://businessday.ng/news/article/petrol-imports-drop-54-as-dangote-boost-supply/ accessed 19 June 2025.

is the dynamic nature of petroleum markets and the ongoing implementation of the PIA and related private sector initiatives, meaning some long-term effects are still unfolding.

2. Conceptual Framework: Price Regulation, Market Manipulation and Economic Impact

To understand the intricacies of petroleum pricing in Nigeria, it is crucial to establish a conceptual framework for price regulation, market manipulation, and their broader economic and social impacts.

Defining Price Regulation in the Petroleum Sector

Price regulation refers to government intervention in setting or influencing the prices of goods and services, often to protect consumers, ensure stability, or achieve socio-economic objectives. In the petroleum sector, this can range from direct price controls (e.g., fixed pump prices) to indirect mechanisms like subsidies, pricing templates, or regulatory oversight aimed at ensuring fair market conduct. Historically, Nigeria employed direct price controls and subsidies, which meant consumers paid less than the actual cost of refined petroleum products, with the government covering the difference.[4] This approach aimed to make petroleum products affordable but led to market distortions and inefficiencies. Under the PIA, the shift is towards a market-led pricing regime, where prices are determined by supply and demand, influenced by international crude oil prices, refining costs, logistics, and foreign exchange rates.[5] Regulatory bodies are expected to ensure market competition and prevent abuses rather than fixing prices.

Understanding Market Manipulation

Market manipulation involves deliberate actions to artificially influence the supply, demand, or price of a commodity for personal gain, usually to the detriment of genuine market participants and consumers. In the context of petroleum products in Nigeria, common forms of manipulation include:

Hoarding: Withholding products from the market to create artificial scarcity, thereby driving up prices. This is particularly prevalent during periods of anticipated price increases or supply disruptions.

Price Collusion/Fixing: Agreements between competitors (e.g., marketers) to set prices at a certain level, eliminating competition and artificially inflating costs.

Speculative Pricing: Exploiting perceived or actual market vulnerabilities (e.g., exchange rate fluctuations, refinery outages) to increase prices beyond justifiable levels.

Diversion/Smuggling: Diverting subsidized or cheaper products intended for the domestic market to neighboring countries where prices are higher, leading to domestic scarcity and higher local prices.[6]

Economic and Social Impact of Price Instability

Price instability in essential commodities like petroleum products has profound economic and social repercussions:

Economic Impact

Inflation: Petroleum products are critical inputs for transportation, manufacturing, and power generation. Price increases directly translate to higher costs for goods and services across the economy, leading to inflation and erosion of purchasing power.[7]

Reduced Business Viability: Higher operational costs for businesses, particularly Small and Medium Enterprises (SMEs) reliant on generators for power and transporters for logistics, can lead to reduced profitability, closures, and job losses.[8]

Budgetary Strain: Even with deregulation, government budgets can be indirectly affected by subsidies for other sectors, social welfare programs to cushion impacts, or reduced tax revenues from struggling businesses.

Investment Climate: Volatile pricing and opaque market practices deter foreign and local investment, particularly in the midstream and downstream sectors like refining and distribution.

Social Impact

Increased Poverty: Higher cost of living disproportionately affects low-income households, pushing more people into poverty.

Reduced Welfare: Access to essential services like transportation and food becomes more expensive, reducing the overall quality of life.

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[4] PricewaterhouseCoopers (PwC), Fuel subsidy in Nigeria - issues, challenges and the way forward (PwC, undated) https://www.pwc.com/ng/en/assets/pdf/fuel-subsidy-in-nigeria-issues-challenges-and-the-way-forward.pdf accessed 19 June 2025

[5] Punch, 'Petrol should be N700-N750/litre, PENGASSAN insists, accuses marketers of exploitation', Punch (16 June 2025) https://punchng.com/petrol-should-be-n700-n750-litre-pengassan-insists-accuses-marketers-of-exploitation/ accessed 19 June 2025

[6] Pwc (n 4)

[7] IJHSSM.org, 'Impact of Petroleum Product Prices on Manufacturing Sector Growth in Nigeria', International Journal of Humanities and Social Science Research (15 March 2025) https://ijhssm.org/issue_dcp/Impact%20of%20Petroleum%20Product%20Prices%20on%20Manufacturing%20Sector%20Growth%20in%20Nigeria.pdf accessed 19 June 2025.

[8] IJHSSM.org (n 7).

Social Unrest: Historical evidence in Nigeria shows that significant increases in fuel prices or perceived market manipulations often trigger public protests and social unrest, reflecting deep public dissatisfaction and mistrust in government and market actors.[9]

This framework underscores that while deregulation under the PIA promises efficiency, it must be coupled with robust regulatory oversight to prevent manipulation and mitigate adverse socio-economic outcomes.

3. Historical Overview of Petroleum Pricing Regulations in Nigeria

Nigeria's history of petroleum pricing has been characterized by extensive government intervention, primarily through subsidies and a centralized pricing mechanism.

3.1 The Era of Subsidies and Price Control

From the early 1970s, the Nigerian government adopted a policy of petroleum product subsidies, ostensibly to make fuel affordable for its citizens and stimulate economic growth. This policy was formalized and managed by various agencies over time. The Petroleum Products Pricing Regulatory Agency (PPPRA), established in 2003, was specifically tasked with monitoring and regulating the supply, distribution, and pricing of petroleum products.[10] The PPPRA used a pricing template that determined the landing cost, margins for marketers, and a government-set pump price, with the difference covered by subsidies. While providing cheap fuel, the subsidy regime created significant challenges:

Fiscal Burden: Billions of Naira were spent annually on subsidies, draining national revenues that could have been used for infrastructure, education, or healthcare.[11]

Corruption and Leakages: The subsidy system was prone to widespread fraud, with inflated import figures and ghost subsidies, benefiting a few powerful cartels rather than the general public.[12]

Disincentive to Local Refining: Artificially low pump prices made local refining economically unviable, leading to Nigeria's paradox of being a major crude oil producer but heavily reliant on imported refined products.[13]The consistent failure of state-owned refineries and the lack of new private refining capacity under this regime underscored the need for comprehensive reform. The emergence of facilities like the Dangote Petroleum Refinery in the post-subsidy era directly addresses this historical lacuna, aiming to replace imports with domestic production and address years of underinvestment.

Smuggling: The significant price differential between Nigeria and neighboring countries encouraged widespread smuggling of subsidized fuel across borders, further exacerbating domestic scarcity and subsidy costs.

Regulatory Institutions Prior to the PIA

Before the PIA, the regulatory landscape was fragmented. Key institutions included:

Department of Petroleum Resources (DPR): Responsible for regulating the upstream, midstream, and downstream sectors, including licensing and enforcement of industry regulations.

Petroleum Products Pricing Regulatory Agency (PPPRA): Specifically focused on petroleum product pricing, supply, and distribution, including the management of the subsidy regime.

Petroleum Equalisation Fund (Management) Board (PEFMB): Tasked with ensuring uniform petroleum product prices across Nigeria by reimbursing marketers for transportation costs from depots to different parts of the country.

These agencies operated under a legal framework that largely promoted government control over pricing and allocation. The lack of clear separation of powers, overlapping functions, and susceptibility to political interference often hampered their effectiveness and contributed to market inefficiencies and lack of transparency. The PIA was enacted to consolidate these functions, create a clearer regulatory environment, and usher in a new era of market-driven operations, as exemplified by the operationalization of major private sector players.

4. Key Provisions of the Petroleum Industry Act (PIA) 2021 on Pricing and Regulation

The Petroleum Industry Act (PIA) 2021 represents a monumental shift in Nigeria's petroleum sector, particularly concerning pricing and regulatory oversight. Its primary aim is to liberalize the downstream sector and introduce market-led pricing.[14]

Objectives of the PIA Regarding Market Liberalization

The PIA's objectives, as outlined in its various sections, include:

[9] International Journal of Research and Innovation in Social Science, 'Effect of Fuel Subsidy Removal on the Economy of Nigeria', IJRISS (undated) https://rsisinternational.org/journals/ijriss/articles/effect-of-fuel-subsidy-removal-on-the-economy-of-nigeria/ accessed 19 June 2025.

[10] Wikipedia, 'Petroleum Product Pricing Regulatory Agency', Wikipedia (21 August 2023) https://en.wikipedia.org/wiki/Petroleum_Product_Pricing_Regulatory_Agency accessed 19 June 2025.

[11] IJRISS (n 9).

[12] PwC (n 4).

[13] IJRISS (n 9).

[14] Olaniwun Ajayi LP, 'The Petroleum Industry Act, 2021 - Key Highlights', Olaniwun Ajayi LP (23 August 2021) https://www.olaniwunajayi.net/blog/wp-content/uploads/2021/08/Petroleum-Industry-Act-2021-Key-Highlights-230821.pdf accessed 19 June 2025.

Promoting a commercially oriented and profit-driven petroleum industry: This foundational objective underpins the shift away from subsidy and towards market efficiency.[15] The establishment and ramp-up of operations of the Dangote Petroleum Refinery, as a private entity of immense scale, directly embodies this objective, demonstrating a significant private sector commitment in a previously challenging environment.
Creating efficient and effective governing institutions: The Act establishes new regulatory bodies with clear mandates to oversee the industry without direct price intervention.
Fostering competition and preventing market dominance: The PIA seeks to create an environment where competition among players determines prices, benefiting consumers. While the entry of a large player like Dangote brings significant supply, the PIA framework aims to ensure it operates within a competitive landscape.
Ensuring security of supply and promoting investment: By creating a predictable and transparent market, the PIA aims to attract necessary investments in infrastructure (e.g., refineries, pipelines) to ensure product availability. The Dangote Refinery, with its 650,000 barrels per day (bpd) capacity, is a testament to this aim, significantly boosting domestic supply and reducing reliance on imports, which decreased by 54% in Q1 2025 due to its operations.[16]

Role of the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA)

The PIA establishes the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA), which largely absorbs the functions of the defunct PPPRA and PEFMB, along with the midstream and downstream regulatory roles of the DPR.[17] Key responsibilities of the NMDPRA regarding pricing and regulation include:
Regulation of Petroleum Products Distribution: Overseeing the import, distribution, and marketing of petroleum products (PMS, diesel, kerosene, LPG) to ensure equitable distribution and prevent shortages. The NMDPRA monitors operations of players like Dangote Refinery as they move from production to sales and now, directly into distribution to marketers and major consumers, ensuring adherence to regulatory standards.
Regulating Petroleum Product Pricing and Tariffs: While the Act advocates for market-led pricing, the NMDPRA is responsible for setting tariff methodologies, establishing cost benchmarks, and advising the government on commercial matters related to tariff and pricing frameworks based on fair market value. This implies a role in monitoring market prices and ensuring they are reflective of underlying costs, thereby preventing arbitrary increases or exploitation, particularly from dominant players.
Ensuring Security of Supply and Market Development: The NMDPRA is tasked with ensuring sufficient product distribution and supply and promoting competition and private sector participation in the midstream and downstream sectors. The Authority has been actively involved in managing the integration of the Dangote Refinery's output into the national supply chain.
Customer Protection Measures: The Authority is mandated to establish customer protection measures, which are critical in a deregulated market to prevent consumer exploitation.

Role of the Nigerian Upstream Petroleum Regulatory Commission (NUPRC)

The Nigerian Upstream Petroleum Regulatory Commission (NUPRC) is established by the PIA to regulate the technical and commercial aspects2 of upstream petroleum operations (exploration and production).[18]While its primary role is not direct pricing of refined products, it plays an indirect but crucial role through:
Domestic Crude Oil Supply Obligations (DCSO): The PIA imposes obligations on crude oil producers to supply a certain volume of crude oil to domestic refineries. The NUPRC is responsible for enforcing compliance with this obligation, which is critical for ensuring feedstock availability for local refining, thereby impacting the domestic supply of refined products and indirectly, their prices. The NUPRC assures that the government will not engage in price-fixing for crude supplied for domestic refining, maintaining a willing-seller, willing-buyer approach, which is vital for the commercial viability of large refineries like Dangote's.
Setting Fair Market Value for Domestic Crude: The NUPRC's role in determining the fair market value for crude supplied under the DCSO can influence the cost base for domestically refined products, thus impacting the eventual pump prices of petrol and diesel from facilities like Dangote Refinery.

Deregulation and Market-Led Pricing Framework

The core of the PIA's pricing philosophy is the removal of government control over petroleum product prices. Section 215 of the PIA empowers the NMDPRA to "provide pricing and tariff frameworks for natural gas in midstream and downstream gas operations and petroleum products based on the fair market value of the applicable products."[19]This effectively signals the end of the subsidy regime3 and the beginning of a market-determined pricing system. The expectation is that prices will fluctuate with international crude oil prices, exchange rates, and local supply/demand dynamics. The commencement of petrol and diesel sales by Dangote Refinery at competitive prices, even reducing its PMS price to N875/litre in May 2025, further reinforces the market-led approach and is expected to influence overall

[15]Tonbofa Law Practice, 'The Petroleum Industry Act 2021: A SUMMARY', Tonbofa Law Practice (undated) https://tonbofa.com/home/wp-content/uploads/2021/09/The-Petroleum-Industry-Act-2021-1.pdf accessed 19 June 2025
[16]Businessday NG (n 3).
[17]SOW Professional, 'NMDPRA Processing in Nigeria', SOW Professional (13 November 2024) https://sowprofessional.com/nmdpra-processing-in-nigeria-https-www-nmdpra-gov-ng/ accessed 19 June 2025.
[18] Businessday NG, 'Govt won't engage in price-fixing, NUPRC assures petroleum producers', Businessday NG (21 February 2025) https://businessday.ng/news/article/govt-wont-engage-in-price-fixing-nuprc-assures-petroleum-prod/ accessed 19 June 2025.
[19] ThisDaylive (n 1).

pump prices nationwide.[20] Recent reports indicate Dangote Refinery's new initiative to begin direct distribution of petrol and diesel to marketers, filling stations, and major consumers nationwide starting August 15, 2025, deploying 4,000 CNG-powered trucks, which aims to eliminate logistics costs and further enhance market efficiency.[21]

Provisions for Consumer Protection and Anti-Manipulation

While the PIA deregulates pricing, it provides a framework for consumer protection and against market abuses:
Licensing and Compliance: The NMDPRA issues licenses and permits for midstream and downstream operations and monitors compliance with the terms and conditions of these licenses, which would include fair trading practices. This ensures that even large players like Dangote operate within established guidelines.
Standards and Regulations: The Authority is to set and enforce approved standards and regulations for the design, construction, operation, and maintenance of plants and facilities to ensure product quality and safe operations, indirectly preventing adulteration or substandard products that could be used for manipulation.
Competition Promotion: The Act promotes competition in the midstream and downstream sectors, which is a key deterrent to monopolistic practices and price fixing. While Dangote Refinery's market entry is significant, the NMDPRA's role is to ensure its operations do not lead to an unfair monopoly but rather stimulate healthy competition. Marketers' associations have already raised concerns about potential market disruption due to Dangote's direct distribution initiative, emphasizing the need for strict regulatory oversight to prevent anti-competitive behavior.[22]
Penalties (General): While specific sections detailing penalties *specifically* for price manipulation (e.g., hoarding, collusion) are implied through the NMDPRA's regulatory powers and general provisions of the Act for non-compliance with regulations, the PIA aims for a transparent market where such acts would be more easily identifiable and punishable under its broader enforcement powers or by existing competition laws. The Federal Competition and Consumer Protection Act (FCCPA) also prohibits restrictive agreements including price fixing and hoarding.[23]

5. Implications of Price Manipulation in Nigeria

Despite the PIA's objectives of transparency and market liberalization, and the significant entry of local refining capacity from players like Dangote, the potential for price manipulation remains a significant threat, with profound implications for the Nigerian economy and society.

Economic Implications

Inflationary Pressures and Cost of Living: Price manipulation, especially through artificial scarcity or speculative hikes, leads to sudden and sharp increases in fuel prices. Since petroleum products are a major component of transportation and power generation costs, these increases directly drive up the cost of goods and services across the economy. This triggers inflationary pressures, eroding the purchasing power of average Nigerians and disproportionately affecting low-income households.[7] While Dangote Refinery's output has contributed to a 54% reduction in petrol import bills in Q1 2025 and is projected to stabilize prices, any lingering manipulative practices in the distribution chain could undermine these benefits.[24]

Impact on Businesses and Production Costs: Nigerian businesses, particularly small and medium enterprises (SMEs), heavily rely on petrol and diesel for transportation and to power generators due to erratic public electricity supply. Price manipulation leads to unpredictable and higher operational costs. This reduces profit margins, stifles expansion, and can lead to business closures and job losses. The availability of locally refined products from the Dangote Refinery can significantly reduce these input costs, offering stability. However, if distribution channels are manipulated, the benefits of local production may not fully translate into lower pump prices for businesses.

Market Distortion and Investment Disincentives: Price manipulation distorts the market by creating artificial supply and demand signals. This can deter legitimate investors who seek transparent and predictable market conditions. If marketers can profit from creating scarcity rather than from efficient distribution and competitive pricing, it disincentivizes investment in critical infrastructure like refineries, depots, and pipelines that would otherwise improve supply security and reduce market volatility. The substantial investment in the Dangote Refinery, aligning with the PIA's goals, has already shown potential to reshape the market by meeting domestic demand and even exporting surplus.[25] However, an environment of non-transparent pricing and arbitrary practices, even with significant local supply, could still undermine broader investor confidence beyond such mega-projects.

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[20] Punch Newspapers, 'Dangote refinery reduces PMS price again by N15; now N875/litre', Punch Newspapers (22 May 2025) https://punchng.com/dangote-refinery-reduces-pms-price-again-by-n15-now-n875litre/ accessed 19 June 2025.
[21] Daily Trust, 'Marketers kick over Dangote's fuel distribution plan', Daily Trust (17 June 2025) https://dailytrust.com/marketers-kick-over-dangotes-fuel-distribution-plan/ accessed 19 June 2025.
[22] TheCable, 'PETROAN warns of monopoly over Dangote refinery's nationwide fuel distribution plan', TheCable (16 June 2025) https://www.thecable.ng/just-in-petroan-warns-of-monopoly-over-dangote-refinerys-nationwide-fuel-distribution-plan/ accessed 19 June 2025.
[23] Financial Nigeria, 'Issues in using price control in Nigeria', Financial Nigeria (19 March 2024) https://www.financialnigeria.com/issues-in-using-price-control-in-nigeria-blog-862.html accessed 19 June 2025.
[24] Businessday NG (n 3).
[25] Punch Newspapers, 'Dangote plans first petrol cargo export to Asia', Punch Newspapers (18 June 2025) https://punchng.com/dangote-plans-first-petrol-cargo-export-to-asia/ accessed 19 June 2025.

Smuggling and Cross-Border Arbitrage: While the removal of subsidies under the PIA aims to reduce the incentive for smuggling, significant price discrepancies can still arise from manipulation. If prices are artificially inflated domestically due to manipulation, or if price control mechanisms are partially re-introduced in some forms, opportunities for cross-border arbitrage (buying cheap in Nigeria and selling dear in neighboring countries) could re-emerge. Conversely, if local prices become significantly higher than international benchmarks due to manipulation, it could incentivize illegal imports or diversion of products to cheaper foreign markets, further complicating domestic supply. The Dangote Refinery's plans to export petrol to other West African countries and even Asia demonstrate its potential to serve regional and global markets, but this also means that price incentives could pull products away from the Nigerian domestic market if local prices are suppressed or volatile due to manipulation.[26]

Social Implications

Reduced Purchasing Power and Poverty: The ripple effect of manipulated petroleum prices on transport fares, food prices, and other essential goods directly reduces the disposable income of citizens. For a large segment of the population living below the poverty line, even minor price increases can push them deeper into destitution, impacting access to basic necessities and services

Public Dissatisfaction and Social Unrest: Nigerians have historically been highly sensitive to petroleum product pricing. Perceived injustices or exploitative practices, especially through price manipulation, often trigger widespread public outcry, protests, and even social unrest. This arises from a feeling of being exploited by marketers and a loss of trust in the government's ability to protect its citizens from economic hardship. The benefits of local refining, such as those from Dangote, are expected to reduce fuel scarcity and stabilize prices, but if manipulation persists, public frustration could target both market actors and regulatory bodies.

Erosion of Trust in Governance: Persistent issues of price manipulation, despite a new law aimed at market transparency and the entry of significant local refining capacity, can erode public trust in government institutions, including the regulatory authorities (NMDPRA, NUPRC) and the overall political leadership. This undermines the legitimacy of policies, even those intended for long-term benefit, and can foster cynicism about reform efforts.

Legal Implications under the PIA and Other Statutes: While the PIA moves towards deregulation, it grants significant powers to the NMDPRA to regulate market conduct. The NMDPRA is expected to:

Monitor and Enforce Compliance: The Authority has powers to monitor and enforce compliance with licenses, permits, and authorizations, which would cover fair market practices. Violations of terms and conditions, if tied to manipulation, can lead to penalties, suspension, or revocation of licenses.

Customer Protection: The establishment of customer protection measures by the NMDPRA implies a legal avenue for consumers to seek redress against exploitative pricing.

General Penalties: The PIA includes general penalty provisions for non-compliance with the Act or regulations made thereunder. Any act of price manipulation that contravenes the NMDPRA's guidelines on fair market value or anti-competitive practices could incur significant fines or other legal sanctions.

Federal Competition and Consumer Protection Act (FCCPA): Beyond the PIA, the FCCPA 2019 is a standing law that explicitly prohibits restrictive trade practices, including price fixing, collusion, and other forms of market manipulation. The Federal Competition and Consumer Protection Commission (FCCPC) has the mandate to investigate and penalize such activities. Price manipulators in the petroleum sector, including those attempting to leverage market dominance, could face legal action under this Act, which includes significant fines for individuals and corporations, and even imprisonment for directors involved.

Price Control Act: While largely considered otiose in a deregulated market, the Price Control Act of 1977 technically remains on the statute books. However, its practical application to a deregulated petroleum sector is debatable, especially given the clear intent of the PIA. Courts have previously ruled on the government's power to fix prices under this Act, but the current policy direction under the PIA emphasizes market-led pricing.

The legal framework, therefore, provides tools to combat manipulation, but effective enforcement by the NMDPRA, in collaboration with agencies like the FCCPC, is crucial. This will be particularly important as Dangote Refinery's direct distribution initiative, planned for August 2025, potentially reshapes the downstream market, raising concerns from existing marketers about fair competition.

6. Conclusion and Recommendations

The Petroleum Industry Act (PIA) 2021 represents a significant paradigm shift in Nigeria's petroleum sector, moving away from a long-standing regime of subsidies and government-controlled pricing towards a market-led framework. This deregulation, overseen by new regulatory bodies like the NMDPRA and NUPRC, aims to foster efficiency, transparency, and attract investment. The study has highlighted how the operationalization of the Dangote Petroleum Refinery in 2024 and its subsequent entry into direct distribution in 2025 has been a major step towards realizing the PIA's objectives of domestic sufficiency and market liberalization. However, this transition is not without challenges.

[26]Businessday NG, 'Dangote to export maiden petrol cargo out of Africa', Businessday NG (18 June 2025) https://businessday.ng/energy/oilandgas/article/dangote-to-export-maiden-petrol-cargo-out-of-africa/ accessed 19 June 2025.

The article has found that despite the PIA's progressive intent and the significant boost in local supply, the Nigerian petroleum market remains susceptible to various forms of price manipulation, including hoarding and artificial scarcity. These manipulations have severe multiplier effects, leading to rampant inflation, increased cost of living, reduced business viability, distorted market signals, and potential social unrest. While the PIA provides a legal and institutional framework for regulation and consumer protection, the effectiveness of these provisions in deterring and penalizing manipulation largely depends on robust enforcement and clear market signals.
To fully realize the benefits of the PIA and mitigate the adverse implications of price manipulation in Nigeria's petroleum sector, the following recommendations are crucial:

Strengthen NMDPRA's Monitoring and Enforcement Capacity:
Real-time Price Monitoring: The NMDPRA should deploy advanced technological tools and data analytics for real-time monitoring of petroleum product prices across the value chain, from depots to retail outlets, including those operated by major players like Dangote Refinery.
Proactive Surveillance: Establish a robust intelligence and surveillance unit to detect early signs of hoarding, diversion, or cartel-like behavior, working closely with industry players and local authorities. Security apparatus of State must be given a matching order to enforce energy security
Inter-Agency Collaboration: Foster strong collaboration between the NMDPRA, the Federal Competition and Consumer Protection Commission (FCCPC), the Department of State Services (DSS), and other security agencies to jointly investigate and prosecute instances of market manipulation, especially those involving dominant market players..

Ensure Transparency in Pricing Components:
Publish Pricing Templates: The NMDPRA should regularly publish a simplified pricing template that shows the breakdown of petroleum product prices (e.g., international crude price, exchange rate, landing cost, transportation, margins). This transparency will empower consumers to understand price fluctuations and hold marketers accountable, including those sourcing from large local refiners like Dangote.
Public Awareness Campaigns: Conduct sustained public awareness campaigns to educate citizens on the market-led pricing mechanism and their rights as consumers under the PIA.

Enhance Domestic Refining Capacity and Supply Chain Efficiency:
Sustain and Support Local Refineries: While Dangote Refinery has significantly boosted domestic supply, the government should continue to support the full operationalization and efficiency of other modular refineries and the rehabilitation of state-owned refineries. This diversification of supply sources will further reduce reliance on imports and create a more robust domestic market.
Improve Logistics Infrastructure: Invest in and secure pipelines, depots, and transportation networks to ensure efficient and uninterrupted supply and distribution across the country, reducing opportunities for artificial scarcity. Dangote Refinery's planned deployment of 4,000 CNG-powered trucks for direct distribution is a positive step, but wider infrastructure improvements are still needed.

Enforce Strict Penalties for Manipulation:
Deterrent Penalties: Ensure that the penalties for hoarding, price fixing, and other forms of market manipulation under the PIA and FCCPA are sufficiently severe to act as a strong deterrent, including hefty fines, license revocations, and imprisonment for culpable individuals.
Consistent Application of Law: Ensure consistent and unbiased application of these penalties, demonstrating that no market player, regardless of size or influence, is above the law.

Foster True Competition:
Ease Entry and Operation: Reduce bureaucratic hurdles and create an attractive investment climate to encourage more legitimate players in the downstream sector, increasing competition and naturally dampening manipulative tendencies.
Address Concerns of Market Dominance: As large players like Dangote Refinery expand their market presence, the NMDPRA and FCCPC must actively monitor and address any concerns raised by other marketers or associations regarding potential monopolistic practices or unfair competition.

Cushion the Impact on Vulnerable Populations:
Targeted Palliative Measures: Develop and implement transparent, targeted palliative measures (e.g., public transport subsidies, conditional cash transfers, investments in mass transit) to cushion the impact of market-determined prices on low-income households, particularly during initial periods of price volatility.
Alternative Energy Promotion: Promote the adoption of alternative, cheaper energy sources like Compressed Natural Gas (CNG) and Liquefied Petroleum Gas (LPG) for transportation and domestic use, thereby diversifying energy consumption and reducing over-reliance on petrol and diesel. Dangote's investment in CNG-powered trucks and CNG stations is a step in this direction.

By rigorously implementing these recommendations, Nigeria can navigate the complexities of petroleum pricing in a deregulated environment, leverage the significant local refining capacity being brought online, minimize the adverse effects of price manipulation, and ultimately ensure that the benefits of the Petroleum Industry Act are realized for sustainable economic development and improved citizen welfare.