

Host Community Trust Framework Of The Petroleum Industry Act ("PIA")



1. Framework for Host Community

The Licensee/Lessee or such person as required under the PIA (Settlor or Operating Company) is obligated to set up an incorporated trust ("the Trust") and set aside funds for projects for the benefit of the host community.

The Settlor is expected to set up the Board of Trustees within 12 months of the effective date of the PIA and the trustees shall be subject to the approval of the Nigerian Upstream Petroleum Regulatory Commission (the "Commission") or the Nigerian Midstream and Downstream Petroleum Regulatory Authority (the "Authority"), as the case may be.

Failure to incorporate the Trust by a holder or licensee may be grounds for revocation of the applicable licence or lease.

2. Key Players and Functions

The Settlor (Operating Company): The Licensee/Lessee or such person as required under the PIA to set up an incorporated trust.

Board of Trustees: This is to be set up by the Settlor. The functions of the Board include establishing the Host Community Development Trust (the "Fund") on behalf of the Settlor; appointing members of the Management Committee; approving projects to be executed, receiving & disbursing the Fund, determining the allocation of funds; and providing general oversight and management over the activities of the Fund.

Management Committee: This is to be set up by the Board of Trustees. The Management Committee will be responsible for the day-to-day running of the Trust and will, amongst other functions, determine projects, appoint contractors, supervise projects and perform other functions towards the implementation of objects of the Trust.

Host Community Advisory Council ("CAC"): This is to be set up by each host community. The CAC will be responsible for nominating non-executive members to Management Committee, articulating & determining community development projects and granting final approval for the community's projects to be submitted to the Management Committee and advise the Management Committee on activities that will lead to improvement of security of infrastructure and enhancement of peace-building within the Host Community.

3.Sources of funding of the Trust

Source of funding for the Trust are:

a) Host Community Development Trust Fund: an annual contribution made by Settlor of an amount equal to 3% of its actual operating expenditure in the immediately preceding calendar year in respect of all petroleum operations affecting the host communities for which the applicable host community development trust was established.

b) Donations, gifts, grants or honorariums.

All funds in the Trust Fund are tax exempted.

4. Allocation of funds

Funds in the trust will be allocated yearly in the following percentage

a) 75% will go to Capital Fund which will be utilized for projects in each host community as determined by the Management Committee.

b) 20% will go to Reserve Fund which will be invested for the benefit of the host communities whenever contributions stop coming into the Fund.

c) 5% will be utilized for administrative cost and special projects



5.Utilization of funds

The constitution of each trust shall provide the Funds will be used exclusively for the implementation of the applicable host community development plan.

6.Host Community Assessment/ Host Community Development Plan

Settlor shall engage with the host communities and conduct a needs assessment in accordance with the PIA and its regulations.

Settlor shall prepare a Community Development plan which will specify the community development initiatives identified during the assessment and the timelines for deliverables.

7. Transfer of Interests

In the event of the transfer of legal and equitable interest and other rights and obligations in a petroleum asset, the transferor's obligations in relation to the Trust shall be transferred alongside such interest/right and transferee will carry on with the obligations of the transferor.

Where part of a licence or lease is surrendered or a licence/lease is revoked, terminated or expired, the holder or holder nominee will continue to discharge its surviving obligations, notwithstanding that the area that is surrendered, revoked, terminated or expired may be granted to a new lessee or licensee.

8.Transfer of Existing Host Community Development Projects and Host Community Development Schemes

The PIA allows every settlor to transfer any existing host community development project or scheme to a host community development trust established pursuant to the provisions of the PIA and notify the Commission or Authority of such transfer.

The Host Community framework of the PIA will be discussed in more detail by oil and gas experts at an upcoming webinar series scheduled hold on the 7th and 8th of September and organized by our Firm in conjunction with Ascension Consulting Services. For more information regarding the webinar series, please contact:

Contact Details

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