MIDSTREAM PETROLEUM HOST COMMUNITIES DEVELOPMENT TRUST REGULATIONS, 2024

PETROLEUM INDUSTRY ACT, NO. 6, 2021

MIDSTREAM PETROLEUM HOST COMMUNITIES DEVELOPMENT TRUST REGULATIONS, 2024

ARRANGEMENT OF REGULATIONS

Regulation:

PART I - OBJECTIVES AND APPLICATION

1. Objectives
2. Application
3. Incorporation of Host Community Trust Fund

PART II - POWERS OF THE AUTHORITY

4. Powers of the Authority
5. Responsibility for compliance
6. Determination of area of operation and host community

PART III - HOST COMMUNITIES DEVELOPMENT TRUST

7. Pre-approval of Host Community Development Trust registration by the Authority
8. Approval by the Authority
9. Failure to Incorporate a Trust
10. Trust administration
11. Winding up and dissolution of the Trust
12. Appointment of Trustees
13. Approval of Trustees by the Authority
14. Minimum qualifications of a Trustee
15. Duties of the Board of Trustees
16. Removal of a Trustee by a licensee
17. Resignation by a Trustee

PART IV - HOST COMMUNITIES DEVELOPMENT TRUST COMMITTEE

18. Management Committee for the Host Community Development Trust
19. Host Communities Advisory Committee
20. Host Communities Needs Assessment

21. The Host Communities Development Plan
22. Fund Distribution Matrix

PART V - ESTABLISHMENT AND MANAGEMENT OF THE HOST COMMUNITIES DEVELOPMENT TRUST

23. Establishment of the Host Communities Development Trust Fund by a licensee
24. Contribution to the Fund
25. Allocation of Fund
26. Utilisation of the Fund
27. Withdrawals from the Fund
28. Reduction of administrative costs
29. Management of the Capital Fund and the Administrative Cost Fund
30. Management of the Reserve Fund
31. Oversight powers of the Authority over the Fund
32. Appointment of the Fund Manager
33. Duties of the Fund Manager
34. Cessation of office of the Fund Manager

PART VI - INVESTMENT OF THE RESERVE FUND AND REPORTING OBLIGATIONS

35. Criteria for investment in securities
36. Reports

PART VII - MISCELLANEOUS PROVISIONS

37. Offences,
38. Vandalism
39. Cessation of licensee's interests
40. Grievance mechanism and conflict resolution procedure
41. Transfer of existing host community development projects and schemes
42. Authority to make Guidelines, etc
43. Interpretation
44. Citation

PETROLEUM INDUSTRY ACT, NO. 6, 2021

MIDSTREAM PETROLEUM HOST COMMUNITIES' DEVELOPMENT TRUST REGULATIONS, 2024

	Commencement
In exercise of the powers conferred on it by sections 33, 234(2) and 235(6)(a) of the Petroleum Industry Act, No. 6, 2021 ("the Act") and of all other powers enabling it in that behalf, the Nigerian Midstream and Downstream Petroleum Regulatory Authority ("Authority") makes the following Regulations –	
1. The objectives of these Regulations are to – (a) provide substantive and procedural requirements for the establishment and administration of the Trust and the Fund for Nigerian midstream petroleum host communities; (b) outline the parameters for the administration and safeguard of the Fund; (c) prescribe a grievance resolution mechanism for settlement of disputes between host communities and licensees; and (d) provide general rules for the implementation of the provisions of the Act for the development of midstream petroleum host communities.	Objectives
2. (1) These Regulations shall apply to Nigerian midstream petroleum host communities and a holder of a licence engaged in midstream petroleum operations as defined in section 318 of the Act. (2) The Authority may by notice designate the facilities to which these Regulations shall apply, provided that the Regulations shall apply to designated facilities as provided under the Act.	Application

3. A licensee shall not later than 12 months from the commencement date of these Regulations incorporate a host community trust fund in accordance with the provisions of these Regulations.	Incorporation of Host Community Trust Fund
4. The Authority shall have powers to – (a) ensure implementation of proposed projects of midstream or downstream petroleum communities at all stages, which shall include project initiation, contract award, project execution and project closure. (b) conduct a periodic assessment of the performance of each fund using a performance matrix published on its website; (c) investigate cases of fraud, mismanagement, misappropriation, or misapplication of funds of the Trust; (d) initiate action to trace and recover the funds of the trust, where the funds are mismanaged, or misappropriated; and (e) set up a mechanism for members of the midstream petroleum host communities under a trust to report any incidents of fraud, mismanagement, misappropriation, or misapplication of the fund.	Powers of the Authority
5. (1) The licensee shall be responsible for ensuring compliance with these Regulations. (2) Where a licence is held by more than one licensee or a separate operator under a joint operating agreement or other agreement, the operator appointed under the joint operating agreement or other agreement, shall be responsible for compliance on behalf of the licensees. (3) Notwithstanding the provisions of sub-regulation (2) of this regulation, a licensee shall be liable for any failure on the part of the operator to comply with the provisions of these Regulations.	Responsibility for Compliance

6. (1) An area of operation shall be a territory within the boundary of the area to which a licence relates, and any area which hosts designated facilities used in midstream petroleum operations in accordance with the provisions of section 318 of the Act. (2) The Authority shall set criteria for the licensee to determine what constitutes an area of operation provided that in determining the area of operation, the licensee shall take into consideration its operational activities and impact on communities in the area of operation. (3) A host community which is a beneficiary of the trust shall not be excluded by the licensee or Authority from a trust except in the following circumstances – (a) where the boundary of the operational area changes, such that a community previously selected as a beneficiary is no longer within the operational area of the retained area of the licence; or (b) where a court of competent jurisdiction has by a final judgment, determined that a community previously selected as a host community, does not qualify as a host community under the Act, these Regulations or any other law in force.	Determination of area of operation and host community
PART III-HOST COMMUNITY DEVELOPMENT TRUST	
7. A licensee shall, prior to a registration of a trust at the Corporate Affairs Commission, submit to the Authority for approval, the following documents in relation to the trust to be registered – (a) a copy of the proposed constitution of the trust to be registered, which shall comply with sections 239(1), 239(2), 240(1), 241, 242(1), 247(1), 249(1), 254 and 255 of the Act and section 827 of the Companies and Allied Matters Act; (b) the details of the proposed trustees of the trust, intended to form the Board of Trustees as stipulated in these Regulations; (c) the criteria for the selection of the trustees, in accordance with these Regulations;	Pre-approval of Host Community Development Trust registration by the Authority

(d) a copy of the applicant's licence with a map identifying the licensee's area of operations annexed to it; (e) the list and location of host community to be covered by the trust; (f) the host community development plan specifying matters described in these Regulations; and (g) a fund matrix specifying matters described in these Regulations.	
8. (1) The Authority shall within 60 days of receipt of the documents submitted by a licensee notify the licensee of its decision to approve or decline the application. (2) Where the Authority declines the licensee's application, the Authority shall provide the licensee with the reason for refusal and may direct the licensee to amend and resubmit its application within 30 days. (3) Where the Authority does not communicate its decision to the licensee within the 60 days period specified in sub-regulation (1) of this regulation, the licensee's application shall be deemed to have been approved, and the licensee shall be entitled to proceed with the implementation of its host community development trust obligations.	Approval by the Authority
9. (1) Where a licensee or operator appointed by a licensee fails to incorporate a trust as stipulated in section 236 (c) and (f) of the Act, the Authority may issue to such defaulting licensee or operator, where applicable, a notice in writing of its failure to establish a trust and direct the licensee to register the trust within 90 days. (2) A licensee or an operator appointed by the licensee who fails to incorporate a trust within the timeline stated in the notice under sub-regulation (1) of this regulation, shall be liable to an administrative penalty of N1,000,000.00.	Failure to Incorporate a Trust

(3) The Authority may also revoke the licence of the defaulting licensee or operator for failure to incorporate a trust after the notice period stipulated in sub-regulation (1) of this regulation. (4) Where a licensee applies for the approval of the Authority to incorporate a trust outside the time limit stipulated by section 236 (c) and (f) of the Act and regulation 3 of these Regulations, the Authority shall not approve such application unless the licensee has paid to the Authority the penalty prescribed in sub-regulation (2) of this regulation.	
10. (1) A trust shall be administered in accordance with the provisions of the Act, these Regulations, the constitution of the trust and any other applicable law. (2) The Authority in the exercise of its supervisory and oversight powers may- (a) require information from the licensee, the Board of Trustees or the fund manager relating to the administration of the trust or the Trust Fund, where the Authority believes that there is or has been any mismanagement in the administration of the trust or the Trust Fund; (b) enter into any project site owned by or being administered by the trust for the purpose of inspecting the progress of any project embarked on by the trust; (c) carry out enquiries, audits or investigations and take other steps to monitor the activities of the trust; and (d) take any other steps prescribed by the Act and Regulations made by the Authority, to ensure compliance with the provision of the Act and these Regulations. (3) The Board of Trustees shall ensure that the trust and fund are equitably administered and managed in accordance with the provisions of the Act and these Regulations. (4) Where it appears to the Authority that there has been or likely to be a contravention of the Act, these Regulations or the constitution of the trust, or there has been any misconduct or mismanagement in the administration of the fund, the Authority shall give notice to the licensee, Board of trustees or the operator where applicable of the	Trust Administration

contravention, misconduct or mismanagement, and shall direct the licensee to take such remedial action, within such time frame, as may be specified by the Authority in the notice. (5) Where the licensee fails to undertake the specified remedial action or fails to comply with the directives of the Authority pursuant to sub-regulation (4) of this regulation, the licensee shall be liable to administrative penalty of N5,000,000.00. (7) The administration of trust shall be subject to the provisions of the Companies and Allied Matters Act and any other applicable law in force.	
11. (1) The trustees and the licensee shall not wind up or dissolve the trust except with the approval of the Authority. (2) Where the trustees or licensee, as the case may be, intends to wind up or dissolve the trust, the trustees or licensees shall submit to the Authority- a) the reason for the winding up or dissolution of the trust; b) the proposed timeframe for the winding up or dissolution of the trust; c) process for the winding up or dissolution of the trust; and d) any other information the Authority may direct. (3) The Authority may in its discretion, approve or refuse to approve the proposed dissolution of the trust. (4) The Authority may approve the dissolution of a trust where – (a) the trust is no longer required; (b) the object of the trust has been fully realised (c) the licence of the licensee has expired or been revoked; (d) the Fund has been fully exhausted and not replenished or (e) the trust has not carried out the objects for which it was set up. (5). Where the Authority refuses to approve the proposed dissolution of a trust, it shall give reason for doing so.	Winding up and dissolution of the trust

(6). Where the Authority approves the dissolution of a trust, the trust shall be dissolved in accordance with the provisions of the Companies and Allied Matters Act, 2020 or any other applicable law in force. (7) The cost of dissolving the trust shall be met from the Fund.	
12. (1) A licensee shall – (a) prior to the incorporation of a trust, appoint the first trustees in consultation with the host communities; and (b) in consultation with the advisory committee, appoint additional or replacement trustees, other than the first trustees. (2) The number of the Trustees shall be an odd number, not exceeding five members, reflecting the diversity of the host community; (3) The licensee shall determine the criteria for the appointment of trustees, the selection process, remuneration, discipline, qualification, disqualification, suspension and removal of any member of the Board of Trustees. (4) Without prejudice to the provisions of the Act and these Regulations, a licensee shall give due consideration to diversity as it relates to age, gender and physical disability in determining the criteria for appointment to the Board of Trustees. (5) Members of the Board of Trustees shall serve for a single term of four years and no more.	Appointment of Trustees
13. (1) The licensee shall, prior to the appointment of a trustee, submit to the Authority an application for approval of the trustee. (2) The application shall be submitted to the Authority with the following information and documents- (a) the draft constitution of the trust; (b) the draft advert prior to its publication;	Approval of trustees by the Authority

(c) the resolution by the licensee and the host community for the incorporation of the trust; (d) the full name, address and phone number of the proposed trustee; (e) a copy of a valid means of identification of the proposed trustee; (f) the qualifications and professional background of the proposed trustee, including a short profile of the proposed trustee; (g) evidence that the trustee comes from the relevant host community; and (h) any other document the Authority may specify. (3) The Authority shall within 90 days of receipt of the application, give notice to the licensee of the rejection or approval of the appointment of the trustee or trustees. (4) Where the Authority fails to give notice to the licensee within the time specified in sub-regulation (3) of this regulation, the appointment of the trustees shall be deemed approved, provided that the trustee meets the criteria specified in the constitution of the trust, these Regulations and the Act. (5) The Authority may reject the appointment of a trustee, where it determines that - (a) the provisions of the constitution of the trust did not comply with the selection process of trustee; (b) the trustee does not meet the criteria for appointment as provided in the constitution of the trust and Companies and Allied Matters Act; or (c) the trustee is disqualified from acting as a trustee under these Regulations.	
14. (1) A licensee shall not register a trustee with the Corporate Affairs Commission without the prior approval of the Authority. (2) Without prejudice to the provisions of the Act, a person shall not be qualified to be appointed as a trustee of a trust, where the person — (a) is less than 18 years old;	Minimum qualifications of a Trustee

(b) is of unsound mind, having been found by a court as such; (c) is an undischarged bankrupt; and (d) has been convicted of an offence involving fraud or dishonesty within ten years of the proposed appointment; and (e) does not meet any other criteria as the Authority may by notice or guideline prescribe.	
15. The Board of Trustees shall administer the trust and perform the duties provided under section 243 of the Act.	Duties of the Board of Trustees
16. (1) A licensee may remove a trustee from office provided that such removal shall be in accordance with these Regulations and the constitution of the trust. (2) A trustee shall be removed from office where at any time during the trustee's tenure, the trustee becomes disqualified as a trustee in accordance with these Regulations and the constitution of the trust. (3) A licensee shall remove a trustee within 45 days of becoming aware that the trustee has become disqualified in accordance with these Regulations and the constitution of the trust. (4) Where a licensee fails to remove a trustee as specified by these Regulations or any applicable law, the licensee shall be liable to pay an administrative penalty of NGN100,000 for every day the disqualified trustee continues to hold office. (5) A licensee shall be deemed to have notice of any matter which disqualifies a trustee under these Regulations where such matters are publicly known or reasonably ought to have been known by the trustees or the licensee. (6) i. A licensee shall within 14 days of removal of a trustee on grounds of disqualification, notify the Authority of such removal and provide the Authority with supporting documents evidencing the grounds for such disqualification and removal.	Removal of a Trustee by a licensee

ii. Upon removal of a trustee, the licensee shall take immediate steps to replace the trustee provided that the replacement is done within 30 days of the removal. (7) A trustee shall be deemed to have vacated office upon disqualification as a trustee in accordance with these Regulations and shall no longer be eligible to participate in the activities of the Board of Trustees.	
17 (1) A trustee may resign from office voluntarily at any time, subject to having given the licensee 21 days' notice of the trustees intention to resign. (2) The licensee shall notify the Authority of the voluntary resignation of a trustee, not later than 21 days from the date of submission of the resignation letter.	Resignation by a Trustee
PART IV - HOST COMMUNITIES DEVELOPMENT TRUST COMMITTEES	
18. (1) The Board of Trustees shall, not later than 30 days of the establishment of the trust set up and appoint members of the management committee. (2) The management committee shall comprise of - (a) a representative of each host community, nominated by the relevant host community as a non-executive member; (b) five executive members, who shall be include - (i) a person, who is qualified to practice as an accountant in Nigeria, with not less than 5 years' experience as a practicing accountant in Nigeria; (ii) a legal practitioner with not less than 5 years post call experience; (iii) a person, who is qualified to practice as an engineer; (iv) any other persons as may be determined by the Board of Trustees (3) A person shall not be qualified to act as a member of the management committee, where the person - (a) is less than 18 years old;	Management Committee for the Host Community Development Trust

(b) is of unsound mind; (c) is an undischarged bankrupt; or (d) has been convicted of an offence relating to fraud, dishonesty or vandalism of any oil installations and gas assets in Nigeria. (4) The remuneration, qualification, disqualification, discipline, suspension or removal of members of the management committee by the Board of Trustees shall be in accordance with the constitution of the host community development trust or such policies as may be approved by the Board of Trustees from time to time. (5) A member of the management committee shall serve a term of four years in the first instance and may be reappointed for another term of four years and no more. (6) i. The Board of Trustees shall notify the Authority within 7days of the appointment or removal of any member of the management committee. (7) ii. Upon removal of a member of the committee, the Board of Trustees shall take immediate steps to replace the member provided that the replacement shall be done within 30 days of the removal. (7) The management committee shall be responsible for the general administration of the host community development trust on an ad hoc basis and shall perform duties set out in section 248 of the Act.	
19 (1) The management committee shall, not later than 30 days from the constitution of the management committee, set up and appoint members of the host communities advisory committee. (2) The remuneration, qualification, disqualification, discipline, suspension or removal of members of the advisory committee by the management committee shall be in accordance with the constitution of the host communities development trust or internal policies as approved by the Board of Trustees from time to time.	Host Communities Advisory Committee

	(3) The advisory committee shall comprise of one representative from each host community. (4) Notwithstanding the provisions of sub-regulation (2) of this regulation, a person shall not be qualified to act as a member of the advisory committee, where the person - (a) is less than 18 years old; (b) is a lunatic or of unsound mind; (c) is an undischarged bankrupt; or (d) has been convicted of an offence relating to fraud, dishonesty or vandalism of any oil and gas assets in Nigeria. (5) Decisions of the management committee with respect to the appointment of members of the advisory committee shall be subject to the approval of the Board of Trustees. (6) The advisory committee shall perform the duties set out in section 250 of the Act.	
	20. (1) A licensee shall, within six months following the grant of its licence and in consultation with the host community carry out a host community needs assessment,. (2) In the case of existing licenses, the licensee shall in consultation with the host community carry out host communities needs assessment prior to the establishment of the trust. (3) A licensee shall review the host communities needs assessment every 5 years, to determine the current needs of the host communities. (4) The host communities needs assessment shall require an evaluation of the - (a) level of primary, secondary and tertiary education in the community; (b) availability of basic utilities including water, electricity, and shelter; (c) access to healthcare; (d) level of infrastructure development in the community including roads, and telecommunications infrastructure;	Host Communities Needs Assessment,

(e) social, environmental and economic needs of the community; and (f) such other needs of the host communities as the designated facility owner or licensee may determine. (5) The host communities needs assessment shall demonstrate that the licensee has complied with the provisions of section 251(3) of the Act. (6) The host communities needs assessment shall form the basis for the Host Communities Development Plan. (7) The licensee shall not later than 30 days from the completion of the host communities needs assessment prepare and submit to the Authority for approval a host communities development plan pursuant to section 252 of the Act.	
21. The host communities development plan shall - (a) specify the communities development initiatives required to respond to the findings and strategy identified in the host communities needs assessment; (b) determine and specify the projects to implement the specified initiatives; (c) provide a detailed timeline for projects; (d) set out the reasons and objectives of each project as supported by the host communities needs assessment; (e) provide for ongoing review and reporting to the Authority; and (f) contain such other matters as may be prescribed by the Authority from time to time. (2) The Authority may publish a template of the host communities development plan on its website. (3) An approved host communities development plan shall not be amended without written approval of the Authority.	Host Communities Development Plan
22 (1) The licensee, in consultation with the board of trustees, shall set out a fund distribution matrix for the utilisation of the fund.	Fund Distribution Matrix

(2) The fund distribution matrix shall set out - (a) the basis for proposed allocation of funds to host communities based on equitable and economic principles in accordance with the approved development plan; (b) description of the existing program of host community support prior to the Act, where applicable; and (c) such other matters that the Authority may specify from time to time.	
PART V-ESTABLISHMENT AND MANAGEMENT OF THE HOST COMMUNITIES DEVELOPMENT TRUST	
23 (1) A licensee shall establish a Host Communities Development Trust Fund (the Fund) in the name of the trust. (2). The Fund shall be deposited in a designated account, in a commercial bank duly licensed by the Central Bank of Nigeria with a minimum credit rating of 'BBB' issued by at least, two rating agencies, one of which shall be a rating agency incorporated in Nigeria and registered with the Securities and Exchange Commission. (3). The Board of Trustee of the Fund shall maintain in the same commercial bank the following accounts - (a) the collection account, into which the licensee shall pay its annual contribution to the Fund. (b) the capital fund account, into which the 75% of the amount standing to the credit of the collection account shall be paid and utilised in accordance with these Regulations. (c) the reserve fund account, into which 20% of any amounts standing to the credit of the collection account shall be paid and utilised in accordance with these Regulation; and (d) the administrative cost account to be entrusted to the licensee, into which an amount not exceeding 5% of any amount standing to the credit of the	Establishment of the Host Communities Development Trust Fund by the licensee

collection account shall be paid and utilised in accordance with these Regulation.

(4). The funds in each of the accounts comprising the Fund shall remain distinct and shall not be co-mingled.

(5) Upon establishment of the Fund, the licensee shall submit to the Authority -

(a) details of each of the bank accounts and sub-accounts comprising the Fund;

(b) details of signatories to the bank account and sub accounts, which shall comprise of representatives of the licensee and Board of trustees;

(c) a copy of the licensee's board resolution approving the opening of the bank accounts and sub-accounts comprising the Fund and the bank account mandate; and

(d) a forecast of the contributions for the subsequent five years.

(6) Where the credit rating of a bank in which the Fund is domiciled declines below the prescribed rating under these Regulations, the Board of Trustees shall within one month, transfer the fund to a bank with the prescribed rating and shall submit to the Authority -

(a) details of each of the bank accounts and sub-accounts comprising the Fund;

(b) details of signatories to the bank account and sub–accounts, which shall comprise of representatives of the licensee and board of trustees; and

(c) a copy of the Board of Trustees' resolution approving the opening of the bank accounts and sub-accounts comprising the fund and the mandate of bank account.

(7) The Board of Trustees or licensee as may be applicable, shall not change the signatories, mandate, name or other details of the Fund or change the bank where the Fund is domiciled, without the prior approval of the Authority.

(8) Where the Authority approves a change contemplated in sub-regulation (7) of this regulation, the Board of Trustees shall within ten working days of making such a change submit to the Authority the information and documents set out in sub-regulation (6) of this regulation.	
24 (1) A licensee shall make an annual contribution to the applicable host communities development fund of an amount equal to 3% of its actual operating expenditure for the preceding financial year in the midstream operations affecting the host communities for which the applicable host communities Fund was established, provided that the actual operating expenditure is calculated as direct cost minus raw materials cost and original equipment manufacturer cost. (2) The licensee shall make its first annual contribution to the Fund within one month after the Fund has been established by the Board of Trustees, and thereafter make contributions on a yearly basis within three months to the end of each year. (3) The annual contribution made in the preceding year shall not form part of the operating expenditure for the determination of annual contribution for the succeeding year. (4) Where the licensee is responsible for host communities in different areas of operation, the 3% share of the operating costs due to each community shall be determined based on the operating costs that are proportionally attributable to each area of operation. (5) Where the licensee establishes "any other community" as a host community, the licensee, subject to the prior approval of the Authority, shall allocate a share of the operating cost to the new community. (6) Contributions for littoral communities shall be pooled and distributed amongst beneficiary trusts equitably. (7) In determining operating expenditure, the licensee shall take into consideration non-capital production costs, cost of sales, administrative expenses and any other expenses incurred for the operations of the business on a day-to-day basis as included in the audited financial report provided that such expenditures shall not	Contribution to the Fund

include capital expenditures, impairment, depreciation or amortisation. (8) The Fund shall consist of - (a) sums accruing to the trust from donations, gifts, grants, or honoraria; and (b) interest, revenue, or profits accruing to the reserve fund. (9) The licensee shall submit to the Authority, its annual audited report not later than 31st May of the particular year and the report shall include the details of the licensee's annual operating expenditure in the preceding financial year in the petroleum operations affecting the host communities for which the Fund was established. (10) The licensee may, subject to obtaining the approval of the Authority, discontinue contribution to the reserve fund or disengage the fund manager or decline to hire a fund manager in order to reduce expenditures, where the available funds for administration are insufficient to fund ongoing operations. (11). The licensee shall, in support of its application for approval to discontinue contribution to the reserve fund, disengage the fund manager or decline to hire a fund manager, provide to the Authority such additional information as it may direct.	
25. The Board of Trustees shall in each year allocate from the host communities development trust , a sum equivalent to- (a) 75% to the capital fund out of which the Board of Trustees shall make disbursements for projects in each of the host communities as may be determined by the management committee in furtherance of the objectives set out in section 234 of the Act, provided that any sums not utilised in a given financial year shall be rolled over and utilised in subsequent year; (b) 20% to the reserve fund, which sums shall be invested for the utilisation of the host communities development trust whenever there is a cessation in the contribution payable by the licensee; and	Allocation of Fund

(c) an amount not exceeding 5% to be utilised solely for administrative cost of running the trust and special projects, which shall be entrusted by the Board of Trustees to the licensee, provided that at the end of each financial year, the licensee shall render a full account of the utilisation of the fund to the Board of Trustees and where any portion of the fund is not utilised in a given year, it shall be returned to the capital fund.	
26. (1) All money standing to the credit of the Fund shall be utilised in accordance with these Regulations and the constitution of the Trust. (2) Money in the capital fund shall be disbursed for projects in each of the host communities as shall be determined by the management committee in accordance with these Regulations and the development plan as approved by the Board of Trustees. (3) Money in the reserve fund shall be invested by the Fund Manager in accordance with these Regulations, for utilisation of the trust in the event of a cessation of contribution payable by the licensee in accordance with regulation 25(b) of these Regulations. (4) Money in the administrative expense fund account shall be utilised solely for administrative costs in accordance with regulation 25(c) of these Regulations. (5) Administrative costs shall consist of - (a) remuneration in form of sitting allowance for the Board of Trustees; (b) remuneration for the management committee; (c) remuneration in form of stipends for the advisory committee; (d) fees of the fund manager; (e) fees payable to auditors appointed; and (f) such other costs wholly reasonable and necessary for the administration of the Trust and the Fund. (6) Any money not utilised in administrative expense fund at the end of each year shall be remitted into the capital fund account.	Utilisation of the Fund
27. Withdrawals shall not be made from the Fund - (a) unless one of the signatories to the account authorising the withdrawal is the representative of the licensee;	Withdrawals from the Fund

(b) unless the withdrawal complies with an annual host community development plan submitted to the Authority; or (c) where the withdrawal overdraws or takes the account into negative balances.	
28. (1) Where the available sum for the administration of the Fund is insufficient, the licensee shall have the power to make the following necessary adjustments to cater to the ongoing operations – (a) reduction of the number of members of the Board of Trustees, provided that the number of members of the Board of Trustees shall not be less than three at any given period; (b) discontinue contribution to the reserve fund or disengage the fund manager or decline to hire a fund manager in accordance with these Regulations; (c) reduction of the frequency of meetings of the Board of Trustees, provided that the number of meetings held by the Board of Trustees in a year shall not be less than four; (d) reduction of the number of members of the management committee under section 247 of the Act, provided that such number of members shall not fall below five at any given period; (e) reduction of the frequency of meetings of the management committee, provided that the management committee shall meet at least four times in a year; and (f) reduction of the frequency of meetings of the host communities advisory committee under section 249 of the Act, provided that the number of meetings shall not fall below four times in a year. (2) Where there are more host communities than seats on the Board of Trustees, the licensee shall, with the prior approval of the Authority, place the host communities into clusters and membership of the Board of Trustees shall be rotated among the clusters.	Reduction of administrative costs
29 (1) The capital fund and administrative cost fund shall be managed by the Board of Trustees and licensee respectively, who shall ensure that any payments into and out of the accounts shall be in accordance with the Act and the host communities development plan approved by the Authority. (2) The Board of Trustees and licensee in administering the capital fund and administrative cost fund shall -	Management of the Capital Fund and the Administrative Cost Fund

(a) act with honesty and fairness; (b) act with skill, care and diligence; (c) act in the interest of the host communities; (d) act with independence, objectivity and in accordance with the Act; (e) apply the sums in accordance with the host communities development plan and the Act; (f) refuse to participate in any business relationship or accept any gift that could reasonably be expected to affect its independence or objectivity. (g) disclose any conflict of interest; and (h) keep proper account and accurate records.	
30.The reserve fund shall be managed by the fund manager in accordance with the provisions of the Act and these Regulations, provided that where requested by the licensee and the management committee, the fund manager shall disburse the funds for utilization.	Management of the Reserve Fund
31(1) The licensee shall render annual returns to the Authority in relation to the Fund, which shall include - (a) an audited report of the Fund detailing amongst others, payments into and out of the funds and the purposes for which such payments were made; (b) any approved withdrawals outside of the approved host communities development plan and the basis for such withdrawals; and (c) any other information as may be prescribed by the Authority from time to time. (2) A licensee who fails, neglects or refuses to file the annual returns shall be liable to - (a) administrative penalty of NGN100,000.00; and (b) in the case of a continuous offence, to an additional administrative penalty of NGN 100,000.00 for each day during which the offence continues. (3) Where the licensee provides evidence as to inability to provide annual returns as at and when due arises from the refusal of the Board of Trustees to provide same promptly, the licensee shall be entitled to	Oversight powers of the Authority over the Fund.

deduct the administrative penalty paid pursuant to sub-regulation (2) of this regulation from the three percent annual contribution. (4) Where the Authority determines that a withdrawal was made from the Fund in contravention of the approved host communities development plan or the Act without the approval of the Authority, the licensee shall be liable to administrative penalty not exceeding NGN 1,000,000.00.	
32(1) The board of trustees shall be responsible for appointing the fund manager on the recommendation of the Management Committee. (2) The fund manager shall be appointed within one month of the establishment of the Fund. (3) A person shall not be appointed as a fund manager in respect of the reserve fund unless - (a) it is incorporated under the Companies and Allied Matters Act; (b) the total market value of assets managed by the fund manager is not less than 5 years projected value of the value of the reserved fund; (c) it is registered as a fund manager with the Securities and Exchange Commission; and (d) it is registered with the Authority; (4)A person who contravenes the provisions of this regulation shall be liable to administrative penalty of not less than NGN2,500,000 and a further sum of NGN250,000 for every day during which the contravention persists.	Appointment of the Fund Manager
33. The fund manager shall in administering the reserve fund, - (a) act with honesty and fairness; (b) act with skill, care and diligence; (c) act in the interest of the host communities; (d) act with independence and objectivity; (e) communicate with the Board of Trustees in a timely and accurate manner; (f) refuse to participate in any business relationship or accept any gift that could reasonably be expected to affect its independence or objectivity;	Duties of the Fund Manager

(g) exercise due diligence in ensuring the maintenance of the reserve fund and shall ensure that there is no avoidable deterioration in value; (h) institute such mechanisms to ensure proper care is taken for the collection, monitoring and supervision of the reserve fund; (i) avoid conflict between its interests and the interest of the host communities; (j) disclose the interests of its directors and management to the Board of Trustees; and (k) ensure that it keeps proper and accurate records, including recording the details of its decision-making process in dealing with any investments together with justifications of such decisions and forwarding same to the Board of Trustees.	
34 (1) The fund manager shall cease to act as a fund manager where - (a) its registration with the Securities and Exchange Commission is withdrawn or revoked in accordance with the Investments and Securities Act; (b) it becomes bankrupt or makes a compromise with creditors or a moratorium is granted on its debt or such other comparable measures are taken against the Fund Manager; (c) it is found guilty of a crime involving fraud or dishonesty or any other felony or it is sanctioned for misconduct by Securities and Exchange Commission or any professional body or association; or (d) it resigns its appointment as Fund Manager by a notice to the Board of Trustees. (2). The licensee shall notify the Authority of the removal or resignation of a fund manager within 14 days of the removal or resignation. 3. The licensee shall appoint another fund manager not later than 30 days after the removal or resignation of the previous fund manager.	Cessation of office of the Fund Manager
PART VI - INVESTMENT OF THE RESERVE FUND AND REPORTING OBLIGATIONS	
35 (1) Money standing to the credit of the reserve fund may be invested by the fund manager on the approval of the Board of Trustees.	Criteria for investment in securities

(2) Money standing to the credit of the reserve fund shall be invested by the Fund Manager with the objectives of safety and maintenance of fair returns on amounts invested.

(3) The Fund Manager shall only invest in allowable instruments prescribed under the relevant Regulation on Investment of Pension Fund Assets subject to the quality ratings set out therein.

(4) The funds in the reserve fund shall not be invested in unlisted securities by the fund manager, where the investment -

(a) is in early or start up stage of the target company, or may qualify as seed capital;

(b) shall cause the value of the fund so invested in the securities of the unlisted company to exceed 5% of the net asset value of the reserve fund; or

(c) is in a company where the board, management, or affiliate of the fund manager or licensee jointly or severally have more than 5% equity stake.

(5) Fund managers shall not invest funds in the reserve fund in any instruments that are subject to any type of prohibitions or limitations on sale or purchase of such investment save for close-ended funds.

(6) Fund managers shall ensure that they maintain a diversified portfolio of allowable instruments and avoid undue concentration in one of the allowable instruments.

(7) The proportion of reserve fund invested in a particular allowable instrument shall not exceed 5 % of the amount in the reserve fund.

(8) Fund managers shall not apply funds in the Reserve Fund by way of loans or credit or as collateral for any loan taken by any person including the licensee.

(9) Interests derived from any investments shall be dealt with as directed by the Board of Trustees subject to section 246 of the Act.

(10) In accordance with section 256 of the Act, interests, dividends, profits, investments and other incomes accruable to the reserve fund shall be tax exempted.

(11) A fund manager who fails to comply with the provisions of these Regulations shall be liable to administrative penalty of NGN10,000,000 or such additional sum as may be prescribed by the Authority and where the investment resulted in a diminution of the fund, the fund manager shall make up for the loss from its own funds. (12) For the purpose of this part of the Regulations, where the Authority is required to make a decision and the Authority's approval or refusal is not communicated to the licensee within a period of 90 days, the licensee's application for approval shall be deemed approved.	
36 (1) A licensee shall submit to the Authority, the reports prepared by the management committee and Board of Trustees under section 255 (a), (b) and (c) of the Act, within the time frame stipulated in the Act. (2) A licensee shall submit an annual report of its activities on the trust in the preceding year accompanied by the audited accounts of the trust to the Authority, not later than 31st May of the particular year. (3) The annual report shall be in such form as the Authority shall specify from time to time and shall contain sufficient details to show the financial position of the Trust Fund at any given time, the list of proposed projects for the host communities for the following year and status of executed or ongoing projects for the host communities and cost of the individual projects. (4) The Authority may where it deems fit after the review of the report, require the licensee to provide additional documents to clarify any item contained in the report. (5) The documents or information referred to under sub-regulation (4) of this regulation may include receipts of purchase, contracts with third parties, bank statements, title documents or any other document the Authority may require based on the content of the annual return filed.	Reports
PART VII – MISCELLANEOUS PROVISIONS	
37. (1) A person who -	Offences

(a) fails to comply with any of the requirements specified in these Regulations; (b) makes false, inaccurate, incomplete, or misleading Information in any record or report; (c) fails to comply with a notice, guideline or directive issued by the Authority; (d) fails to remit funds within the stipulated period pursuant to section 253 of the Act; (e) fails to discharge surviving obligations pursuant section 237 of the Act; (f) fails to provide any information, document or report required to be provided to the Authority pursuant to the Act or these Regulations within the prescribed period, shall be liable to an administrative penalty issued by the Authority not exceeding NGN 5,000,000.00. In addition, the Authority may suspend or revoke the licence or in the case of a refinery make a recommendation to the Minister of Petroleum Resources, for the revocation of the refinery licence.	
38 (1) Where in any year, an act of vandalism, sabotage or other civil unrest occurs that causes damage to designated facilities or disrupts petroleum operations within the host communities, the community shall forfeit its entitlement to the extent of the costs of repairs of the damage that resulted from the activity with respect to the provisions of the Act within that financial year. (2) The basis for computation of the trust fund in any year shall always exclude the cost of repairs of damaged facilities attributable to any act of vandalism, sabotage or other civil unrest. (3) Where an act of vandalism, sabotage or civil unrest occurs that causes damage to the facilities used in petroleum operations of the licensee within the host communities or disrupts petroleum operations, the licensee shall notify the Authority within 24 hours of the disruptive act. (4) A licensee shall within 15 days of the disruptive act, submit a report on the disruptive act to the Authority and the Board of Trustees.	Vandalism

(5) The report shall contain - (a) a description of the disruptive act; (b) the area of the licensee's operations affected by the disruptive act; (c) the extent of damage to the licensee's facilities used in midstream or downstream petroleum operations; (d) an estimate of the value of petroleum liquids spilled or natural gas released as a result of the act; (e) the estimated cost of repair of damage to the licensee's facilities used in midstream or downstream petroleum operations, and where the damage requires a replacement of the facility, the estimated cost of the replacement; (f) in case of a shut-down of the licensee's operations, the operating expenditures incurred during the shutdown period; and (g) the reductions that will be obtained in taxation as a result of additional costs that may be charged for tax purposes, and a cash flow illustrating how the total costs under sub-regulation (d), (e) and (f) of this regulation, less the tax recovery under this regulation. (6) The damage calculated shall not include loss of profits or other losses not specifically included in this regulation. (7) The Authority shall, on the basis of the joint investigation team report, determine whether the disruptive act was due to technical or natural cause or third-party interference and establish the costs and tax recovery and any adjustment required in the cash flow.	
39(1) Where a licence is assigned, transferred or surrendered, revoked, terminated or expired in accordance with the Act, the licensee shall fulfil its surviving obligations and where these obligations have been complied with, the licensee shall have no further obligations either partly or wholly with respect to the area that was surrendered.	Cessation of licensee's interests

(2) Where a licensee adjusts its area of operations in a manner that increases or reduces the host communities earlier covered by the trust, area of operations shall be considered adjusted for the purpose of calculating the annual contribution to the Fund. (3) A licensee shall, in the event of the adjustment stated under sub-regulation (2) of this regulation, apply to the Authority for its approval of the following - (a) host communities that the licensee i. proposes to include in the trust; or ii. host communities that the licensee no longer considers its responsibility; (b) revised or new Board of Trustees; (c) revised constitution of the Host Communities Development Trust; (d) revised forecast of contributions pursuant to section 240(2) of the Act; (e) revised host communities development plan; and (f) amount in the reserve fund to be allocated to the host communities for which the operations of the licensee have ceased. (3) Surviving obligations of the licensee shall not include any matters related to the management and utilization of the reserve fund pursuant to these Regulations. (4) Where an amount in the reserve fund is remaining upon the cessation of activities by the licensee, the Board of Trustees shall continue to manage the funds and report to the Authority in the manner contemplated by the Act as if it were the licensee. (5) With respect to the host communities for which the operations of the licensee have ceased, pursuant to sub-regulation (2) of this regulation, the board of trustees shall continue to manage the funds and report to the Authority in the manner contemplated by the Act as if it were the licensee.	
40 (1) Where a dispute arises between one or more host communities or between a host community and a licensee or in connection with a trust, the disputing parties shall follow the procedure set out in these Regulations to resolve the dispute.	Grievance mechanism and conflict resolution procedure

(2). In the case of a -

(a) dispute between communities, the aggrieved host community shall give notice of the dispute to the licensee and the Board of Trustees, supporting the notice with relevant documents. The licensee and the Board of Trustees shall attempt in good faith to resolve the dispute between the communities; or

(b) dispute between a host community and licensee, the Board of Trustees shall give notice of the dispute to the licensee, supporting the notice with relevant documents. The licensee and the Board of Trustees shall attempt in good faith to resolve the dispute.

(3) A copy of the notice of dispute shall be submitted to the Authority.

(4) Where the licensee and Board of Trustees, in the case of a community dispute, or the licensee and the Board of Trustees, in the case of a licensee dispute, are unable to resolve the dispute within 30 days of service of the notice of dispute, the disputing parties may agree to enter into mediation in good faith to settle the dispute in accordance with the mediation rules of the Midstream and Downstream Petroleum Alternative Dispute Resolution Centre.

(5), Where the parties agree to mediation, either party may initiate the mediation process by serving a mediation notice in writing to the other party to the dispute, referring the dispute to the Authority for mediation.

(6). A copy of the mediation notice shall be submitted to the Authority.

(7). The Authority shall, not later than 15 days from the date of referral to the Authority, appoint a mediator from the Centre to resolve the dispute.

(8). The mediation meeting shall be held at a venue agreed by parties. Where the parties fail to agree on a venue the mediation meeting shall be held in the state capital of the host community.

(9) Any settlement reached between the parties pursuant to the mediation and duly signed by disputing parties or their representatives shall be final and binding. (10) Where the Authority is unable to resolve the dispute within 45 days of the dispute being referred to it, the Authority may refer the dispute to an Arbitrator appointed by the Centre in accordance with the Arbitration and Mediation Act 2023, and the Midstream and Downstream Alternative Dispute Resolution Regulations 2023. (11) The costs of the Authority's appointed mediator or Arbitrator shall be borne by the fund.	
41. (1) Prior to the incorporation of a host community development trust pursuant to section 235(1) of the Act, the licensee shall make arrangements for the effective transfer of existing host community development projects and schemes to the trust fund, and upon the establishment of the trust and Fund- (a) select and transfer all the communities under any of its existing memorandums of understanding or any other agreements, community development programmes and corporate social responsibility schemes as host communities' beneficiaries under the applicable trust fund to be established pursuant to the Act; (b) transfer any money accrued in any account as its annual payment obligation under such arrangements to the host community trust fund. (c) transfer all investable instruments under any existing memorandums of understanding or any other agreement to the reserve fund under management by a trust fund established pursuant to this Act. (d) transfer all development projects, schemes, assets and liabilities under any existing memorandums of understanding or any other agreement to the host communities development trust fund; (e) ensure the continued execution of all development projects or schemes by the trust fund; and (f)in consultation with the host communities under existing memorandums of understanding and any other agreement ensure that they metamorphose in conformity with the provisions of the Act.	Transfer of existing Host community development projects and schemes

(2) The licensee shall notify the Authority of the arrangements made under this regulation.	
42. The Authority may issue guidelines, frameworks, rules, and directives for the effective implementation of these Regulations.	Authority to make Guidelines, etc
43(1) In these Regulations- "*Act*" means the Petroleum Industry Act, 2021; "*advisory committee*" means the host communities advisory committee set up pursuant to section 249 of the Act; "*annual contribution*" means at least three per cent (3%) of a licensee's actual annual operating expenditure of the preceding financial year in the midstream petroleum operations affecting the host communities for which the applicable host communities development trust fund was established; "*applicable law*" means all applicable laws, statutes, rules, regulations, official directives, ordinance, licence, permits or orders of any competent authority (whether administrative, legislative, executive or otherwise) including judgments, orders and decrees of courts, commissions or bodies exercising similar functions in each case as is in effect from time to time; "*area of operation*" means i. for licensees operating pipelines appurtenant to the host communities, the distance of 500 meters will be measured on both sides of the pipeline as criteria to determine the host communities; and ii. for operational facilities that are appurtenant to the host communities, the criteria for the determination of host communities shall be a distance of 2 kilometers from the battery limit of the facility. "*Authority*" means the Nigerian Midstream and Downstream Petroleum Regulatory Authority; "*Centre*" means the Nigerian Midstream and Downstream Petroleum Alternative Dispute Resolution Centre	Interpretation

"*board of trustees*" means the governing board of the Trust established under section 242 of the Act; "*designated facility owner*" means the owner or operator of petroleum crude oil and natural gas transportation pipelines, bulk storage tank farms, refineries and gas processing plants in midstream petroleum operations and petrochemical plants; "*designated facilities*" has the meaning ascribed to it in the Act; "*disruptive act*" means an act of vandalism, sabotage or other civil unrest that causes damage to designated facilities or disrupts petroleum operations within the host communities and includes lock out or lock down of the facility by the host community. "*Fund*" means the host communities development trust fund constituted by a licensee pursuant to the Act and these Regulations; "*host community*" means communities situated in or appurtenant to the area of operation of a licensee or designated facilities owner; and any other community as may be determined under the Act or these Regulations; "*licence*" means a licence issued by the Authority in respect of midstream or downstream petroleum operations; "*licensee*" means a holder of a licence whose area of operation is located in or appurtenant to a host community, and shall include the owner or operator of designated facilities as prescribed in the Act; "*littoral community*" means a community appurtenant or adjacent to Nigerian territorial waters where midstream petroleum operations are being undertaken in shallow or deep water; "m*anagement committee*" means the committee set up under section 247 of the Act; "*midstream petroleum operations*" has the meaning given to it in section 318 of the Act as it relates to midstream gas and petroleum liquids operations;	

"*NGN*" means Nigerian Naira; "*Regulations*" means these Midstream Petroleum Host Communities Development Regulations issued by the Authority; "*trust*" means the host communities development trust; "*trustee*" means a member of the board of trustees; and "*year*" means a period of a year from any day during the year, in accordance with the Gregorian calendar.	
44 These Regulations may be cited as the Midstream Petroleum Host Communities Development Trust Regulations, 2023.	Citation

Made at Abuja this ..... day of 2024

.....

Engr. Farouk Ahmed

Authority Chief Executive