



KEYNOTE PRESENTATION BY THE COMMISSION CHIEF EXECUTIVE (CCE)

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AT THE

**THE INAUGURATION CEREMONY OF NEWLY ELECTED NATIONAL
EXECUTIVES OF HOSTCOM NATIONAL
ON
IMPLEMENTATION OF THE HOST COMMUNITIES DEVELOPMENT TRUSTS: A
CRITICAL MILESTONE UNDER THE UNDER THE PETROLEUM INDUSTRY ACT,
2021**

BANQUET HALL YENAGOA, BAYELSA STATE

29TH July, 2022

Protocols

Your Excellencies, the Executive Governors

Distinguished Senators

Honourable Members of the House of
Representatives

Your Royal Highnesses

High Chiefs,

Captains of Industry here present

Distinguished Leaders of Oil & Gas Producing
Communities,

Other Stakeholders

Gentlemen of the Press

Ladies and Gentlemen

It gives me great honour and privilege to be invited by **HOSTCOM National** to deliver a keynote address on "**the Implementation of The Host Communities Development Trust: A Critical Milestone Under the Petroleum Industry Act, 2021**". The importance of this

event cannot be over-emphasized; indeed, its significance is evident by the large and diverse attendance by stakeholders, comprising the Royal Majesties, leaders of ethnic Nationalities, South-South Monarch Forum, Traditional Rulers of Oil Minerals Producing Communities of Nigeria (TROMPCON) Association, Pan Niger Delta Forum (PANDEF) and invitees from different walks of life.

2. Your Excellencies, Royal Majesties, Distinguished Guests, I must say a 'Big Thank You' to the National President of HOSTCOM, High Chief Dr. Benjamin Style Tamaranebi (JP), and the entire members of HOSTCOM for their concerted, deliberate and collaborative efforts in hosting this very important summit aimed at creating awareness and providing a platform for knowledge sharing on the implementation of the PIA 2021 in a manner that will impact positively on the people of the Niger Delta and ultimately provide a clear roadmap for the implementation of the Host Communities Development Trust.

3. Your Royal Majesties, Ladies and Gentlemen, as you are aware, Nigeria as a country has come a long way in the oil and gas business. Our journey to prosperity began in 1956 when oil was discovered in Oloibiri in Bayelsa State with an initial production of 5,000 barrels of oil per day. Nigeria would later shoot its output to over 2.0 million barrels of oil per day placing the country on the global chart of oil and gas producing nations and becoming an important member of international organizations such as the Organization of Petroleum Exporting Countries (OPEC), and African Petroleum Producers' Organization (APPO). Today, Nigeria occupies the 2nd position in Africa based on reserves ranking and crude oil production, 7th in Oil Production and 8th in Oil reserves amongst the OPEC members, 11th position in oil reserves and 15th in crude oil production in the global ranking. Although oil and gas sector contribute about 80% of Government revenue and about 95% of Nigeria's foreign

exchange earnings, its contribution to the country's GDP is less than 10%.

4. Ladies and Gentlemen, while the Commission is prioritizing efforts towards increasing oil and gas production and ensuring maximum economic recovery in Nigeria through the optimization of oil and gas value chain, there have been challenges holding the country from making the much-desired progress. Currently, Nigeria has the potential to produce about 2.5 million barrels of oil per day. Unfortunately, the country can only produce about 1.47 million barrels of oil per day out of which only about 1.38 million barrels of oil per day is received at the terminals due to third party interference and crude oil theft.

5. Your Excellencies, Royal Majesties, Ladies and Gentlemen, it is noteworthy that in the **first half of 2022**, out of about 267 million barrels of oil produced, a total volume of about 15.9 million barrels of oil was lost to crude oil theft. This amounts to a loss in Government revenue of about One billion, Seven

Hundred Million United States Dollars (\$1,700,000,000.00) or about Seven Hundred and Six Billion Naira (N706,000,000,000 at CBN rate of ₦415/\$) which is more than a double of the size of Bayelsa State's budget of ₦314.465 billion for the 2022 fiscal year (<https://punchng.com/>). These monies could have otherwise been available for developmental projects such as building of hospitals, schools, roads, provision of electricity and portable water, etc. More saddening, and undesirable, is the fact that sabotage of oil and gas facilities results in additional remediation cost to the Government, environmental degradation, soil and water contamination, threat to human life and source of livelihood as well as risk to wildlife, and marine life (fishes).

6. Your Royal Majesties, Distinguished Guests, it is in recognition of all the forgoing that the Federal Government, with the support of the 9th NASS, enacted the Petroleum Industry Act (PIA) 2021. The Act recognizes the immense importance of host

communities and dedicated the entire Chapter three (3) of the Act to Host Communities Development. The objectives, as stated in Section 234(1), of the Act are to foster sustainable shared prosperity and provide direct social and economic benefits from petroleum operations to host communities while enhancing peaceful and harmonious coexistence between Settlers (operators) and host communities.

7. Your Excellencies, Distinguished Guests, to further stem the tide of sabotage and third-party interferences on oil and gas critical infrastructure, the PIA has domesticated the protection of our oil and gas infrastructure to the Host Communities. One critical milestone under the PIA is the incorporation of Host Communities Development Trust (HCDDT). Section 240 (2) of the PIA stipulates that each settlor, where applicable through the operator, shall make an annual contribution to the applicable host communities development trust fund of an amount equal to 3% of its actual annual operating

expenditure of the preceding financial year in the **upstream petroleum operations** affecting the host communities for which the applicable host community's development trust fund was established.

8. Your Royal Majesties, Distinguished Guests, Section 235 of the PIA provides for the incorporation of Host Communities Development Trust (HCDDT) by the Settlor for the benefit of the host communities. The Settlers are the Oil and Gas companies operating within host communities. While the Act bestows the responsibility to set up HCDDT and appoint Board of Trustees (BOT) on the settlor, it shall do so in consultation with the host communities.

9. In addition, Section 247 of the Act requires the Board of Trustees to set up a Management Committee which shall be responsible for the general administration of the Host Communities Development Trust Fund. The Management Committee in turn is required to set up an Advisory Committee, who advises on activities as well as

monitors and reports progress of projects being executed in the community to the Management Committee. It will interest us to note that the Act requires that the host communities should be represented in the Board of Trustees, Management Committee and Advisory Committee.

10. Your Excellencies, Ladies and Gentlemen, on the other hand, the Act in Section 235(6) empowers the Commission to **“make regulations on the administration, guide and safeguard the utilization of the trust fund and have the oversight responsibility for ensuring that the projects proposed by the Board of Trustees are implemented”**. The PIA as a document of law alone can not bring about all the gains and values expected from the provisions on Host Communities Development without the formulation of the Regulations which will give meaning and intent to the PIA itself. With the Regulations in place, we will have clear directives and guidelines regarding the administration,

management, and allocation of funds for development of the host communities.

11. Accordingly, the Commission, empowered by the PIA, is committed to working with the host communities and other stakeholders to ensure business investments and critical infrastructure in the oil and gas sector are adequately protected while safeguarding the safety and sustainability of the environment. Indeed, it is noteworthy that The Commission has made a tremendous stride by unveiling on 28th of June 2022, the Nigeria Upstream Host Communities Development Regulations, Procedure Guide and Template which will serve as a navigational aid for the implementation of the Host Community Development Trust (HCDDT) in line with the provisions of Section 235 of the PIA, 2021. The Nigeria Upstream Host Communities Development Regulations, 2022 and Host Communities' Development Trust Implementation Template can be accessed via the Commission's website.

12. Ladies and Gentlemen, the littoral Communities situated in or appurtenant to shallow water and deep-water areas of operations shall be determined and treated in line with the HCDDT provisions of the Act. Accordingly, the Nigeria Upstream Host Communities Development Regulations, 2022 provides the following criteria for the determination of littoral communities:

- a. a littoral community to a deep-water area of operations located along the Gulf of Guinea of the Nigerian shoreline up to about 500 metres inland, provided such community is gazetted by the National Boundary Commission;
- b. Littoral communities to shallow water areas of operations within Nigeria's shallow waters, identified as a host community by a settlor prior to the enactment of the Act, and any other community identified and determined by the settlor;
- c. Littoral communities to shallow water and deep-water areas of operations, which include

- any other community selected by the settlor pursuant to section 235(3) of the Act, and
- d. Littoral communities to deep-water operations shall be categorized by their respective state coastlines and shall be assigned to a settlor by the Commission for the purpose of setting up the trust and other responsibilities provided under Chapter 3 of the Act.

It is worthy to note that the Commission shall employ spatial distribution of the Deep offshore assets and their proximity to the Nigeria shoreline along the Gulf of Guinea to determine the littoral communities to be allocated to each Deep Offshore operator and no Deep offshore operator shall be allocated host communities in more than two states. The allocations will follow the general distribution below:

- Usan – Akwa Ibom & Rivers States
- Akpo/Egina – Rivers & Bayelsa States
- Agbami – Bayelsa & Delta States
- Bonga – Bayelsa & Delta States

- Erha – Delta & Ondo States
- Abo – Ondo and Ogun States
- Aje – Lagos State

13. Remarkably, it is noteworthy that the implementation of the provisions of Host Communities as enshrined in the PIA, 2021 will provide employment and sustainable development to the host communities. The establishment of the Host Communities Development Trust is to mitigate community restiveness as each community would take ownership in the implementation of developmental projects while ensuring a conducive operating environment for the settlers.

14. Your Royal Majesties, Ladies and Gentlemen, as our commitment to you, we shall ensure that the 3% deduction required from the Settlor's annual OPEX is not short-changed and that funds are remitted in good time to the Host Communities Development Trust (HCDDT) setup by the Settlers in consultation with the Host Communities and other stakeholders. We

shall also ensure that projects and programmes proposed by the HCDDT are implemented.

15. Ladies and Gentlemen, in return, we expect members of host communities to help in preventing acts of vandalism, sabotage, theft, and civil unrests that may adversely affect Government and investors' infrastructure and operations and ensure hitch-free environment for oil and gas operations within their communities. Section 257 (2) of the PIA states that **“Where in any year, an act of vandalism, sabotage or other civil unrest occurs that causes damage to petroleum and designated facilities or disrupts production activities 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 this Act within that financial year, provided the interruption is not caused by technical or natural cause”**. This means that for any community to receive the complete 3% of OPEX due to them, there must not be any

damage or disruption to facilities within the host community. We therefore expect your total support and cooperation with the governance structures developed to protect national oil and gas infrastructure and deliver other HCDDT Fund objectives.

16. Your Excellencies, Royal Majesties, Ladies and Gentlemen, our gathering here today provides us the opportunity to rob minds with the members of oil and gas Host Communities and deliberate further on the key highlights of the Host Communities Development Trust Fund as provided in Chapter 3 of the PIA. The intent is to create further awareness on this very important piece of legislation and provide updates on the Commission's activities geared towards the formation of robust regulations for Nigeria oil and gas industry.

17. In conclusion of this presentation, I must not fail to again pay a glowing tribute to the Hostcom National for hosting this ceremony. It is remarkable

that Hostcom has by the success of this event seek to deliver the dividends of PIA to the people of Host Communities as it relates to the Host Community Development Trust provisions of PIA 2021. In similar vein, we wish to once again express our appreciation to your Excellencies, the State Governors, Distinguished Senators, Members of the National Assembly and your Royal Highnesses here present today for your enthusiasm and roles in successful implementation of the PIA. The PIA provides a win-win collaborative partnership for the Host Communities and the operating companies (Settlers) in the development and growth of the Petroleum operating environment which invariably will lead to a healthy lifestyle and wealth creation for the indigenous people. Finally, permit us to underscore that all stakeholders must jointly ensure that the letters of the PIA, 2021 are wholly implemented as it relates to Host community development.

Thank you.