ENERGY STORIES

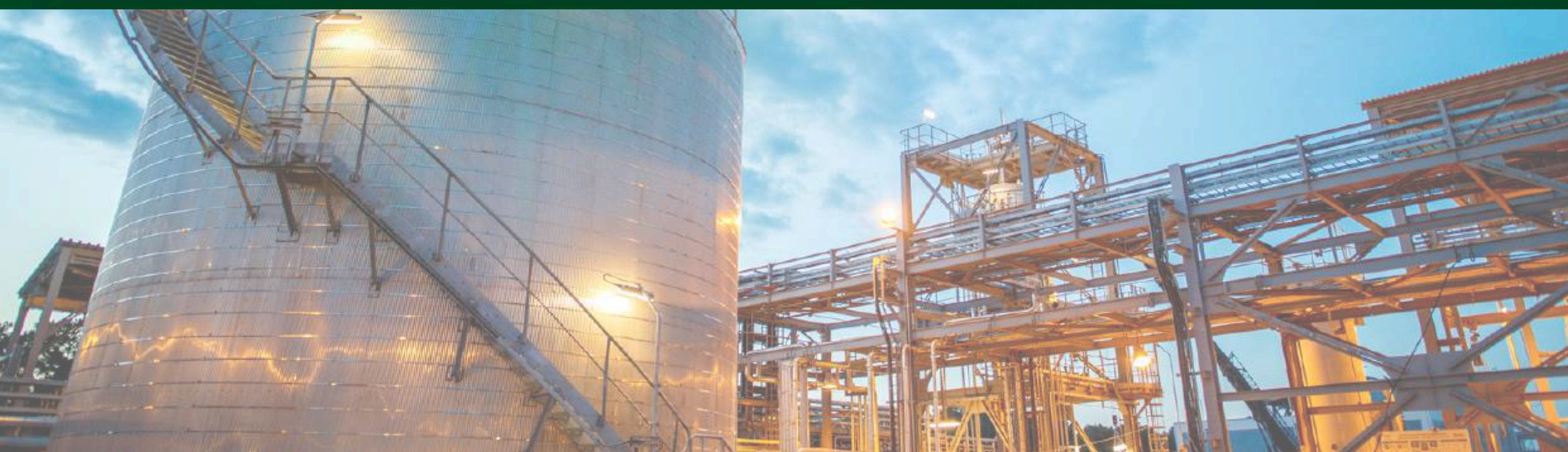
A PRO ALLY Publication

SOCIALIZING ENERGY. AMPLIFYING IMPACTS. JUNE 2026 VOL 2. ISSUE R2

What the PIA 2021 Requires of Nigerian Oil & Gas Service Companies.

The PIA does not operate in isolation from your business.
It operates through your clients. And most service companies are not ready.

30% OF SERVICE COMPANIES | **$308M** MARKET AT RISK | **$2,500** PER DAY OPPORTUNITY COST



ISSN 3115-6053

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PETROLEUM INDUSTRY ACT 2021

Most service company leaders believe the PIA 2021 is an operator's problem. This edition explains why that belief is wrong and what you need to do about it before the end of this quarter. This is, if you want to remain a "going concern".

The PIA 2021 is a sweeping piece of legislation primarily directed at upstream operators, midstream companies, and the regulatory bodies the govern them. It restructured the entire framework of Nigeria's petroleum industry. It is dense and quite technical. And on a first reading, it does appear to speak most directly to the companies holding production licences.

But that reading is incomplete. And for service companies operating in the supply chains of those operators, it is a commercially dangerous conclusion to hold.

The PIA does not operate in isolation from your business. It operates through your clients. And the obligations it places on operators cascade directly into the working environment, compliance expectations, and documentation requirements that now govern how service companies are engaged, evaluated, and retained.

"If you lead a pipeline company, an EPCI firm, a marine logistics operation, or any engineering services business in Nigeria's oil and gas sector, the PIA is not coming for your business indirectly. In several important respects, it is already here."

What the Act Actually Changed

The Petroleum Industry Act was signed into law on 16 August 2021, repealing the Petroleum Act of 1969 and consolidating decades of fragmented regulation into a single legislative framework. [1]

For operators, the changes were major. New fiscal terms, new regulatory bodies in the NUPRC and NMDPRA, new licensing frameworks, and a completely restructured approach to host community obligations.

For service companies, the changes were fewer but no less consequential. They come in below three forms and it is important you clearly understand these.

The HCDT Effect on Service Companies

Section 277 of the PIA mandates that upstream petroleum licence holders contribute 3% of their annual operating expenditure to a registered Host Community Development Trust. [1] The Trust must be properly constituted, governed, and demonstrably delivering to affected communities.

This is an operator obligation. But here is how it becomes your problem.

A June 2025 BudgIT assessment found that nearly 30% of upstream licence holders in Nigeria had still not established a compliant HCDT structure as required by law. [2] Field research by Connected Development in Rivers, Bayelsa, and Delta States found companies continuing operations without compliant Trust structures. [3]

When an operator's HCDT is non-functional, challenged by communities, or under regulatory review, the operational consequences fall directly on the service companies working under their licences. Right-of-Way access is disputed. Site entry is blocked. Mobilisation is delayed. Contracts that were supposed to run for 12 months stretch to 18 with no corresponding adjustment in compensation.

In December 2024, the Federal High Court of Nigeria ruled on the standing of host communities in operators' divestment processes, a signal that community-related ESG disputes are now live litigation risks that can delay and derail transactions.

"If your client is among the 30% with a non-compliant HCDT, their regulatory exposure is your operational risk. You are not holding the liability, but you are absorbing the consequences"

The question you should be asking is not whether your client is PIA-compliant. It is whether your contracts have any protection built in for when they are not.

The Environmental Documentation Obligation

Sections 102 through 116 of the PIA set out environmental management obligations for petroleum operations, requiring operators to implement environmental management systems, conduct environmental impact assessments, and maintain documented records of environmental performance. [1]

NUPRC and NOSDRA enforcement has intensified. Between January and May 2025, Nigeria lost 15,400 GWh of power generation potential to gas flaring, a 17.5% increase on the prior year period, with defaulting companies facing $308.1 million in cumulative fines. This enforcement pressure is causing operators to tighten their supply chain documentation requirements in a direct attempt to demonstrate that their environmental management extends to the companies working under their umbrella.

In practice, this means service companies are increasingly being asked to provide environmental performance records, incident logs, and HSE management system documentation as a condition of continued engagement, even where those requirements were never formally written into legacy contracts.

"If your environmental records are incomplete, informal, or undocumented, you are not failing a bureaucratic requirement. You are creating a gap that a compliance team will find, flag, and use to justify not renewing your engagement."

The HSE Management System Gap

The PIA reinforces and elevates health, safety, and environment obligations throughout the upstream and midstream value chain. NUPRC's regulatory framework requires that companies operating in the Nigerian petroleum sector maintain documented HSE management systems that meet defined standards.

For service companies, this requirement manifests most sharply at the pre-qualification stage of any new engagement. Operators under PIA compliance pressure are cascading those requirements into their contractor management frameworks. A service company that cannot produce a third-party auditable HSE management system is increasingly finding itself disqualified before the technical evaluation even begins.

This is not a future risk. It is a present commercial reality.

The Gap Between Awareness and Compliance

Here is what I find most striking in my conversations with service company leaders about the PIA.
Most of them are aware it exists. Most of them have read at least a summary of what it requires. And most of them have concluded that their existing HSE documentation, however informal, is probably good enough.

''Probably good enough is not the same as audit ready. It is not the same as NUPRC-compliant. And it is not the same as the standard that a new operator, a DFI-backed financing partner, or a post-divestment asset owner will apply when they review your contractor documentation for the first time.''

The companies navigating this well are not necessarily doing dramatically more complex work than the companies that are struggling. They have simply made the decision to structure what they do in a way that can be verified, presented, and defended.

Now to your risk radar for this week

■ NUPRC Threatens Licence Revocation for HCDT Defaulters

The Nigerian Upstream Petroleum Regulatory Commission has explicitly warned that operators failing to constitute compliant Host Community Development Trusts face licence revocation. With nearly 30% of upstream licence holders still non-compliant as of June 2025, the enforcement window is narrowing. Service companies operating under non-compliant operators face cascading operational disruption if licence actions are taken against their clients.

■■ Federal High Court Expands Host Community Standing in Operator Divestments

A December 2024 Federal High Court ruling significantly strengthened the legal standing of host communities in challenging operator divestment processes. ■ This decision means that any asset transfer involving non-compliant HCDT structures can now be contested in court, extending timelines and creating new risks for service companies dependent on those assets for ongoing work.

■ PIA Section 277 Penalties Now Compounding at $2,500 Per Month

Under Sections 9(1) and (2) of the PIA, operators who fail to incorporate a Host Community Development Trust within the prescribed timelines face penalties beginning at $2,500 per month. These penalties compound month on month. For service companies whose operator clients are accumulating these fines, the financial pressure on those clients directly affects contract renewal decisions and payment timelines downstream.

Your action this week.

Identify Your Top Three Operator Clients and Check Their HCDT Status.

- Go to the NUPRC public portal or call your contact at each operator and ask one direct question: has your Host Community Development Trust been formally constituted and registered under the PIA 2021?

- If the answer is no, or if nobody can give you a clear answer, you now know two things. First, your client is in regulatory default. Second, your Right-of-Way access, site entry, and contract continuity are exposed to community and regulatory disruption that has nothing to do with your own performance.

- This single check takes less than an hour. It tells you exactly which of your current engagements carry inherited PIA risk and which conversations you need to have with your clients before that risk becomes your operational problem.

This audit is the most commercially useful thing you can do this week.

"An undocumented track record is a secret. In today's market, secrets do not win contracts. Structures do."

References

[1] Petroleum Industry Act 2021. Sections 102–116 and Section 277. legislation.gov.ng

[2] BudgIT, Emerging Issues on the Petroleum Industry Act, June 2025. budgit.org

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