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PRO ALLY

Risk Insight for Oil &Gas Service Companies

THE EXPOSED BUSINESS

HCDT non compliance is costing Nigerian operators licences. Here is what that means for you.

A Host Community Development Trust is a statutory obligation with a penalty clock attached.

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Your Host Community Is Not a Stakeholder to Manage. It Is a Legal Obligation with a Clock Attached.

Section 236 of the Petroleum Industry Act required operators of existing oil mining leases to incorporate a Host Community Development Trust within twelve months of the Act coming into force in August 2021. For legacy assets, that deadline passed in August 2022. For newly awarded licences, NUPRC leadership has been explicit and public about the same expectations. At a licence signing ceremony for 2022 and 2023 Mini Bid Round and 2024 Licensing Round awardees in July 2026, NUPRC's chief executive urged new Petroleum Prospecting Licence holders to fast-track development and prioritise host community obligations, warning that failure to meet statutory commitments could trigger enforcement under the Act.

The mechanism behind that warning is specific. Sections 9(1) and 9(2) of the Host Communities Development Regulations impose a penalty of 2,500 US dollars per month, or the naira equivalent, on a Settlor who fails to incorporate an HCDT within the prescribed time. That penalty begins accruing after the first 30 days of non-compliance. A further 45 days after that, regulators gain the ability to recommend revocation of the Settlor's licence. Separately, Regulation 9 allows NUPRC to issue a default notice directing an operator to establish the trust within 45 days of a missed deadline, and Regulation 7(f) makes an approved Community Development Plan a precondition for the trust's registration in the first place.

Why This Is a Service Company Problem.

The statutory duty to incorporate and fund an HCDT sits with the Settlor, typically the licence holder or operator. Service companies are not directly penalised under Sections 9(1) and 9(2). But every contract a service company holds under that licence depends on the licence remaining valid, and the operator remaining in good standing with its host communities.

An operator carrying an active default notice, an accruing monthly penalty, or a live revocation recommendation is an operator under acute financial and reputational pressure. That pressure moves downstream fast: renewal timelines slow, payment cycles tighten, and pre-qualification scrutiny of every contractor working until the asset increases. Community relations that were once treated as background noise are now a direct input into whether a service company's largest client remains licensed to operate at all.

Why the Enforcement Gap Is Closing.

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Why the Enforcement Gap Is Closing.

Civil society monitoring of the HCDT framework has documented a real enforcement gap: despite the statutory penalty structure, research published by Connected Development in late 2025 found that no Settlor had yet been formally sanctioned under Sections 9(1) and 9(2). That gap has been a source of frustration among host community representatives, several of whom have publicly protested delayed or absent HCDT funding at NUPRC sensitisation workshops. What is changing is the infrastructure around enforcement. NUPRC's HostComply portal now integrates HCDT compliance reporting directly with environmental, social, and governance reporting, giving the regulator a live, structured view of which Settlors are current and which are not.

As of July 2026, NUPRC disclosed that 163 Host Community Development Trusts had been incorporated nationwide, with more than 1,100 development projects ongoing and over 200 already commissioned across the Niger Delta. A regulator with that much visibility, and that much political attention on the subject, is a regulator building the case for enforcement, not abandoning it.

Three Commercial Consequences for Service Companies.

First: your operator client's HCDT status is now a due diligence question you should be asking.
An operator with a lapsed or contested HCDT is an operator carrying regulatory and reputational risk that can affect contract continuity, payment timelines, and right of way access on any asset your company services.

Second: your own community engagement record is becoming a pre-qualification criterion in its own right.
Operators under scrutiny for their own host community performance are increasingly pushing documentation requirements down to contractors, expecting service companies to demonstrate their own structured community engagement practices, not just compliance paperwork.

Third: alternative dispute resolution literacy is now a legal one.
NUPRC leadership has explicitly urged operators to embrace alternative dispute resolution over litigation in host community matters. Service companies that can help operator clients de-escalate community friction quickly are positioning themselves as risk reducing partners, not just technical vendors.

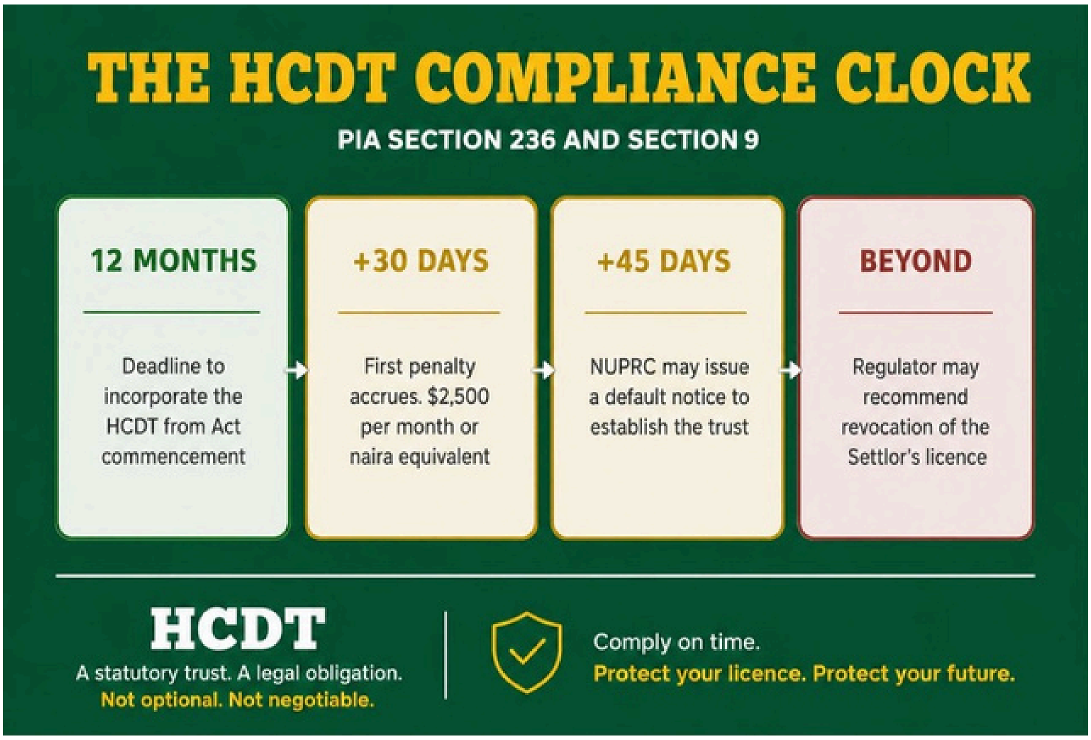
THREE KEY RECOMMENDATIONS

- Build an HCDT status check into your client and prospect due diligence process, alongside the OML and OPL cross referencing you already run against NOSDRA's defaulting companies list.
- Document your own company host community engagement practices in the same structured format; operators are being asked to use their Community Development Plans.

- Train client facing staff in alternative dispute resolution basics so your teams can help de-escalate community friction before it becomes a licence level problem for your operator clients.

RISK RADAR: THREE THINGS TO KNOW THIS WEEK

- NUPRC is publicly pressuring new licence holders on HCDT speed. At a July 2026 signing ceremony, NUPRC's leadership told new Petroleum Prospecting Licence holders to fast-track host community obligations or risk enforcement under the Act.
- The penalty clock is short and specific. Thirty days to first penalty accrual, further forty-five days to a possible revocation recommendation. Any operator client sitting inside that window is a client under acute pressure.
- Enforcement infrastructure is catching up with the law. NUPRC's Host Comply portal now links HCDT compliance data directly to ESG reporting, closing the visibility gap that has so far let noncompliance go unsanctioned.


THE HCDT COMPLIANCE CLOCK
PIA SECTION 236 AND SECTION 9
12 MONTHS
Deadline to incorporate the HCDT from Act commencement
+30 DAYS
First penalty accrues. $2,500 per month or naira equivalent
+45 DAYS
NUPRC may issue a default notice to establish the trust
BEYOND
Regulator may recommend revocation of the Settlor's licence
HCDT
A statutory trust. A legal obligation.
Not optional. Not negotiable.
Comply on time.
Protect your licence. Protect your future.


NIGERIA'S HOST COMMUNITY DEVELOPMENT TRUSTS, NATIONAL PROGRESS
Building trust. Driving development. Powering progress.
1200
1000
800
600
400
200
0
163
1,100+
200+
HCDTs Incorporated
Development Projects Ongoing
Projects Commissioned
Source: NUPRC, as disclosed at the PML66 HCDT Board of Trustees Inauguration, July 2026

THE STANDARD: ONE ACTION THIS WEEK

Check Your Operator Clients' HCDT Status This Week.

For every operator client in your company currently serves, confirm whether their Host Community Development Trust is incorporated, funded, and current. NUPRC's HostComply portal lists incorporated trusts publicly. If you cannot answer this question today, you do not yet know how exposed your own contract pipeline is to a compliance problem that is not yours but will affect you all the same.

Your host community is not a stakeholder to manage. It is a stakeholder to partner with, because the law has made that partnership a condition of the licence your business depends on.

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