Preface

The Centre for Science and Environment's (CSE's) Green Rating Project (GRP) started in the mid-1990s. This was the period when India began moving towards liberalised economic growth. This entailed an intensification of resource use though we did not know what it would do to the environment. There were fears, though, that if we took the route to economic growth which negated environmental considerations, it would be disastrous. So, what could be done?

This is where the GRP stepped in. It was designed to find ways of measuring the environmental performance of companies and to use the public disclosure to drive policy and practice change.

The first sector we selected to rate was the pulp and paper sector – an industry which needs forest resources for making pulp and leaves a massive footprint on the environment. It also needs huge quantities of water for production and then discharges massive amounts of pollution. In all, it is an environmentally challenging sector. When we first started writing to companies about this public disclosure project, the response, to say the least, was lukewarm. The companies did not know what we were up to.

Frankly, they did not have a clue about environmental management; they did not know what to monitor or measure; they had no department for these affairs; only one company had an ISO 14001 certification. The first rating put emphasis on management systems. Gradually, this sector opened up to the idea of public scrutiny and disclosure. There was willingness to engage; a desire to learn. The rating was successful, especially, if you consider the fact that when we returned to this sector some five years later, there was huge improvement to be seen. Industry had accepted the fact that the benchmarks we provided on different resource use and environmental performance parameters helped it improve its internal accounting. This in turn, induced it to clean up its act.

When we rated other sectors – first automobile; then chlor-alkali and cement – in the decade of 2000, we thought India had crossed the environmental hump. In each sector we saw visible improvement. By the time we rated the cement sector – a highly energy-intensive and polluting industry – we noted that Indian industry was close to the global best on many parameters. We found environmental performance was the worst where there was no visible push – the captive limestone mining practices, for instance, were appallingly bad.

But overall, everything looked better. By now environment was in vogue; company heads were involved in discussions on this agenda; management systems existed and there was public adulation for companies with green credentials. Green awards were being given and even the most polluting industry would want to say that it was not green. We were ready to say that environment had been mainstreamed into Indian industry.

However, in 2012, we would like to revise this assessment. The rating of the iron and steel industry – the core sector of the economy (with its own Union ministry and its very own Prime Minister's award for best performing plants) involves the biggest industry names. The results of the rating has left us shocked. Our assessment, after two years of detailed plant-wise scrutiny, is that this sector is non-transparent, non-compliant with even the weak environmental norms and is getting away because of an even weaker regulatory institutional framework. Our final assessment: all is bad with the steel sector.

What is also clear is that there are two key drivers for change. Firstly, it is economic, which makes companies innovate to improve the bottom-line. But it could also make companies cut corners at the cost of the environment. Nevertheless, in this sector, which is all about material and energy – rock, fire and smoke – anything that companies do to improve their bottom-line also works towards better environmental performance.

It is interesting to note that all the three top companies work against economic odds. These companies import their energy and do not have captive mines for iron ore. In the gas-based Essar Steel Limited, Hazira and Ispat Industries Limited, Raigad, energy costs are as high as 23-30 per cent of the turnover. In Rashtriya Ispat Nigam Limited (Vizag Steel Plant), Visakhapatnam, iron ore constitutes 17 per cent of its turnover and coking coal another 31 per cent. But in Tata Steel, Jamshedpur, Jindal Steel and Power Limited, Raigarh or in the Steel Autority of India Limited's (SAIL's) Rourkela plant, cost of iron ore is only between 3-10 per cent of the turnover.

So, there is no level playing field. The top three companies have no option but to innovate to survive. They have invested in efficient technologies and work hard to reduce costs of energy and improve their material efficiency by ensuring reuse. This effort, made for simple economic imperatives, incidentally also improves their environmental performance. But it is incidental, not deliberate.

This is why it is not enough and this shows up in the final score-card. Even the best company, which has inherent advantages of running on clean fuel such as natural gas and imports its coking coal requirements only, scores a low 40 per cent. The other companies, with high prestige and equally high profits, score in the low 30s and 20s. They do not even make the grade.

The poor environmental performance of this sector is a measure of the complete failure of the regulatory institutions in the country. Nobody is asking this sector to improve its green bottom-line; nobody is measuring and monitoring actual performance. We should not be surprised. The country has worked to decimate its pollution regulatory paraphernalia – the steel sector is a hard reminder of this.

As we said, this bodes badly for the future. This is a sector which is rapidly expanding – within this decade it has gone from 24 million tonnes annually, to close to 70. It is now aiming to be a 100-million tonne industry in the next two years. The SAIL jingle says that the nation needs steel – "there is a little bit of steel in everybody's life".

But it is clear that if this expansion takes place in this business-as-usually-bad scenario, then the environmental costs will be too high for the country to take. We will be forced to make a choice between steel and green. Industry will be unsustainable. Therefore, there is only one way ahead – to move towards a true-green steel industry. Not spend more time on greenwash.

This is possible. Our assessment shows that the vision for green steel would mean that the plants have to be efficient on land; use only that water which is needed for evaporative losses; discharge no wastewater; recycle and reuse all solid waste. In addition, the industry needs to seal and cover all sections of its raw material and other operations so that fugitive emissions are reduced, the companies comply with ambient air standards, and reduce energy use and CO_2 emissions. The road map for the industry is clear. It is also technically achievable. The only question is who and what will drive this change.

We hope our rating will contribute to making the change possible.

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