

# ENVIRONMENTAL VIOLATION & AUGMENTATION PROVISIONS - THE ROLE OF A COST & MANAGEMENT ACCOUNTANT

## Abstract

The tremendous growth of industrial activity, especially, mining and power sector has seen resistance from the public at large because of damage being caused to natural resources. The environmental violations are on the rise due to rapid industrialisation. Industries are being grounded without prior approvals w.r.t. Environmental Clearances (ECs). Post facto approvals for the same are on the rise. It is worth mentioning that The Hon'ble Supreme Court has struck down the practice of awarding post facto ECs through its landmark judgement (Vanashakti vs. Union of India, Dt.16.05.2025, WP(C) No. 1394 of 2023).

Violations of the conditions imposed in the ECs have to be made good through Remediation Plans and bettered through implementation of Environmental Augmentation plans.

This paper is a humble attempt to highlight the types of Remediation and Augmentation Plans, various legislations and the role of regulatory/implementation agencies. The proactive role of a Cost & Management Accountant in guiding the Management regarding choosing a right path to maintain a harmonious relationship between the industry and the environment is also discussed.



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### Introduction:

Of late India has been seeing phenomenal growth in its Core sector viz., Coal, Crude oil, Natural gas, Refinery products, Fertilisers, Steel, Cement and Electricity. The Core sector contributes to around 40% of the Index of Industrial Production. This growth rate is the harmonious result of the efforts

put in by the Public as well as the Private Sector. This positive growth has not been devoid of its ill-effects on the society as a whole. The society has been crying foul of the environmental damage caused due to tremendous industrialisation and indiscriminate tapping of natural resources, a point beyond which the availability of these natural resources to the future generations remains a doubt. To have a control over

the breach of excessive and permissible limits of natural resources, the Government has been trying to bring in rules, regulations and guidelines by enacting various Acts and establishing monitoring agencies. A humble attempt has been made in this paper to throw light on the efforts of the monitoring agencies to mitigate the environmental damage and augment the available resources. This paper discusses such various plans introduced and implemented over the years in our country. It also tries to highlight the role of a Management Accountant in ensuring that the industry does not breach the limits. The role of a Management Accountant is a proactive one to ring the alarm bells so that Companies do not have to pay a heavy price for such a breach.

### **Environmental Damage by the industries:**

The environmental damage by the Mining, Refinery, Steel, Cement and Electricity companies include land degradation, deforestation, top soil erosion, release of pollutants into the atmosphere, habitat destruction like displacement of wildlife, damage to biodiversity, release of effluents into the water bodies, release of heavy metals leading to contamination of the environment, greenhouse gas emissions, noise pollution, Nutrient runoff, Groundwater contamination, Disruption of food webs, Wastewater Discharge, Dust Deposition, Global Warming. The list is exhaustive as no industry is devoid of effluents and the lack or absence of voluntary checks has aggravated the issue.

### **Prevailing legislations:**

Legislations over the years have evolved in the country to check and penalise the offenders that damage the Environment. Major legislations are as follows:

- i. The Environment (Protection) Act, 1986
- ii. The Water (Prevention and Control of Pollution) Act, 1974
- iii. The Air (Prevention and Control of Pollution) Act, 1981
- iv. Forest (Conservation) Act, 1980
- v. Wildlife (Protection) Act, 1972
- vi. The National Green Tribunal Act, 2010.

### **Role of Regulatory agencies:**

Various Environmental Regulatory bodies exist in India that exercise control over the industry to

ensure the sanctity of the natural resources. The Ministry of Environment, Forest and Climate Change (MoEF &CC) is the key agency in formulating and granting Environmental Clearances (ECs) to all the projects to be grounded in the country. The Central Pollution Control Board (CPCB) has the authority to set benchmarks, standards and norms regarding pollution levels. At the State level, State Pollution Control Board (SPCB) is the agency for the same.

As a standard procedure, Environmental Clearances (ECs) are to be granted before grounding of the project after following the due procedure. The grant of ECs are governed by the Environment Impact Assessment (EIA) Notification, 2006, issued under the Environment (Protection) Act, 1986. However, in some of the projects post facto ECs have been issued under exceptional circumstances; meaning that projects have been grounded and ECs have been issued subsequently subject to certain conditions. The circumstances which lead to post facto approval can be excessive excavation beyond permissible limits in case of mining and refinery companies, emergence of unforeseen pollutants during the process, urgency to deliver the final output to keep the economy going and the like. The reasons for granting such post facto approvals can be to protect the public interest at large, to mitigate job losses, avoid economic instability in the country etc.

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### **Remediation/Augmentation plans for Environmental Violation:**

In cases where post facto approvals are given, the same come with certain impositions. These are commonly called Violation category obligations that are in the nature of Remediation and Augmentation Plans. Although there exists a fine differentiation between the two, both are synonymously used in the industry. The same are discussed below:

#### **Remediation Plans:**

A Remediation plan is a well thought out plan/strategy to make good the loss suffered by the damage to the natural resources and in the public affected by it. It is evolved after a well chalked out programme in a systematic way identifying the extent of damage,

root cause of the issue, the related parties involved in it and the corrective action to be taken so that the damage caused as a result of indiscriminate industrial pollution is mitigated. The remediation plans can relate to Soil, Air, Groundwater, Surface water, flora, fauna etc.

### Augmentation Plans:

An Augmentation Plan can be said to be an extension of the Remediation Plan wherein it encompasses activities to enhance and enrich the restored natural habitat or resource. It enhances the quality and better the damaged natural resource from a state that it was as earlier.

Different types of Remediation Augmentation plans are as follows:

- a. Natural Resource Augmentation Plan (NRAP)
- b. Community Resource Augmentation Plan (CRAP)
- c. Natural & Community Resource Augmentation Plan (NCRAP)

### Natural Resource Augmentation Plan (NRAP):

Natural Resource Augmentation Plan (NRAP) is an action plan to replenish and enhance the quality of **natural resources for sustainable long-term development**. It involves activities to restore or improve ecosystems involved, increase the availability of resources to the affected public and finally to minimise the adverse impact of industrial activities. Examples could include Energy conservation by adopting Renewable Energy technologies by providing Solar Street Lighting facilities, Rainwater harvesting services etc.,

### Community Resource Augmentation Plan (CRAP):

Community Resource Augmentation Plan (CRAP) is an action plan arrived to compensate and enhance the living conditions of the community affected by the disruption caused due to implementation of the industrial units. The measures involve taking up developmental activities in the villages/society which include installation of water purifying units, Entrepreneurial development program aiming make in India, building of schools, repair/widening of roads including the maintenance of the same for a considerable period.

### Natural & Community Resource Augmentation Plan (NCRAP):

Natural & Community Resource Augmentation Plan (NCRAP) is an action plan involving restoration and enhancement of both environmental and community resources that have been damaged or got affected by the concerned industries. At times, the Regulatory authorities, after careful study and feedback, impose both the obligations on the industry simultaneously.

### Check/Monitoring Mechanism:

It is compulsory to upload the Environmental Clearance (EC) with compliance reports and monitoring data to the PARIVESH (Pro-Active and Responsive facilitation by Interactive, Virtuous and Environmental Single-window Hub) portal. The same needs to be uploaded on the website of the concerned Company. It is to remember that award of compensation in monetary terms is not the spirit of these plans. The Remediation and Augmentation plans i.e. NRAP, CRAP and NCRAP have to be implemented on the ground level by the concerned industries in true spirit and compliance reports and monitoring data need to be submitted.

In order to ensure that the concerned Companies implement the specified Remediation/Augmentation plans, a bank guarantee is generally required to be submitted to the regulatory bodies. It serves as a financial obligation to cover the costs associated with the Remediation/Augmentation plan if the Company fails to implement the activities.

### Accounting Treatment in the Books of Account:

As per Ind AS 37 – Provisions, Contingent Liabilities and Contingent Assets - A provision shall be recognised when: (a) an entity has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.

Based on the above standard, it can be inferred that an entity has a constructive commitment or obligation to undertake the activities under NRAP, CRAP and NCRAP requiring certain amount of cash outflow that can be clearly estimated or assessed since the Environmental Clearance Certificate spells out the various environmental remediation and augmentation activities. Moreover, in certain cases, it spells out the activity-wise amounts to be incurred by the project

proponent.

In view of the above, provision needs to be made in the books of account for the amounts to be incurred in future towards obligations under NRAP, CRAP and NCRAP. The expenditure so incurred needs to be set-off against the provision created.

### The Role of a Cost & Management Accountant:

Cost and Management Accountants (CMAs) are now playing a pivotal role in guiding the management of Companies regarding the upcoming environmental related issues either from public at large or from regulatory agencies. The role of CMAs is not limited to mere costing or budgeting. They have to be acquainted to the organisation's physical installed capacities, the actual scale of operation and the repercussions of violations of environmental norms, guidelines and laws. CMAs have to assess the environmental liabilities, decommissioning liabilities, pollution related penalties vis-à-vis the revenues being earned. They have to be proactive and ring the alarm bells so loud that the management gets a wake-up call to avoid environment degradation. In order to do so, a CMA has to constantly look into the Management Information System (MIS) reports.

CMAs have to also look into the aspect of meeting

the cost of adherence to environmental regulations by suggesting the management to shift to green technologies emerging worldwide. This can only be done if CMAs have the ability to gauge the benefits so derived when compared to the cost of establishing the infrastructure for renewable energy sources. Capital rationing from the existing resources needs to be done for alternative sources of energy.

CMAs have to play an active role in the Environmental Audits and have to ensure that the provisions are in line with the Ind AS and cost standards. Apart from this, disclosures in the form of compliance reports in the portals, Annual reports of the entities are also the responsibility of a CMA.

Finally, a CMA is the torch bearer for advocating environmental consciousness in the industrial world.

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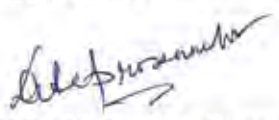
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### NOTIFICATION

In pursuance of Regulation 146 of the Cost and Works Accountants Regulations, 1959, the Council of the Institute at its 360th Meeting dated 21st May 2025 and adjourned to 14th July 2025 by virtue of power conferred therein has decided to change the name of "The Institute of Cost Accountants of India, Indore Dewas Chapter" to "The Institute of Cost Accountants of India, Indore Chapter".

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