

FinMin rejects plan to establish body for procuring green steel

Says most steel for projects is purchased indirectly through contractors rather than the govt

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The finance ministry has rejected a proposal by the steel ministry to establish a central organisation for the bulk procurement of green steel. It cited that most steel procured for government projects is purchased indirectly through contractors rather than directly by the government, making such an organisation unnecessary, officials told *Business Standard*.

The steel ministry did not respond to queries sent by *Business Standard* on this matter.

Green steel refers to steel produced using environmentally friendly methods that reduce carbon emissions, typically by replacing fossil fuels with renewable energy sources such as hydrogen or electricity from wind and solar power. The ministry had suggested an agency similar to Energy Efficiency Services (EESL).

EESL is a joint venture of four public sector utilities under the power ministry — namely NTPC, Power Grid Corporation, REC, and Power Finance Corporation. It is engaged in the bulk procurement of energy-efficient products such as LED lights, fans, and solar pumps.



The steel ministry has established a task force to clearly define what constitutes “green steel”. In a report issued in September this year, the steel ministry said: “The premium on green steel will depend on its definition, which is being deliberated in the task force and will be finalised in the future. Therefore, the potential impact of green public procurement (GPP) on government expenses is indicated for a 10 per cent and 15 per cent premium on green steel.”

At a 10 per cent premium, the annual budgetary impact may increase from ₹1,223 crore in 2026 to ₹5,820 crore in 2030-31 (FY31), resulting in a total outlay of ₹14,954 crore over the period, the steel ministry’s report mentioned.

At a 15 per cent premium, the impact may range from ₹1,834 crore in 2026 to ₹8,730 crore in FY31, with a total outlay of ₹22,431 crore.

EESL’s GPP initiatives have highlighted the potential of bulk procurement to reduce costs in energy-efficient and renewable energy technologies. While private procurement of green products is still at a nascent stage in India, several private companies with established climate goals are expected to support the adoption of green steel in the future.

The steel ministry mentioned that it is keen to create a demand for green steel in India by developing the framework for the GPP policy for the steel sector, which could then be taken up by the finance ministry

RATING OF GREEN STEEL

■ **5-star:** Steel with emission intensity lower than 1.6 t-CO₂e/tfs

■ **4-star:** Steel with emission intensity between 1.6 and 2.0 t-CO₂e/tfs

■ **3-star:** Steel with emission intensity between 2.0 and 2.2 t-CO₂e/tfs

for development and action. “The steel ministry may set up an agency along the lines of EESL for bulk procurement of green steel to facilitate consumption in both public and private procurement,” it said.

Officials told *Business Standard* that the steel ministry’s proposal to establish such an agency has been rejected. Since most steel for government projects is procured “directly by contractors rather than by the government” itself, the creation of such an agency is “deemed unnecessary”, one of the officials said.

Industry executives said the idea of having a central procurement agency will not be effective as green steel procurement should go beyond the steel sector. “The steel ministry

has floated the proposal of a minimum threshold for green steel procurement among all major infrastructure ministries — road, power, railways, etc. They all have their own procurement mandates, rules, and agencies. What each of these sectors wanted was a definition and a threshold; the supply chain can be managed,” said a steel sector executive.

The steel ministry, in a recent gazette notification, has laid out the technical criteria for green steel in India and provided different ratings as well.

The total steel consumption by the public sector in India is expected to increase from 25 million tonne (mt) in 2022-23 to 67-73 mt by FY31. Steel consumption constitutes only 18 per cent of the total cost of infrastructure projects in the country.

“While the premium on green steel will depend on the definition adopted, even a 30 per cent premium on green steel and 20 per cent replacement of conventionally produced steel with green steel will increase the cost of infrastructure projects by only 1.1 per cent. Similarly, based on global studies, the impact on private sector goods like automobiles and white goods is also expected to be minimal at 0.5-1 per cent,” the September report observed.