

When environmental rules stall housing, not pollution

ET CONTRIBUTORS Last Updated: Jun 16, 2026, 11:14:00 PM IST

Synopsis

India's environmental clearance process often delays urban housing projects, raising costs and slowing jobs without improving protection. A risk-based system could speed low-impact projects while safeguarding sensitive areas.



ET AI Briefing

Listen to this article in summarized format

Listen



Piyush Doshi

Operating partner, The Convergence Foundation



Anuj Gupta



Imagine you want to build an apartment block to house 100 families. You have land, money, an architect, even buyers. What you do not have is permission to build. A year or two later, you get clearance. But, by then, your debt has racked up interest, timelines have collapsed, and the project meant to house 100 units has been redesigned to deal with regulatory challenges. Or, worse, is shelved.

This is what India's regulatory system does to construction projects through mechanisms like environmental clearance (EC). And the tragedy is that it doesn't even achieve the protection it was meant to provide.

EC was conceived to scrutinise highly polluting industries. Along the way, its mandate expanded. Today, through EIA Notification of 2006, it encompasses any building or construction project with more than 20,000 sq m of built-up area, roughly the size of a modest housing complex. This could include an affordable housing project, or a hospital.

India is among few countries that require pre-construction environmental sign-off for an ordinary housing project. So, in what scenario would we not want a housing project to exist? Post-construction check for these projects already exists. A construction project must obtain a 'consent to establish' (CTE) and 'consent to operate' (CTO) from the local pollution control board,

local planning approvals, fire clearances and, in coastal areas, a coastal regulation zone (CRZ) clearance. EC is often stacked on top of all of these.

The case for simplifying EC applies to projects in urban areas already zoned for residential or commercial use. They are plots where construction is the intended land use, and where it's already tightly governed. Tree-felling requires separate municipal permission, diesel generator sets require pollution board approval, and occupancy is conditional on a CTO.

Also, nearly 60% of real estate projects applying for an EC face delays. Construction workers, often daily wage earners and with the most to lose, have potential jobs that are delayed. Every month of delay adds to the cost of the eventual flat, pricing out buyers and aspiring first-time homeowners.

When regulation penalises scale, a builder who wants to construct 300 flats on one site has a straightforward incentive: find two separate plots and avoid EC by staying below the 20,000 sq m limit. But land is not easy to find. Two smaller plots often cost more than one larger one, require separate infra connections and produce less efficient buildings.

Instead of dense, efficient vertical development that frees up land and reduces urban sprawl, you get development that encroaches on green space and strains public infrastructure. Regulation meant to protect the environment ends up encouraging the kind of growth that harms it.

Also, construction is one of India's biggest employers of non-farm labour. Every month a project sits waiting for a clearance is a month when those jobs don't exist. Most projects going through the EC process eventually pass. But a significant amount of time spent under EC, exacerbated by slow file movement, delayed site inspections and uneven capacity across states, is a devastating blow.

None of this is an argument against environmental oversight. The argument is the opposite: if environmental regulation is to mean something, it must focus its firepower where it matters.

Projects near ecologically-sensitive zones deserve rigorous scrutiny. Even for housing projects, those with potential for a high impact on water use, waste disposal, energy demand, flood risk or proximity to sensitive ecosystems could receive detailed scrutiny. But a low-risk housing project, especially in a residential zone, doesn't warrant an EC on top of all the other checks.

A smarter system would sort projects by actual environmental risk and fast-track low-risk ones. This is not a radical idea. It's how effective regulation works in most of the world. India doesn't have a shortage of regulation. What it has is regulation that mistakes a long process for a good outcome.

(Doshi is operating partner, Foundation for Economic Development, The Convergence Foundation, and Gupta is India MD, BowerGroupAsia (BGA))