Environmental Protection Fund Rules – Explained

January 20, 2026 • vajiramandravi.com

Environmental Protection Latest News

- The Union government has notified detailed rules governing the utilisation of the Environmental (Protection) Fund, created from penalties imposed under key environmental laws.

Background of the Environmental (Protection) Fund

- The Environmental (Protection) Fund has been created to ensure that penalties imposed for violations of environmental laws are channelled back into environmental restoration, pollution control, and sustainability-related activities.
- The legal basis for the fund was laid under the **Jan Vishwas Act, 2023**, which decriminalised several minor environmental offences while retaining monetary penalties to ensure regulatory compliance.
- The fund draws resources from penalties levied under major environmental legislations, including laws related to air pollution, water pollution, and the **Environment (Protection) Act, 1986**.
- The notified rules provide clarity on how this fund will be credited, administered, audited, and utilised for specific environmental purposes, addressing long-standing concerns regarding the effective use of

environmental penalties.

Objectives of the Environmental (Protection) Fund

- The primary objective of the Environmental (Protection) Fund is to convert regulatory penalties into tangible environmental outcomes. The rules seek to:
    - Strengthen pollution prevention, control, and mitigation mechanisms
    - Support remediation of environmentally contaminated sites
    - Promote research and adoption of clean and green technologies
    - Enhance the institutional capacity of environmental regulatory bodies
- By doing so, the fund aligns with the broader principle of "polluter pays," ensuring that environmental damage leads to corrective and restorative action rather than remaining a purely punitive measure.

Permitted Areas of Fund Utilisation

- The notified rules specify **11 broad categories of activities** for which the Environmental (Protection) Fund can be used. These include:
    - Prevention, control, and mitigation of air, water, and soil pollution
    - Remediation and restoration of contaminated and degraded environmental sites
    - Installation, operation, and maintenance of environmental monitoring equipment
    - Development of laboratory infrastructure for environmental testing and compliance
    - Capacity building of regulatory institutions and technical personnel
    - Research and innovation in clean technologies and sustainable practices
    - Development of Information Technology (IT)-enabled systems for environmental monitoring
- These provisions aim to ensure that fund utilisation directly contributes to improving environmental quality and regulatory effectiveness rather than being diverted for unrelated purposes.

Administrative Structure and Fund Management

- The rules clearly outline the institutional framework for administering the Environmental (Protection) Fund.
- The **Union Ministry of Environment, Forest and Climate Change** will be the primary authority for administering the fund, or it may notify any other competent body for this purpose.
- To ensure decentralised yet coordinated implementation:
    - Dedicated **Project Management Units (PMUs)** will be created at both central and state levels
    - Penalties collected will be credited to the fund following a standardised procedure
    - The **Central Pollution Control Board (CPCB)** will develop and maintain an online portal for managing fund-related processes
- This digital interface will serve as a common platform for coordination among central ministries, state governments, pollution control boards, and other stakeholders.

Distribution of Funds Between Centre and States

- A significant feature of the rules is the transparent sharing mechanism between the Centre and States. According to the notified provisions:
    - **75% of the penalty amount** collected will be transferred to the **Consolidated Fund of the concerned State**
    - **25% of the amount** will be retained by the **Centre** for national-level environmental initiatives
- This arrangement recognises that most environmental violations and remediation activities are local in nature, while also enabling the Centre to fund large-scale or cross-cutting environmental projects.

Accountability and Audit Mechanisms

- To strengthen transparency and public accountability, the rules mandate robust oversight mechanisms.
- The **Comptroller and Auditor General of India (CAG)** will audit the Environmental (Protection) Fund periodically.
- This audit requirement is crucial to prevent misuse, underutilisation, or diversion of environmental penalty funds.
- Further, the online portal managed by the CPCB will act as a monitoring tool, enabling real-time tracking of fund allocation, utilisation, and project outcomes.
- Together, these measures aim to enhance public trust in environmental governance.

Significance for Environmental Governance in India

- The notification of these rules marks an important shift in India's environmental regulatory approach.
- Instead of treating penalties merely as revenue, the framework institutionalises their use for environmental improvement.
- It also complements the decriminalisation approach adopted under the Jan Vishwas Act by ensuring that monetary penalties have a corrective and restorative purpose.
- For India, which faces persistent challenges related to pollution, waste management, and ecological degradation, the Environmental (Protection) Fund can serve as a critical financial instrument to bridge regulatory gaps and support sustainable development goals.

Source: TOI | IE
