

July 2021



## A GREENER FUTURE

Mapping the Growth of the Environmental  
Consulting Industry

The Strategy Boutique



The Strategy  
Boutique  
*Honest Consulting*



EMERALD  
GROUP  
*— Strategy. Reimagined —*

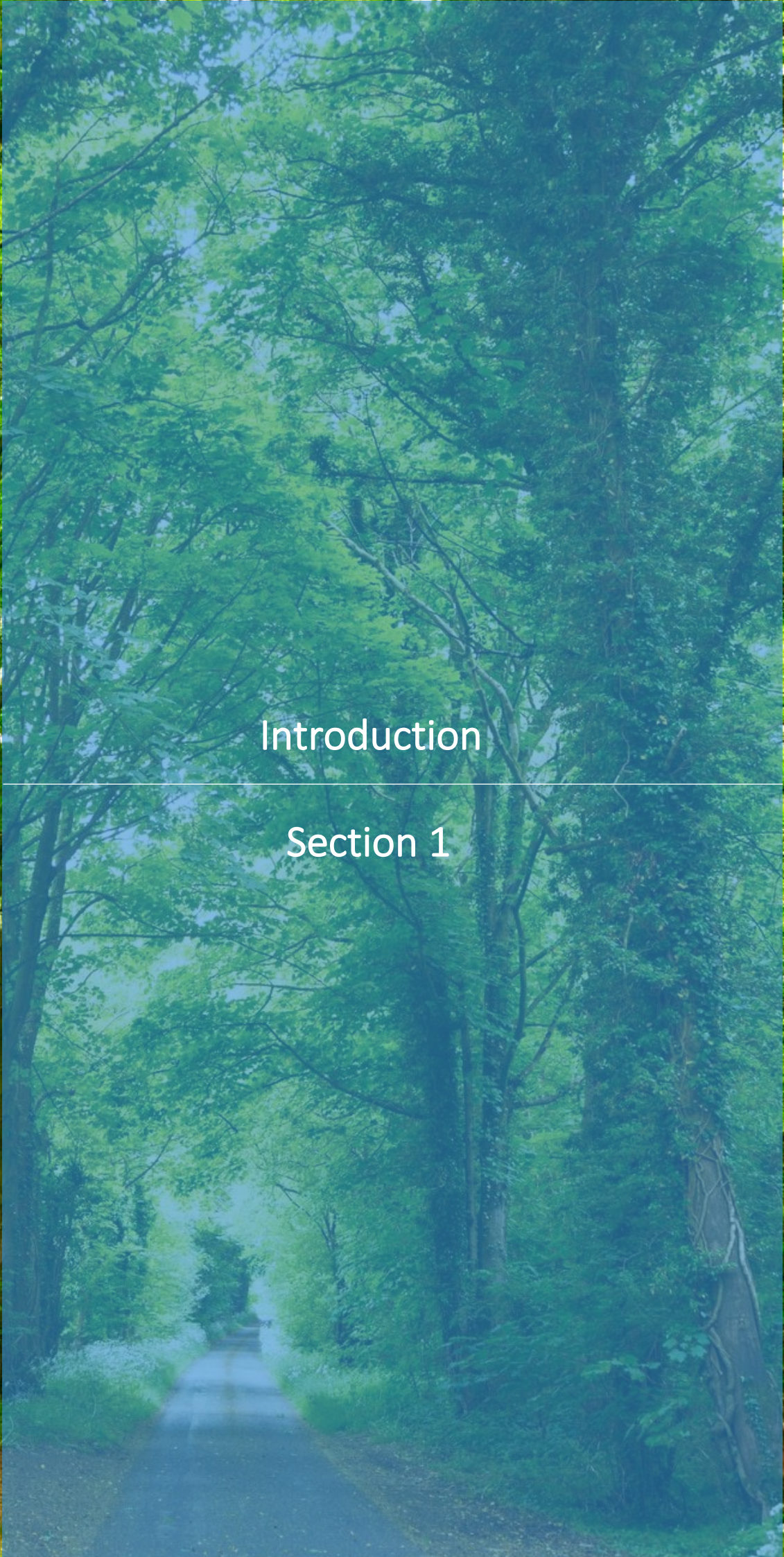




# Table of Contents

<b>1 Introduction.....</b>	<b>3</b>
<b>2 Industry Overview.....</b>	<b>5</b>
2.1 History of Environmental Consulting ..	6
2.2 Services Offered.....	6
2.4 Sources of Demand .....	10
2.5 Key Drivers of Demand.....	11
2.6 Environmental Consulting in India ....	13
<b>3 Future Prospects .....</b>	<b>14</b>
3.1 Impact of COVID-19 .....	15
3.2 Growth Prospects .....	15
<b>4 Conclusion .....</b>	<b>16</b>





Introduction

Section 1



## 1 Introduction

The environmental consulting, or sustainability consulting, industry has emerged as an important focal point for companies across the globe. From being a niche field, with few, specialized players in the late 1990s, the industry has evolved to the point where every major consultancy in the firm now places heavy emphasis on the inclusion of environmental consultancy services in their offerings.

Growth in this industry has primarily been driven by increased public awareness about the debilitating impact of human activities on the environment. As citizens around the world became more environmentally conscious, companies pivoted their products and services to accordingly match the new set of demands by their consumers. Governments, too, were compelled to enact stricter regulations and enforce harsh penalties on the defaulters. Many politicians often used environmental issues as a key campaigning platform to persuade their voters.

As a result of these changes, companies and governments now demanded environmental consultants to help them navigate the new landscape in order to make the most effective use of their resources without risking backlash for damaging the environment. Over the years, environmental consultants have also expanded their offerings to include long-term corporate strategy, PR and communications, technical expertise and audit and impact assessment.

While growth has been moderate over the last decade, the industry is slowly but surely picking up the pace. With the world waking up to the gravity of the threat posed by climate change, sustainability consulting is set to experience a strong

growth in the years to come. More and more companies are looking to introduce circularity within their business models and supply chains. Governments have laid out ambitious plans to take measures that promote sustainability. With this increased pressure to act more responsibly towards nature, there is an undeniable need for environmental consultants in the future.



# Industry Overview

## Section 2



## 2.1 History of Environmental Consulting

Environmental issues started gaining traction at the turn of the millennium with the Earth Summit 1992 in Rio De Janeiro which gave birth to some of the most influential international agreements on sustainable development such as Agenda 21 and UNFCCC. Climate action was further given a global acknowledgement in 2000 through the UN Millennium Development Goals, the precursor to the Sustainable Development Goals. While the focus on sustainability was not as highlighted in the MDGs as in the SDGs, it sets the tone for how humans would view their impact on the environment in the years to come. Over the next decade, a vast wealth of reports and studies would underscore greenhouse gas emissions, global warming, and the urgent need for climate action.

Environmental consulting spawned out of this moment of awakening for businesses, governments, and citizens around the world. Decades of unabated industrial activity had degraded the quality of the environment and endangered animal species across the globe. Now, organizations were seeking ways to reduce their carbon footprints, be it through an innate desire to act responsibly or a strategic maneuver to adapt to changing perceptions. However, since the companies lacked the ability to undertake this transformation in-house, outside consultants were hired to help design policies and roadmaps that envisioned a more responsible business. Hitherto, 'green consulting' used to be the forte of boutique firms which specialized in CSR advisory services. But, with an imminent growth in demand for these services, the more established players were not far off from picking up the mantle. McKinsey came out with its first report on greenhouse gas abatement in 2007 and has

extensively ramped up its sustainability consulting business since.

Despite these trends, however, the progress made in the first decade of the 21<sup>st</sup> century was still fairly slow. After 2010, the industry started to pick up the pace. Over the last 10 years, the growth has accelerated, and offerings have increased exponentially. BCG initiated a partnership with MIT Sloan's research magazine, Management Review, to study corporate sustainability. McKinsey also released a report on 'Sustainability and Resource Productivity' in 2012. Major consultancies soon started developing in-house capabilities to deliver environmental advisory services to their clients. For instance, Deloitte acquired a number of boutique consulting firms to upscale its capability and provide a wide range of offerings. Almost every major consulting firm around the world is now offering services surrounding sustainability and corporate social responsibility.

## 2.2 Services Offered

Consultancy firms offer a broad range of services to their clients in order to help them reduce their environmental impact. These may be end-to-end corporate strategy proposals with detailed action plans for a longer-term transformation, or the firm may assist organizations in specific projects under consideration. Broadly, the services offered can be grouped under four broad categories.



### ***Strategy and Planning***

Strategy and planning services deal with long term corporate strategy proposals that treat sustainability as a lens to view the business and its future prospects.

Consulting firms often undertake tasks to help businesses introduce new lines of products or services that can be marketed as environmentally friendly prospects. This may be through the introduction of a new business model, a fresh line of products, or through strategic acquisitions that position the company favorably. They may further help companies in their long-term endeavors to become carbon neutral and have net zero emissions. This involves a holistic analysis of the business and its activities with a detailed action plan on addressing key areas of concern within the business. This further involves setting benchmarks for business performance and instituting tangible indicators to measure progress.

### ***Technical Support***

Technical support focuses more on the ways in which organizations can mechanize the recommendations under the overall

strategy. This may include design and construction of 'green' facilities and energy services such as solar panels, wind farms etc. Other areas of focus may include waste management and recycling, and water and wastewater services.

Additionally, clients may also be advised on the best management practices that may be adopted to reduce their carbon footprint. Services under this bracket involve recommendations for building circular supply chains so that materials are recycled, and waste is minimized to the fullest extent. In addition, the consultants also assist in implementing efficient practices in the client's production centers in order to minimize energy usage and the subsequent ecological impact.

### ***Testing and Auditing***

Testing and Auditing services most often involve a third-party review of the sustainability data of the company. These services typically include an evaluation of the ecological impact of an organization's activities.

This is primarily done for the purpose of compliance assessment. As governments are becoming increasingly aware of the grave dangers of climate change, so are the legal frameworks in the countries. With stricter environmental regulations, most companies are forced to adapt their business models or face the risk of penalties by the regulatory authorities. Audits are carried out to ensure that the company is behaving in a manner consistent with the environmental regulations and its own internal targets.

### ***Sustainability and Marketing***

Advisory services are often employed to devise PR strategies for companies to most effectively convey to their stakeholders their ambitions and future initiatives to protect the environment. Further, organizations want to paint themselves in the best light by highlighting their past initiatives and their subsequent impacts in the best possible manner.

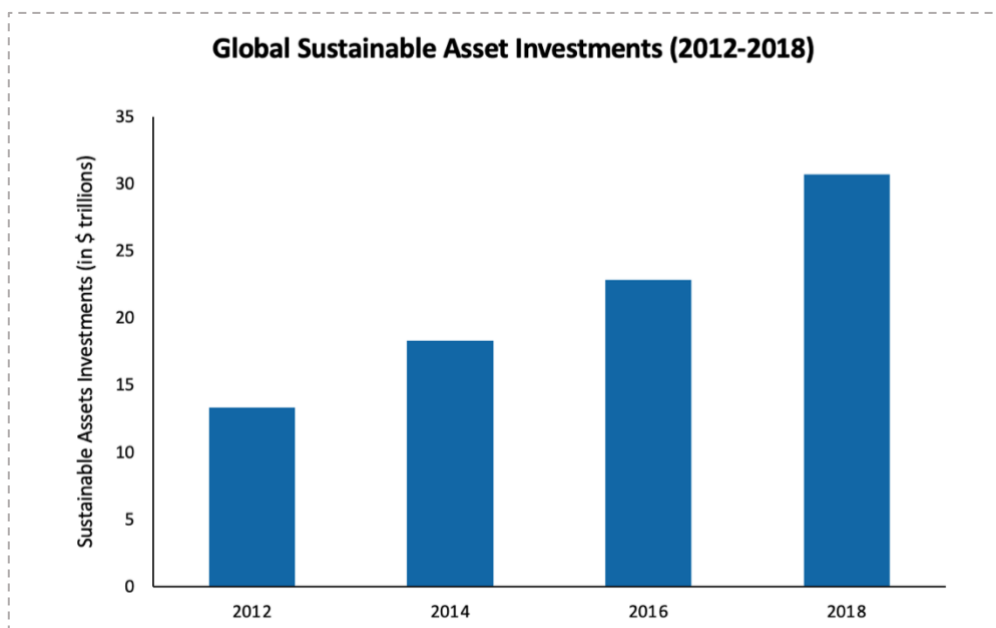
Doing so helps corporations and governments in demonstrating their responsibility towards nature and boosts public confidence in their business

practices. Further, it also serves as a strong branding tool and improves the image of the company in the eyes of the public. Hence, consultants are often hired in this regard to portray the company as a socially responsible business.

### **2.3 New Developments and Trends**

Until recently, sustainable investing was viewed as a niche market with limited returns that was unable to attract investments in high volumes. However, over the last few years, this segment has undergone significant transformation.

As evidence is accumulating about the beneficial effects of investing with environmental, social, and governmental (ESG) factors in mind, institutional investors are also gradually turning to the field of sustainable finance. From wealthy private equity funds to large-scale asset managers, investors are increasingly exploring opportunities in the sustainable finance domain. Between 2012 and 2018, investments in sustainable assets have increased from \$13 trillion to \$30 trillion.



Source: Global Sustainable Investment Alliance



Industry experts hold the view that reviewing the sustainability factors of a business will become a mainstream practice over the next decade. In fact, 64% of LPs (Limited Partnerships) are investing more in sustainable assets than they were 5 years ago.

Within this space, consulting firms help governments and institutional investors to integrate ESG factors into their investment mandates and strategies. At the same time, they also help these companies to identify lucrative, yet socially responsible avenues for investments and benchmark the performance of the funds with respect to peers.

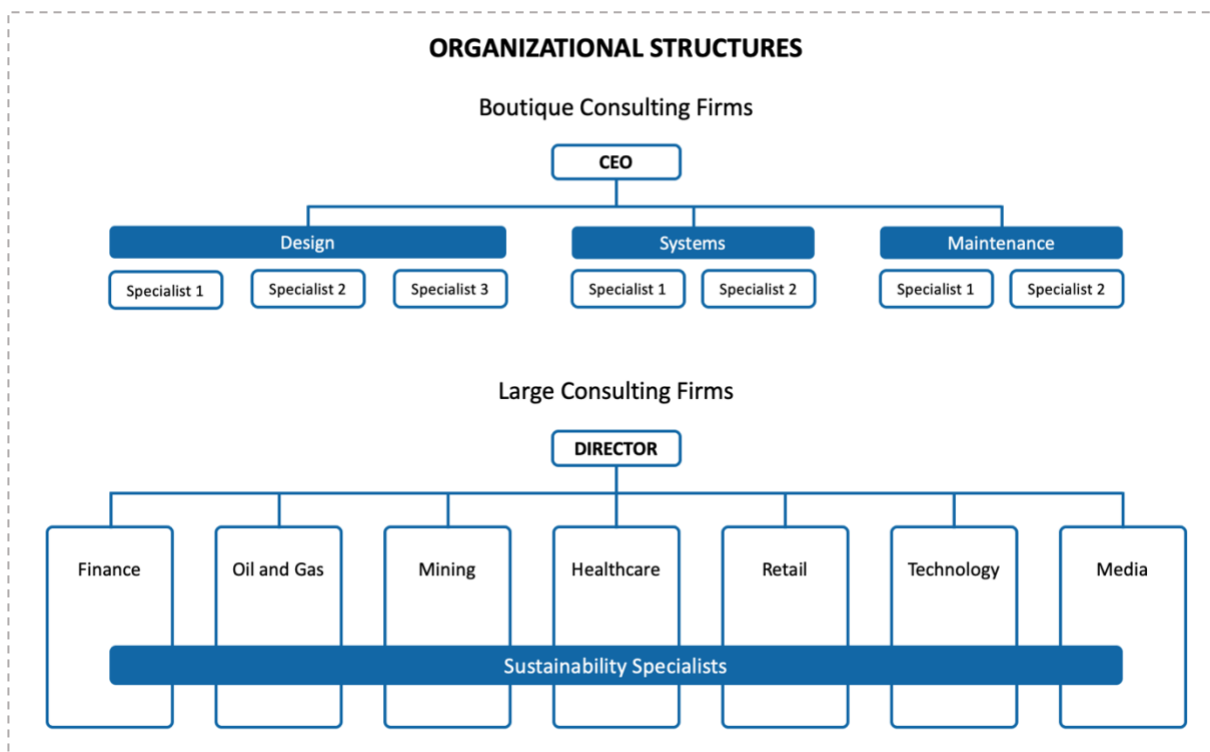
### 2.3 Organizational Structure

Firms within the environmental consulting space can broadly be categorized into two groups. The small boutique firms have a singular focus on their environmental consultancy practices. They most

commonly offer technical support; However, some firms also offer a wide range of services to their clients. On the other hand, the large consulting firms tend to be management consulting firms that were in operation prior to the revolution of the environmental consulting industry. These firms incorporated sustainability consulting under their existing offerings in order to serve a wider client base. Due to the differing nature of how these firms came to be, their organizational structure tends to differ as well.

#### **Small Boutique Firms**

Boutique firms tend to have a specialized practice insofar as their focus is largely on their core offering of environmental consulting. Further, given that these companies do not have a large number of employees, the organizational structure tends to be flat. Employees are typically distributed around key tasks that they specialize in.





### **Large Consulting Firms**

Large management consulting firms such as McKinsey & Company, Boston Consulting Group, and Bain & Company organize sustainability slightly differently into their structures.

Sustainability may be organized as a functional group that cuts across industries. Experts in the firm tend to be specialists in multiple industries such as healthcare, automotive, energy, and so on. This loosely resembles the structure of firms such as BCG and McKinsey.

Another option is to group sustainability with other key areas such as social impact and corporate social responsibility, supply chain management, and so on. Firms that upscale by acquiring smaller firms typically tend to have their services structured in this manner, owing to the specialized focus of the acquisition. Hence, firms like Deloitte may resemble this structure.

Lastly, firms may also have environmental specialists who also possess expertise in a particular industry or functional area. This structure resembles the one followed by Bain & Company, where experts tend to have one dominant specialty outside sustainability.

## **2.4 Sources of Demand**

Environmental consultancy services are primarily demanded by large corporations and governments. Smaller firms typically do not have the budget to afford these services at a large scale.

### **Corporations**

The industries that most frequently hire consultants to assist them in their environmental ambitions tend to have

large carbon footprints and are vulnerable to legal regulations. Hence, heavy industries, energy and utilities, and infrastructure and development are the major consumers of sustainable consulting services. Other significant users include financial services, telecommunications, and retail companies.

Given the increased societal awareness and more stringent governmental regulations, these companies are now compelled to become more responsible and hence display a strong demand for the services. The term 'circular economy' is gradually gaining traction and becoming more mainstream in business vocabulary.

In 2014, when the industry was still in the infancy stages, companies reported that cost-saving resource efficiency was the primary driver for sustainable business practices. Additional reasons reported were regulatory compliance and brand reputation. However, since then, the reasons for opting into environmental consultancy services has changed. Now, the top reason companies adopt a sustainable business approach is not a profit motive. Rather, these practices are adopted because the people within the organization view it as a part of their values. This might be due to an influx of the younger generation, which displays a deep concern for the environment, in more senior management positions in the company. Consequently, their innate duty towards nature also tends to permeate into organizational thinking. As more young people become part of these organizations, these trends are only expected to increase in the future.

### **Governments**

Governments are one of the largest sources of demand for environmental consultancy services. In recent years,



governments have come to realize the importance of making environmental issues a core message in their campaigns. In the United States, President Joe Biden has appointed John Kerry, former Secretary of State, as the first United States’ Special Presidential Envoy for Climate Change. Even in India, PM Narendra Modi introduced the ‘Swachh Bharat Abhiyan’ as a flagship policy to promote cleanliness and waste management across the country.

In order to formulate effective climate policies and to ensure compliance from companies, governments often rely on the expertise provided by environmental consultants. Moreover, states often undertake expensive infrastructural project such as providing renewable energy in rural areas. These projects not only require strategic planning, but also technical expertise to implement the same. Furthermore, many governments have recently started exploring the concept of smart cities, which aims to transform the quality of life in urban areas through information technology and environmental initiatives. As governments around the world make increasingly ambitious policies

for the environment, they require a commensurate level of expertise in this space, which is fulfilled by environmental consultants.

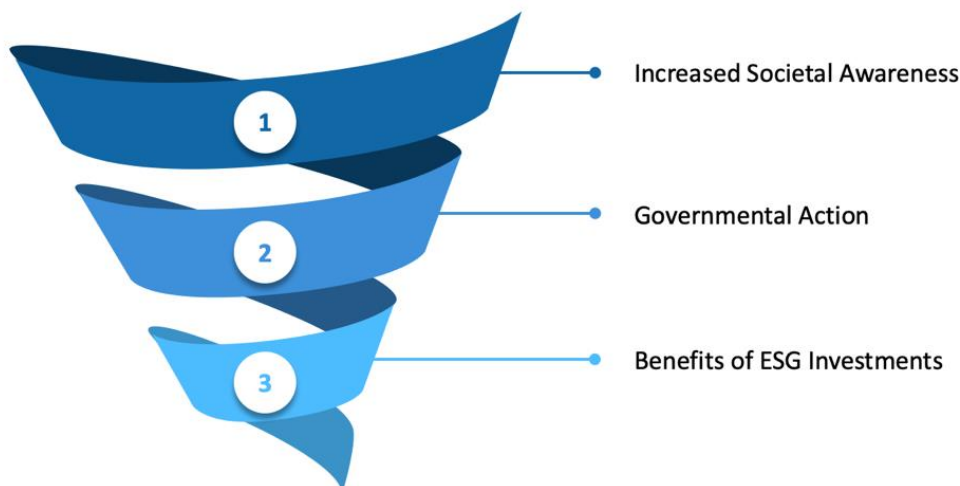
## 2.5 Key Drivers of Demand

### ***Increasing Societal Awareness***

Over the last two decades, societal awareness about sustainability and the anthropogenic impact on the environment has grown exponentially. This increased awareness has resulted in citizens around the world calling out corporations and governments for their inadequacy in dealing with environmental concerns. Driven largely by young people, these movements aim at making corporations more socially responsible and urging governments to enact more stringent policies to regulate the corporations.

This is especially significant for businesses dealing in consumer goods as the brand visibility is much higher and consumers can actively protest against the environmentally degrading practices of the companies.

## KEY DEMAND DRIVERS





### ***Governmental Action***

Governmental action can primarily be divided into two categories: regulations and government spending.

Over the last two decades, policy changes have been enacted around the world to make environmental regulations more stringent. More than 170 nations have pledged to significantly reduce plastic usage by 2030. Over 130 countries have instituted some form of regulations against plastics. Regulations on disposal and treatment of waste have also become more stringent in the last few years. These regulations have twofold implications for the demand for environmental consultancies: firstly, governments require consultants to help draft policies; secondly, with stricter regulations, corporations have had to take counsel from these consultancies to ensure compliance with regulations is met appropriately.

The second way in which governmental action can drive demand for environmental consultants is through spending on 'green' projects. As discussed, governments are increasingly trying to institute infrastructure that promotes sustainability and a circular economy.

### ***Benefits of ESG Investments***

Investments in improving ESG (Environmental, Social, and Governance) factors was traditionally viewed as an opportunity that did not yield lucrative financial returns and did little to improve the brand image. However, as more and more companies have tested various ESG strategies, they have discovered a sizable advantage that accrues to corporations when they act in a socially responsible manner.

Thousands of studies have been performed on the impact of ESG propositions on

equity returns. For the most part, these studies have confirmed the belief that ESG measures are beneficial for the companies, not just for bottom-line growth, but also to significantly boost brand image, attract loyal customers, and reduce regulatory and legal interventions. As awareness about the benefits of ESG investing becomes more prominent among corporations, they are increasingly expected to turn to environmental consulting firms to assist them in the process.



## 2.6 Environmental Consulting in India

The environmental consulting industry in India was reported to be the eighth largest in the world in 2018. Although the growth of this sector has not been very strong, future demand is expected to be very robust for the industry. Governments, companies, and citizens across the nation are increasingly becoming more environmentally aware and are taking ownership of the ecological consequences of their actions. Overall, the industry is poised to show very strong growth prospects over the next decade. Demand will be driven by both the public sector and the private sector.

The demand from the private sector is expected to grow exponentially till 2030. India's two richest men, Mukesh Ambani (who heads the oil giant Reliance Industry) and Gautam Adani (head of India's largest energy conglomerate Adani Group) are presently facing off an intense battle to become the dominant provider of solar energy in the country. Each of them has planned huge financial outlays for the next decade, proposing pouring billions of dollars in capital expenditure to provide green energy to the millions of households of India. There is still room for multiple companies to fill in the gaps that these two behemoths may fail to address, and undoubtedly, many smaller firms will attempt to gain a fractional share of the market. As companies consider exploiting the lucrative opportunity within the green energy industry, the space for environmental consultants to step in and offer their services remains strong. However, the scope is not just limited to green energy. With the entire country becoming more aware of the dangers of climate change, attractive value propositions may also be unlocked in other key areas. Hence, private sector

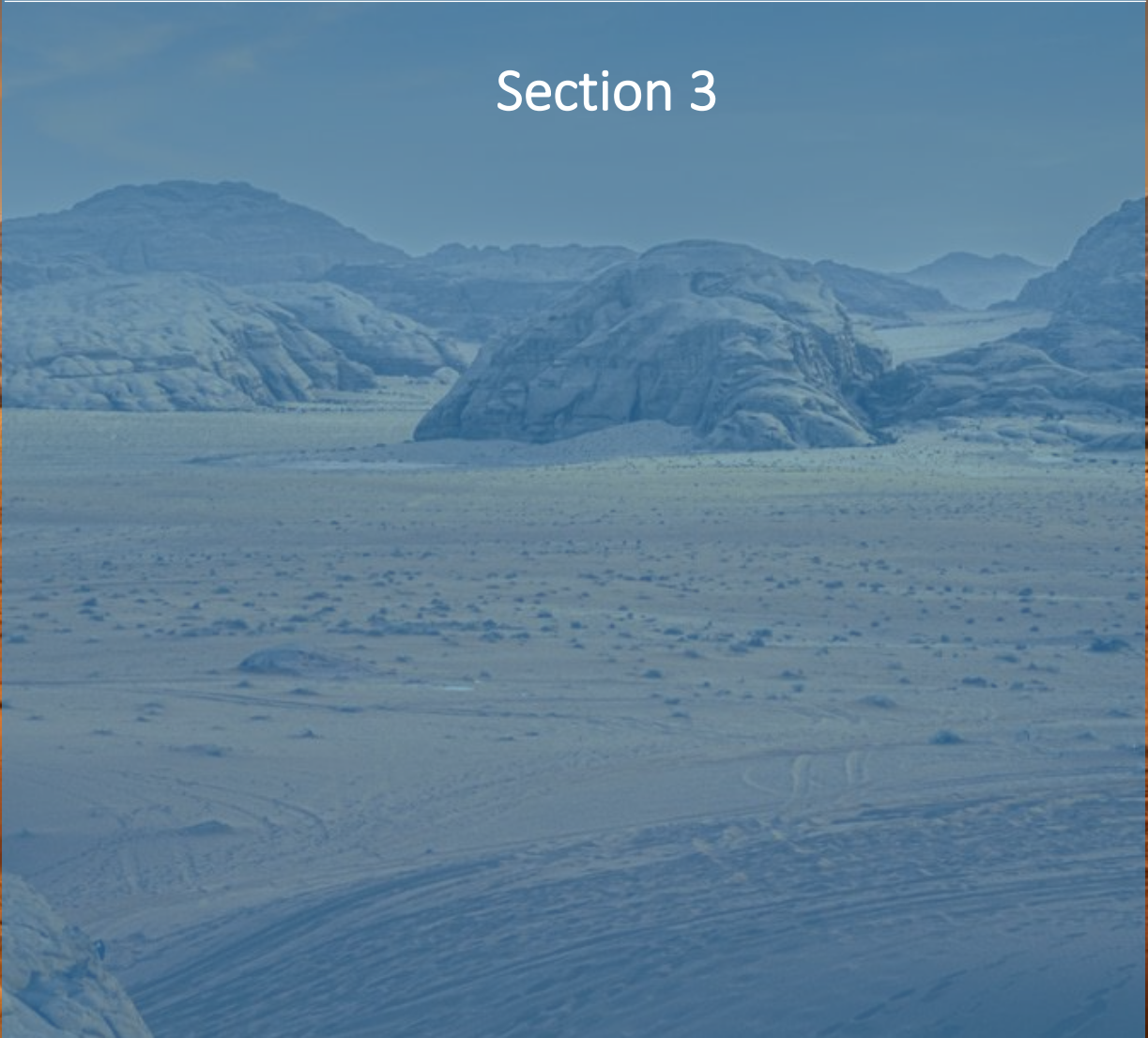
expenditure in this industry is most likely going to see robust growth for the next decade.

Political factors also pose the industry favorably, with the Modi administration's ambitious plans to ramp up green energy production four-fold to 450 GW by 2030. However, the government's efforts reach far and wide beyond just the production of green energy. As per IQAir, India accounts for 13 of the top 15 most polluted cities in the world and citizens are increasingly putting pressure on their government to provide clean breathing air in urban spaces. Calls have also been made to clean up India's water bodies, especially the Ganga, which holds religious significance for many. The government has also prioritized effective waste management practices in the past and has taken concerted efforts to tackle the issue. Hence, demand from the public sector is going to be the key driver for this industry and will most likely outpace demand from the private sector as well. Technical consultants, in particular, would be demanded highly by the governments to devise innovative and efficient ways to tackle India's mounting environmental crisis.



# Future Prospects

## Section 3





### 3.1 Impact of COVID-19

Environmental consultancy was not immune to the debilitating effects of COVID-19. Much like the rest of the world, the pandemic brought to a halt the activities within this sector. However, the impact was much more severe than that of other industries.

A major part of the work involved within environmental consulting requires field visits where the plants operated by the company and the processes followed therein are analyzed and appropriate recommendations are made. However, due to the lockdowns imposed to slow the spread of the disease and social distancing protocols, such visits became increasingly difficult. With firms looking to cut any extra expenditure out of their budgets and laying off employees, the spending on environmental consulting came to a grinding halt.

Moreover, due to the urgency imposed by the pandemic, governments around the world prioritized the need for medicines and vaccinations over environmental concerns. For instance, usage of plastics in pharmaceutical packaging continued, and rather increased as the demands for medicines grew. Further, it also brought about longer-term changes for the future of the industry. Governments that were focusing on spending on protecting the environment now shifted funds to healthcare and getting their economies back on track. Many governments announced postponements of projects and policies that had an environmentally friendly focus.

While these factors do not severely hamper the longer-term view of the industry, it must be taken into

consideration that the pandemic has largely slowed the growth of this sector.

### 3.2 Growth Prospects

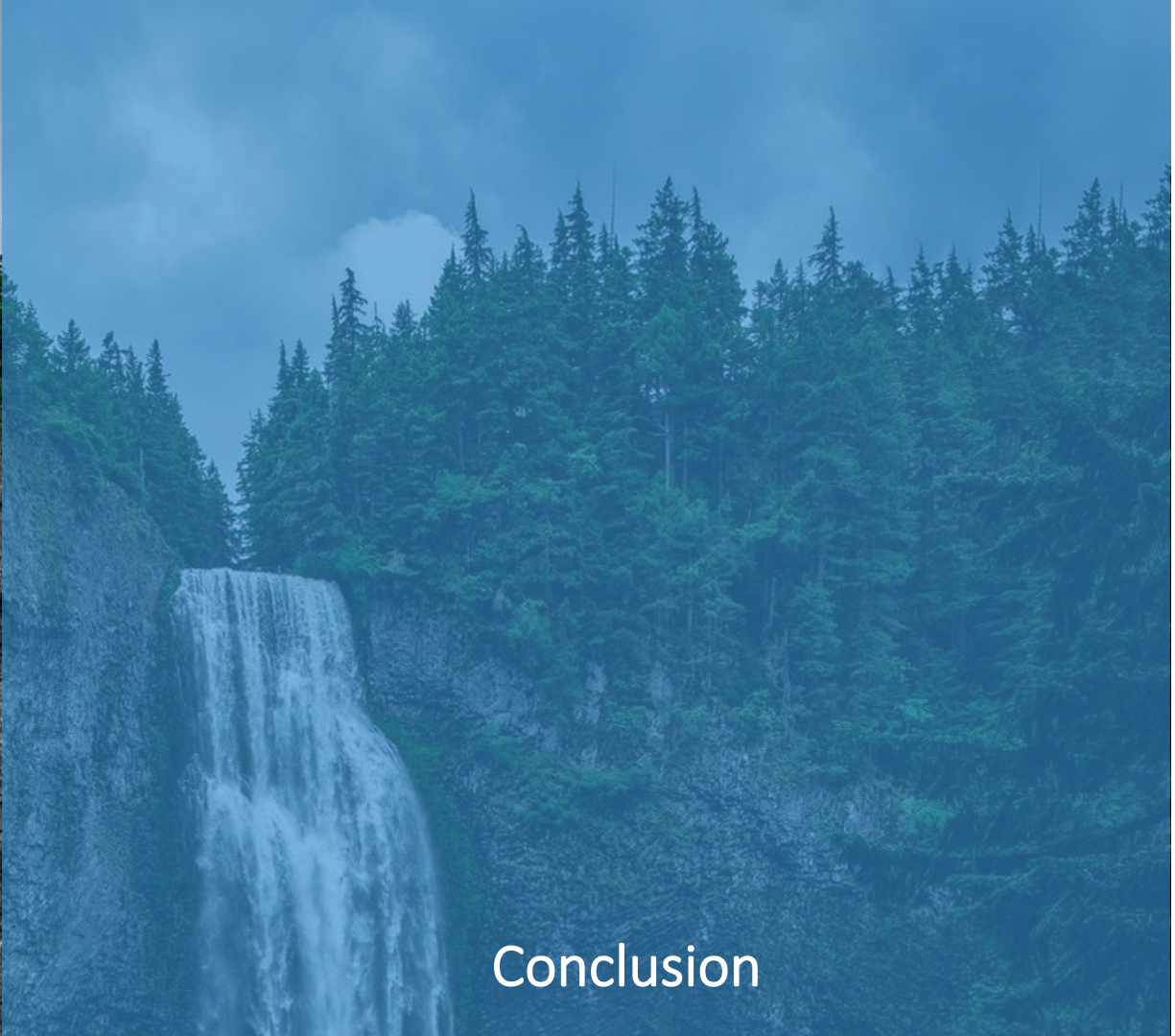
The future of the industry has an overall positive outlook. The current youth population has been aware of the detrimental effects of climate change since a young age and understand its importance as a generation-defining threat. The youth is also more likely to embody the values of environmental responsibility in their organizations. As the new generation takes place in the upper management positions in the corporations, they are more likely to take steps to promote a circular business model. Consequently, this will boost demand for environmental consultants who will help facilitate this process. Hence, the future growth prospects for environmental consulting from a demand perspective look favorable.

However, it is not just demand from corporations that is expected to witness an increase in the coming years. Governments, which have been the largest drivers of demand, will most likely increase their expenditure as well. One of the major sources of demand for environmental consultancy in the future will be from the development of smart cities. In September 2020, the European Union announced its target to reach 100 climate-neutral cities by 2030. In addition, they also plan to make all of EU climate-neutral by 2050. Plans of such a grand scale are a surefire avenue for environmental consultants to harvest huge revenues from the governments.

Outside of the developed markets, there is an emerging market for environmental consultancies in the wealthy oil-based

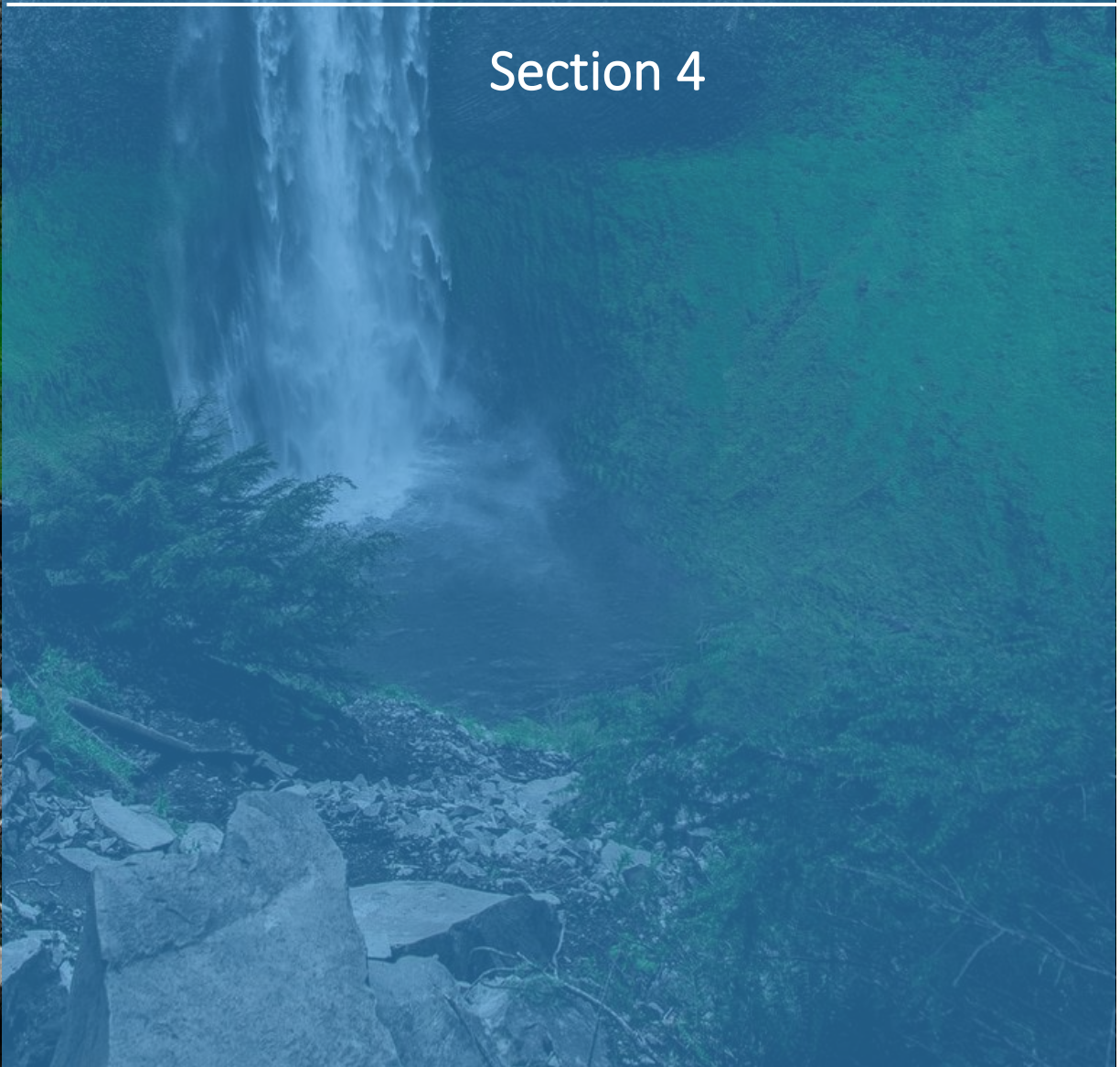
economies in the Gulf region. Countries like Saudi Arabia, which have been heavily dependent upon fossil fuels for their economic growth are now making concerted efforts to move away from oil. This is partially due to mounting international pressure from bodies like the UN which want these nations to take a more proactive approach towards sustainable development. The population, too, is increasingly becoming aware of the debilitating effects of climate change and is gradually adopting sustainable lifestyles. As the governments and citizens in these regions become more climate-conscious, it makes room for environmental consultants to step in and service both private and public sector players.





Conclusion

Section 4





## 4 Conclusion

Environmental consulting has gained traction in the business world, especially over the last decade. Although this growth has not been rapid, it is expected that these trends will speed up in the years leading up to 2030 as the Paris Climate Agreement's goals as well as the UN SDGs reach their conclusion and environmental issues become an ever-important global issue. With increased sensitization of the people towards the environment, the world is more likely to see an increasing number of companies taking the charge to go green. In this process, it is the environmental consultants who would have to ensure the appropriate capacity building within these organizations to undertake the mammoth task of upending supply chains and instituting circularity in business models.

COVID-19 has severely restricted the growth of the environmental consulting industry in the short-term as on-site visits came to a halt due to lockdowns around the world. In addition, environmental concerns have taken a backseat as governments devise strategies to fight back from the pandemic and resume normalcy in the shortest time period possible. As a result, the long-term shift towards sustainability has been delayed by a few years. Subsequently, this leads to a bleak future for the industry in the near-term. However, the industry trends still remain robust from a longer-term perspective.

Spending from public sector initiatives has grown in the last few years and has been the frontrunner in boosting the demand for environmental consultancy services. With ambitious goals undertaken by governments across the world, environmental consultants who possess an expertise in public policy and technical support stand to benefit the most. There

are strong public spending outlays in the pipeline for infrastructural projects and additional regulations that would require consultation from experts. Hence, the role of consultants in the public sector space will remain a dominant force.

While the growth in India for environmental consultancies has been relatively slower compared to more developed economies, there is a strong future for the market. With the private and public sector players both eager to upgrade to greener technologies, the market will see an increase in spending in the coming years.

With strong growth prospects, consultancies in this space would be better off entering into partnerships with other firms or developing in-house capabilities to provide specialized technical support and public policy advisory services. Doing so would position these firms favorably given the future of the industry. The need for sustainability consultants will continue to remain important so long as environmental concerns are a key issue for humans.





The Strategy  
Boutique  
*Honest Consulting*



EMERALD  
GROUP  
*— Strategy. Reimagined —*

The Strategy Boutique  
2nd Floor - First India Place, Sushant  
Lok-I, Phase 1, Block-B, MG Road,  
Gurgaon – 122002, India  
(+91) 98 1000 8760  
[www.thestrategyboutique.com](http://www.thestrategyboutique.com)

Emerald Group  
08-129 We Work, 8th floor, The  
Offices 4, One Central Dubai World  
Trade Center, Dubai, UAE  
(+971) 58 628 9889  
[www.emerald-mg.com](http://www.emerald-mg.com)

