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अध्यक्ष एवं प्रबन्ध निदेशक
Chairman & Managing Director

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Oil and Natural Gas Corporation Ltd.

Chairman, ONGC Group of Companies



विक्रेता श्रृंखला की समृद्धि के लिए ओएनजीसी की निगमित नीति

ओएनजीसी कार्बन तटस्थता के अपने संकल्प के अनुसार जलवायु परिवर्तन को कम करने के लिए निम्न कार्बन फुटप्रिंट के मार्ग को तलाश करने व बढ़ावा देने के लिए प्रतिबद्ध है। न केवल ओएनजीसी के भीतर, बल्कि विक्रेता श्रृंखला (व्यापारिक भागीदार) तक अपने सभी पणधारियों (स्टेकहोल्डरों) के बीच भी। इसको लागू करने के लिये ओएनजीसी द्वारा उन उत्पादों/सेवाओं को यथासमय वरीयता दी जाएगी जो पर्यावरण के अनुकूल और ऊर्जा सक्षम हों, जिनके कारण उत्सर्जन कम हो तथा प्राकृतिक संसाधनों का संरक्षण हो।

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ONGC CORPORATE POLICY OF GREENING THE VENDOR CHAIN

Pursuant to its vision of Carbon Neutrality and contributing effectively to its mitigation of Climate Change, ONGC commits itself to seek and promote all efforts to embark upon a path of low carbon footprint not only within ONGC but also among its stakeholders down the Vendors' chain (business partners). To this effect ONGC would consider giving preference, in course of time, to products /services that are eco-friendly, energy efficient that lead to reduced emissions and conservation of natural resources.



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Background Note: “Greening the vendor chain”

1. Background:

Sustainable development and accordingly sustainability, is considered the 21st century business paradigm. Sustainable development stands on the three pillars of economic, environmental and social development. The concept of sustainability addresses all operational aspects of an organization, i.e. all operations across the activity chain/value chain, which impact the business in either one or all the three dimensions.

Carbon impact is not limited within the boundaries of owned operations but in the total activity and value chain, - vendors and consumers. Utilizing life cycle assessment approach can be a useful way to understand the full impacts across the activity/ value chain. On knowing, where the main impacts are, organisation can influence that part of the value chain by working with relevant vendors or consumers for promoting its quest for sustainable development.

ONGC's new corporate vision emphasizes the organizational growth through sustainable development, in keeping with the organizational mission of attaining carbon neutrality. Accordingly, ONGC will need to have a holistic organizational practice to reduce carbon footprint. This is a background note of the way to engage our vendors towards our object of sustainable development.

Definition: “Greening the Vendor Chain” refers to buyer or recipient companies requiring a certain level of environmental responsibility in core business practices of the suppliers and vendors providing materials / services.

This will essentially mean the practices and processes in partnering with, or influencing the suppliers and contractors to reduce their carbon foot print.

Many businesses have internal standards, policies, and/or environmental management systems that govern their own environmental performance and efficiency. If the vendors, service providers and contractors do not abide by these standards, the buyer company may opt buying and using alternate products which support to meet and promote their own standards and efforts in this noble approach.

2. Current Practices (National and International):

Environmental factors continue to assume ever-greater importance in oil and gas activities around the world. All the major oil and gas companies report publicly on their stewardship of the environment and actively monitor against their own performance targets, or those imposed through national and/or international legislation and regulation. Consequently, there are knock-on effects throughout the vendor chain, whereby suppliers and sub-contractors to the larger 'client' companies are also expected to address the shared environmental issues. E.g. Scotland oil and Gas companies.

The high level of environmental responsibility adopted means that most large oil and gas companies place a strict requirement on the vendor chain to improve their environmental performance. The large client companies must be seen to be contracting with environmentally responsible suppliers. It is a common pre-requisite for suppliers to ensure that their environmental credentials are transparent and that their company complies with pre-set standards when competing for contracts. Clearly therefore, the vendor chain is exposed to increased scrutiny and is expected to meet the requirements of their clients. E.g. Recent incident of Deepwater Horizon drilling rig belongs to Transocean, the world's biggest offshore drilling contractor, which created a mess in the Gulf of Mexico and parties involved are still struggling to fix the problem.

The companies in the oil and gas industry have increased their competitiveness by engaging in environmental performance- enhancing activities such as

- Reducing the obsolescence and waste of maintenance, repair and operating (MRO) materials through enhanced sourcing and inventory management practices.
- Substantially decreasing the costs associated with scrap and material losses.
- Lowering the material handling and other extra expenses associated with hazardous materials.
- Increasing revenues by converting wastes to environment friendly by-products, wherever feasible.
- Reducing the use of hazardous materials and with adequate training to handle them through MSDS.

- Optimizing the use and reducing wastage of solvents, paints, and other chemicals through chemical service partnerships for treatment before disposal.
- Recovering valuable materials and assets through efficient product take back programs wherever practicable.
- Introducing environmental accounting techniques to substantially impact Vendors' chain.

3. Leading Steps by ONGC

As far as ONGC is concerned, a lot of work has been done to reduce ONGC's carbon footprints. Carbon Management Group takes the lead for these initiatives. As the planet heats up, so do regulatory mandates to reduce greenhouse gas emissions worldwide. India is not yet under a binding commitment but has committed under a voluntary route. ONGC as an upstream major has shown leadership in this field by taking a structured approach by creating a corporate level Carbon Management Group and also formulating its Policy on "Climate Change and Sustainable Development".

ONGC has already adopted enterprise resource planning (ERP) systems to develop more efficient, responsive procurement and contracting processes.

Corporate Materials Management of ONGC also has taken few steps to incorporate "Green" into our existing sourcing and procurement processes. Few of the steps taken by Corporate MM to become environment friendly and reduce carbon are:

1. Processing of Tenders through e-procurement:

This process has helped in reducing ONGC carbon footprints in a big way. This has not only saved usage of paper a lot but also reduction on CO₂ emissions because of elimination of avoidable commutation activities of the bidders to ONGC office for participation.

2. Circulation of Internal circulars / communication electronically:

Policy Monitoring Cell (PMC) issues, on an average, 35-40 circular annually. Their mailing list is about 150 nos. Earlier these circulars were used to be couriered all over India in "hard form". But now Corporate MM has completely dispensed with hard copies of

these circulars. The PMC uploads these circulars on the website and received by the recipients in “soft form”. This has led to huge saving on the usage of paper as well as courier.

Of late, ONGC has adopted a “corporate policy of greening the vendor chain” which reads as follows:

“Pursuant to its vision of Carbon Neutrality and contributing effectively to its mitigation of climate change, ONGC commits itself to seek and promote all efforts to embark upon a path of low carbon footprint not only within ONGC but also among its stakeholders down the vendor’s chain (business partners). To this effect, ONGC would consider giving preference, in course of time, to products/services that are eco-friendly, energy-efficient that lead to reduced emissions and conservation of natural sources.”

4. Objective:

The aim of Greening the vendor chain is to improve the environmental performance of contractors and suppliers to the oil and gas industry, through minimizing waste, increasing resource efficiency, improving legislative compliance, reducing costs; and thus eventually helping us to operate more sustainably.

The key objectives of Greening the Vendor's Chain are outlined below:

- To understand the key environmental issues faced by integrated E&P companies in the oil and gas sector.
- To understand the ‘factors’ affecting competitiveness amongst contractors to the oil and gas sector considering life cycle cost.
- To provide advice and assistance to suppliers and contractors to the oil and gas industry in improving their environmental performance and increasing their competitiveness.
- To shortlist vendors and develop Action Plans that will ease the transition from identified potential savings through life cycle cost to estimate realization of actual savings (environmental, materials and financial).
- To raise awareness of the benefits achieved through greening the Vendor's chain, to other oil and gas companies.

By incorporating carbon reduction into the overall strategy, ONGC can help reduce its environmental emissions footprint, strengthen its brand image, develop competitive advantage and maintain again its top notch leadership position among the PSUs.

5. Action plan:

Phase I:

- a. ONGC's "Policy on Climate Change and sustainability" and "Policy on Greening the Vendor Chain" be displayed on tender web site (w.e.f. 01.04.2010 to 30.09.2010).
- b. ONGC's "Policy on Greening the Vendor Chain" to be circulated to all vendors (During the period 01.04.2010 – 30.09.2010).
- c. ONGC's "Policy on Climate change and sustainability" should be part of instruction to bidders. (For a period of next six months – 01.10.2010 to 31.03.2011).
- d. Bidder to simply confirm that he has read the "Policy on Climate change & sustainability" and "Policy on Greening the Vendor Chain" of ONGC (For a period of six months 30.09.2010 – 31.03.2011) and are working upon, to develop their policy as well.