

Cabinet approves Scheme for Promotion of Surface Coal/Lignite Gasification Projects with a financial outlay of Rs.37,500 crore

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The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has approved a Scheme for Promotion of Surface Coal/Lignite Gasification Projects with a financial outlay of Rs.37,500 crore.

The Scheme marks a major step towards accelerating India's coal/lignite gasification programme, advancing the national target of gasifying 100 Million Tonnes (MT) of coal by 2030, strengthening energy security, and reducing dependence on imports of key products such as LNG (more than 50% imported), urea (~20% imported), ammonia (~100% imported), and methanol (~80–90% imported).

In a significant accompanying reform, the Government has also extended coal linkage tenure up to 30 years under the "Production of Syngas leading to Coal Gasification" sub-sector in the Non-Regulated Sector (NRS) linkage auction framework, providing long-term policy certainty for investment in coal gasification projects.

Salient Features of the Scheme:

- Total financial outlay of Rs.37,500 crore to incentivize new surface coal/lignite gasification projects for production of syngas and its downstream products, targeting gasification of approximately 75 Million Tonne of coal/lignite.
- Financial incentive provided at a maximum of 20% of the cost of Plant and Machinery.
- Selection through a transparent and competitive bidding process, with an evaluation framework benchmarking project cost, coal input, and syngas output.
- Incentive disbursed in four equal instalments, linked to project milestones.
- Financial incentive for any single project capped at **Rs.5,000 crore**; for any single product (except Synthetic Natural Gas and Urea) capped at **Rs.9,000 crore**; and any single entity group capped at **Rs.12,000 crore** across all projects.
- Incentive under this Scheme is in addition to, and does not restrict access to, incentives under the commercial coal mining regime or schemes of other Central/State Government ministries.
- The Scheme is technology-agnostic; adoption of indigenous technologies is encouraged.

Strategic and Economic Benefits:

- **Expected Investment Mobilisation:** Rs.2.5- 3.0 lakh crore
- **Energy Security & Import Substitution:** Diversified use of coal resources and substitutes imports of LNG, urea, ammonia, ammonium nitrate, methanol, and coking coal, insulating India from global price volatility and geopolitical supply-chain disruptions and advancing the Atmanirbhar Bharat and Make in India objectives.

- **Employment Generation:** The Scheme is projected to create around 50,000 (Direct + Indirect) jobs across 25 projects in coal-bearing regions.
- **Revenue to Governments:** Coal/lignite utilization is expected to generate Rs.6,300 crore annually from 75 Million Tonne of gasification envisaged under the Scheme, plus downstream revenue from GST and other levies.
- **Technology Ecosystem:** Strengthens India's domestic surface coal gasification capability by advancing indigenous technologies and minimising reliance on foreign EPC contractors.

Background:

India holds one of the world's largest coal reserves (~401 billion tonnes) and lignite reserves (~47 billion tonnes). Coal accounts for over 55% of the country's energy mix. Gasification converts coal/lignite into 'synthesis gas' (syngas), a versatile feedstock for producing fuels and chemicals domestically, enabling India to substitute high-value imports and insulate itself from global supply disruptions and price volatility.

India's import bill for key substitutable products LNG, urea, ammonium nitrate, ammonia, coking coal, methanol, DME and others stood at approximately Rs.2.77 lakh crore in FY2025, a vulnerability further exposed by the ongoing geopolitical situation in West Asia.

Building on the National Coal Gasification Mission (2021) and a Rs.8,500 crore scheme approved in January 2024 (under which 8 projects worth Rs.6,233 crore are under implementation), the new Scheme builds on this momentum with significantly enhanced support.

MJPS

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