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Business Standard

Cabinet clears ₹37.5K crore coal gasification scheme

Gasification is being viewed as one such route that could enable coal to serve such purposes. The government said the scheme would generate around 50,000 direct and indirect jobs, particularly in coal-bearing regions. It also estimated annual revenues of around ₹6,300 crore from coal and lignite utilisation. That excludes additional downstream revenues from goods and services tax and other levies.

The government is increasingly positioning coal gasification not merely as a coal-sector initiative but as a broader industrial and energy-security strategy aimed at reducing import dependence, insulating India from volatility in

global prices and creating domestic manufacturing capacity in chemicals and downstream industries.

Additionally, the government has extended the coal-linkage tenure to as long as 30 years under the “Production of Syngas leading to Coal Gasification” sub-sector within the non-regulated sector linkage auction framework.

Under the scheme, financial incentives will be provided at up to 20 per cent of the cost of plant and machinery for eligible projects.

However, incentives for a single project will be capped at ₹5,000 crore while those for any single-entity group across projects will be a maximum of

₹12,000 crore.

The incentive for any single-product category except synthetic natural gas and urea has been capped at ₹9,000 crore.

The government said project selection would be carried out through a transparent competitive bidding process based on benchmarking the project cost, coal input, and syngas output. The incentive will be disbursed in four equal instalments linked to project milestones.

Importantly, the scheme has been designed as technology-agnostic although the government said adopting indigenous technologies would be encouraged.

In January 2024, the government had approved a ₹8,500 crore coal-gasification support scheme, under which eight projects worth ₹6,233 crore are now under implementation.

The latest scheme represents a more than fourfold increase in financial support. India’s coal reserves, at around 401 billion tonnes, are among the largest in the world.

Its lignite reserves are approximately 47 billion tonnes. Coal accounts for more than 55 per cent of India’s energy mix. The scheme forms part of the broader National Coal Gasification Mission, which was launched in 2021.

Commenting on the devel-

opment, Balasaheb Darade, founder and managing director, New Era Cleantech, a large coal-gasification firm, said the scheme would create the policy confidence needed to unlock large-scale investment, improve project bankability, and accelerate execution across the coal-gasification value chain.

“If implemented at scale, the sector has the potential to enable nearly ₹1.5 trillion in annual forex savings across energy, fertilisers, chemicals and industrial products, while strengthening long-term energy security, industrial competitiveness and manufacturing resilience,” he said.

Atanu Mukherjee, chief executive officer, Dastur Energy, which is another coal-gasification industry leader, said the scheme was a step in taking India’s energy strategy to long-term structural transformation. “The success of this programme will depend on execution discipline. The right gasification technology must be matched to the right coal. Indian coal is high-ash and has very different characteristics. Therefore, technology selection, coal chemistry, project scale, downstream integration, financing structure and carbon management will determine whether these projects become commercially bankable.”

