

# Coal Ministry considering Comprehensive Scheme to promote Coal Gasification Projects with an outlay of Rs. 6000 Crore

## Focus on 100 Million Tonne Coal Gasification by 2030

### GST Compensation Cess Reimbursement under consideration for Gasification Projects

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The Ministry of Coal has set a target to achieve coal gasification of 100 Million Tonne (MT) coal by FY 2030 reflecting the government's commitment to harnessing the power of coal gasification. With the introduction of this ambitious proposal, Coal Ministry aims to propel the nation's progress. The proposal incorporates a comprehensive set of measures that capitalize on natural resources and demonstrate financial and technical feasibility of coal gasification. This initiative is set to meet the future energy needs of the country while stimulating other sectors.

The adoption of gasification technology in India will revolutionize the coal sector, reducing reliance on imports of Natural Gas, Methanol, Ammonia and other essential product. Currently, India imports approximately 50% of its Natural Gas, over 90% of its total Methanol consumption and around 13-15% of its total ammonia consumption to cater to the domestic demand. It will contribute to India's vision of becoming Aatmanirbhar and create a surge in employment opportunities. The implementation of coal gasification is expected to make significant contributions to the nation's development by reducing imports by 2030. This initiative holds the potential to alleviate the environmental burden by reducing carbon emissions and fostering sustainable practices, contributing to our global commitments towards a greener future.

The Ministry is taking innovative measures to accelerate the development of coal gasification projects. In line with this objective, the Ministry is considering a comprehensive scheme to promote Coal/Lignite gasification projects for both Government Public Sector Undertakings (PSUs) and the Private Sector with an outlay of Rs 6,000 crores.

The selection of entities for coal/lignite gasification scheme will be carried out through a competitive and transparent bidding process. Furthermore, government is considering providing budgetary support to eligible Government PSUs, and Private sector enabling them to undertake coal gasification projects. In first segment, the government will provide support to Government PSUs. The second segment encompasses both the Private Sector and Government PSUs, with a budget allocation granted to each project. The selection of at least one project under this segment will be determined through a tariff-based bidding process, with criteria formulated in consultation with NITI Aayog. Lastly, the third segment involves the provision of budgetary support for demonstration projects utilizing indigenous technology and/or small-scale product-based gasification plants.

In addition to the aforementioned scheme, the Ministry is also considering an incentive to reimburse the Goods and Services Tax (GST) compensation cess on coal utilized in gasification projects for a period of 10

years after the commercial operational date (COD), provided that the GST compensation cess is extended beyond FY27. This incentive aims to offset the inability of entities to claim input tax credit for the same.

Furthermore, the Ministry highlights collaborative efforts in advancing Surface Coal Gasification (SCG) projects across Coal India Limited (CIL) coalfields. In October 2022, strategic bilateral agreements were executed, including a Memorandum of Understanding (MoU) between BHEL & CIL, as well as an MoU between IOCL, GAIL & CIL. These collaborations aim to foster cooperation and expertise in driving the implementation of SCG projects.

The CIL Board has accepted the pre-feasibility reports for three projects which includes ECL, MCL and WCL and has approved the initiation of pre-project activities, such as topography survey, soil investigation and water availability studies. Tendering activities are also being undertaken to arrive at firm prices required for the preparation of a Detailed Feasibility Report (DFR) for the respective projects. The CIL Board has also given 'in-principle' approval for the formation of Joint Ventures as envisaged above. Currently, negotiation and finalization of the Joint Venture agreement are in progress.

The Ministry of Coal remains committed to promoting coal gasification projects, which hold immense potential for transforming coal into various valuable products. The proposed scheme and incentives are designed to attract Government PSUs and the Private Sector, fostering innovation, investment, and sustainable development in the coal gasification sector.

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