



कोयला मंत्रालय
MINISTRY OF
COAL

SCHEME FOR PROMOTING COAL/LIGNITE GASIFICATION PROJECTS

February 2024

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Background

Cabinet approved **Financial Assistance Scheme** of Rs. 8,500 Crore to Coal/Lignite Gasification Projects for PSUs/ Private Sector on 24.01.2024 towards:

- ❑ Demonstration of financial and technical viability of gasification projects more widely,
- ❑ Accelerate markets for downstream products, and
- ❑ Create additional value chain in the economy for coal

▪ Aim

Contribute towards country's growth in terms of **domestic product development** and **import substitution** for products like Methanol, SNG, methanol, ethanol, DME, Ammonia/Ammonium Nitrate etc.

▪ Goal

Promote **diversified & cleaner use of coal** thereby moving towards '**Atmanirbhar Bharat**' and ensure sustainability in coal sector

Major GoI Initiatives

- MOC constitutes **Task Force and Expert Committee** to Prepare Road Map for Coal based Hydrogen Production
- **Incentive for coal gasification/liquefaction enhanced** from 20% to 50% of revenue share.

- **Scheme for Promotion of Coal/Lignite Gasification** was approved by the Cabinet

2021

- MoC announces **incentives for gasification/liquefaction** for commercial block auctions.
- Steering committee formed under NITI Aayog to look into coal gasification.
- **National Coal Gasification Mission** launched for achieving 100 million tons (MT) coal gasification by 2030

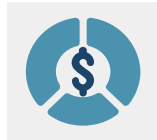
2022

2023

- **New sub-sector created by CIL** i.e. “Production of syn-gas leading to coal gasification” to promote coal gasification

2024

Key Contours of the Scheme...(1/2)



Financial assistance for coal gasification projects:

- ❑ Aggregate Outlay : Rs. 8,500 Crore
- ❑ Categories : Three (03)



Category I : For Government PSUs or JV of PSUs

- Outlay : Rs. 4050 Crores
- Number of Projects : Upto Three (03)
- Grant per project : Rs. 1350 Crores or 15% of Capex, whichever is lower



Category II : For Private Sector & Government PSUs

- Outlay : Rs. 3850 Crores
- Grant per project : Rs. 1000 Crores or 15% of Capex, whichever is lower

At least one project to be bid out on tariff-based bidding; criteria designed in consultation with NITI Aayog



Category III : For Demonstration Projects and/or Small-scale product-based Plants

- Outlay : Rs. 600 Crores
- Number of Projects : Six (06)
- Grant per project : Rs. 100 Crores or 15% of Capex, whichever is lower

Key Contours of the Scheme...(2/2)



❑ Selection Process

- a. **Category I** : **Through open and transparent mechanism**
- b. **Category II and III** : **Through a competitive and transparent bidding process**

Incentives offered to entities that have allocated new/fresh investment in the gasification plant. Investments made before the approval of the scheme shall not be considered.



- ❑ The Grant will be in the form of **reimbursement of actual capital expenditure** incurred towards plant & machinery,
- ❑ Payment to the selected entity in **two equal instalments.**
 - **1st instalment:** After **disbursal of loan** by the Bank/FI and **30% equity contribution** of the project
 - **2nd instalment:** After achieving **minimum 50%** of the production capacity and one year of continued production of the product

Eligibility Criteria



General Criteria

- Company should:
 - be incorporated in India
 - not be banned or blacklisted by Ministry of Coal/GoI for any reason
 - not be declared as NPA as per RBI guidelines
 - not have any insolvency proceedings admitted against the applicant in NCLT, etc.
 - comply with all Applicable Laws as stated in the RFP
 - Bidder may be a single entity or a JV or Consortium



SPV & Consortium Requirements

- Bidder may be a single entity or JVs/Consortium not exceeding 3 in members
- Lead members of the Consortium shall have an equity share holding of at least 51% of the paid up and subscribed equity of the SPV
- In case Bidder is a consortium, the Bidder shall form SPV prior to execution of the Project Agreement
- JV should be incorporated prior to the execution of Agreement

Eligibility Criteria



Experience Criteria

| Category 1 | Category 2 | Category 3 |
|--|---|--|
| Manufacturing plant of minimum output of 0.4 MTPA of single downstream product through coal gasification | Manufacturing plant of minimum output of 0.4 MTPA of either single downstream product or a combination of downstream products | <p><u>For demonstration projects</u></p> <ul style="list-style-type: none"> • At least one pilot plant with proven technology • Minimum Capex of Rs. 100 Crore <p><u>For small scale projects</u></p> <ul style="list-style-type: none"> • In addition to the above criteria, project to have minimum production of 1500 Nm³/hr Syn gas • Must have 1 plant with similar technology in commercial operations |



Financial Criteria

- Bidder should have minimum Net worth of at least 30% of total investment during preceding 3 FYs.
- In case of JV/Consortium, the same shall be considered for JV/Consortium members in proportion to their shareholding pattern/equity contribution in the JV/Consortium.

Bidding Process

Pre-Bidding Activities

1

- RFP will be published on online portal
- Two-stage Bidding Process i.e., (i) Technical, (ii) Financial, will be adopted
- Bidder registration on online portal
- Pre-bid conference and responses to queries received shall be published

Bid Submission

2

- Technical bid to be submitted within 90 days from issuance of Final RFP for all 3 categories
- Proposal inter-alia shall include documents as requested in RFP ([indicative list](#))

Technical Bid Evaluation

3

- Evaluation of Technical bids to ascertain eligibility criteria and compliance with Scheme contours
- Verification of documents and clarifications to be sought, if any
- Identification and declaration of Technically Qualified Bidders (TQB) based on PFR

Financial Bid Evaluation

4

- Financial Bids of TQBs shall be evaluated to ascertain viability gap requirement
- Bids shall be sorted in descending order basis the “Bid Score” to fund viability gap requirement (bucket-filling mechanism)

Execution of Agreement

5

- Declaration of selected Proposal(s)
- Execution of Agreements with selected Project Proponent(s)

Selection Criteria...(1/3)

Category I (For Govt. PSUs and JV of PSUs)

- ❑ Only one project for one final product i.e., 1st derivative product, as far as possible.

Bidding Parameters

- ❑ Maximum weights in the ratio of **50% for Technical Score** and **40% for Financial Score, 10% for Sustainability Score** sought.
- ❑ Calculation of Bid Score by following formula:
 - ❖ **Technical Score:** (Proposed plant capacity by the bidder/Highest plant capacity received among all bidders at the end of the bidding process)*50%
 - ❖ **Financial Score:** (Lowest of viability amount as a percentage of investment among all bidders/Proposed viability amount sought by the bidder as a percentage of proposed investment)*40%
 - ❖ **Sustainability Score:** Implementation of CCUS technology or zero CO2 emission in the project - 10% (ten percent)

Selection Criteria...(2/3)

Category II (For Private Sector as well as Govt. PSUs)

- ❑ Selection of Private Company as well as Govt. PSUs on the basis of transparent **bidding process**.

Bidding Parameters

- ❑ Maximum weights in the ratio of **50% for plant capacity, 40% for viability amount** sought and **10% for sustainability score**.
- ❑ Calculation of Bid Score by following formula:
 - ❖ **Plant capacity weightage**: (Proposed plant capacity by the bidder/Highest plant capacity received among all bidders at the end of the bidding process)*50%
 - ❖ **Viability amount sought**: (Lowest viability amount received among all bidders at the end of the bidding process/Proposed viability amount sought by the bidder)*40%
 - ❖ **Sustainability Score**: Implementation of CCUS technology or zero CO2 emission in the project - 10% (ten percent)

Selection Criteria...(3/3)

Category III (For demonstration Projects and/or Small-scale product-based Plants)

- ❑ Selection of Private Company as well as Govt. PSUs on the basis of transparent **bidding process**.

Bidding Parameters

- ❑ Maximum weights in the ratio of **35% for plant capacity, 35% for investment** and **30% for viability amount** sought.
- ❑ Calculation of Bid Score by following formula:
 - ❖ **Plant capacity weightage**: (Proposed plant capacity by the bidder/Highest plant capacity received among all bidders at the end of the bidding process)*35%
 - ❖ **Investment weightage**: (Proposed investment by the bidder/Highest proposed investment among all bidders at the end of the bidding process)*35%
 - ❖ **Viability amount sought**: (Lowest viability amount received among all bidders at the end of the bidding process/Proposed viability amount sought by the bidder)*30%

Evaluation of Bids

Bid Score

- ❑ Bidder having the highest Bid Score with the same end-products shall be declared as the **Selected Bidder**.
- ❑ Only one Bid for one final product i.e., 1st derivative product, to ensure competition
- ❑ If two or more Bidders obtain the same Bid Score (**Tie Bidders**), the Selected Bidder shall be identified in the following order of preference:
 1. Bidder quoting highest plant capacity;
 2. Bidder quoting the lowest viability amount;
 3. Project in the advanced stage as on Bid Due Date;
 4. Draw of lots, conducted by Authority, with prior notice, in the presence of the Tie Bidders.

Broad Terms & Conditions

Change in Control/Ownership

- Lock-in period until disbursal of 2nd instalment of funds under the Scheme (*not less than 51% of the subscribed and paid-up equity*)
- Change in control, ownership or management permitted post disbursal of 2nd instalment, with prior approval of the Authority
- Any Consortium/SPV shall have the option to transfer the Project within the Group or Parent Company, ensuring that the Ultimate Beneficial Ownership (**UBO**) remains unchanged

Security Provisions

- Developer may create security by way of assignment of its rights under the Project Agreement for the purposes of financing from a Bank/FIs
- Lender shall be entitled to seek a substitution of the Selected Bidder by providing Substitution Notice to the Authority

Broad Terms & Conditions

End-Product(s)

- Project proponents have sole authority to decide on the **downstream products**
- Flexibility to utilize the end-product(s) from the Project for any purpose including but not limited to captive consumption, including sale to affiliates and related parties, commercial sale and/or export

Conditions Precedent to Agreement Effectiveness

- Board Approved DPR and/or TEV report
- Financial closure
(firm sanction from the Bank/FIs in case of debt financing or entire equity commitment in case no debt financing is being considered)

Conditions Precedent to First Instalment

- Term Loan Agreement/Equity commitment agreement supported by Statutory Auditor confirmation
- Documents demonstrating sufficiency of funds pertaining to the Project
- Statutory auditor's certificate towards capital expenditure and means of finance, end use
- Coal Linkage Agreement/Fuel arrangement

Broad Terms & Conditions

Conditions Precedent to Second Instalment

- Technical report showing total production achieved certified by the Independent Engineer, appointed by the Bidder at its own cost
- Copy of bills and invoices of actual production and sale of products
- Financial Statements certified by Statutory Auditor
- Statutory auditor's certificate towards capital expenditure and means of finance, end use

Other Terms

- Entities may setup coal gasification plants at the pithead on the CBA land that will be provided on long-term lease basis (EOIs to be notified shortly)
- PMA appointed by the Authority will undertake viability appraisal and verify the claims of expenditure and accordingly funds will be released.

Documents under Technical Proposal

- Technical Bid in the prescribed format along with Annexes and supporting documents
- Power of Attorney as per the format
- Board Resolution of the Bidder
- Duly audited Financial Statements for last 5 FYs;
In case of JV/Consortium, same shall be provided for all the JV/Consortium members
- Statutory auditor's certificate reflecting Net worth of at least 30% of total investment during preceding 3 FYs.
- Declaration as per the format prescribed in the RFP
- Copy of the Board approved PFR
- Certified extracts of charter documents (MOA, AOA, PAN, GST, JV/Joint Bidding Agreement etc.)



Tentative Timelines – Category I

| Event | Timeline (days) |
|--|-----------------|
| Issuance of RFP | T0 |
| Last date for receiving queries | T0+7 |
| Pre-Bid Conference | T0+10 |
| Authority response to queries latest by | T0+20 |
| Bid Due Date | T0+90 |
| Opening of Technical Bids | T1= T0+65 |
| Submission of documents against clarifications (if needed) | T1+45 |
| Announcement of Technically Qualified Bidders | T1+60 |
| Opening of Financial Bids | T1+75 |
| Issuance of Letter of Award (LOA) | T2= T1+90 |
| Signing of Project Agreement | T2+30 |

Tentative Timelines – Category II & III

| Event | Timeline (days) |
|--|-----------------|
| Issuance of RFP | T0 |
| Last date for receiving queries | T0+7 |
| Pre-Bid Conference | T0+10 |
| Authority response to queries latest by | T0+20 |
| Bid Due Date | T0+90 |
| Opening of Technical Bids | T1= T0+65 |
| Submission of documents against clarifications (if needed) | T1+45 |
| Announcement of Technically Qualified Bidders | T1+60 |
| Opening of Financial Bids | T1+75 |
| Issuance of Letter of Award (LOA) | T2= T1+90 |
| Signing of Project Agreement | T2+30 |

Tentative List of Eligible Products under Scheme

Category I, Category II & Category III

1st Derivative Products from Syngas

Synthetic Natural Gas
Methanol
Ethanol
Ammonia
Direct Reduced Iron (DRI)
Di-Methyl Ether (DME)

2nd Derivative Products from 1st Derivative

Olefins
Urea
Formaldehyde
Acetic Acid
Ammonium Nitrate
Ammonium Sulphates
Methyl Methacrylate (MMA)
Chloromethane
MTBE



Thank You