

F. No 34018/1/2020-CCT(Part-I)
भारत सरकार / Government of India
कोयला मंत्रालय / Ministry of Coal
(CCT Section)

4th Floor,GPOA3, , Netaji Nagar
New Delhi, Dated 25th June 2026

OFFICE MEMORADUM

Sub: Approval of “Scheme for Promotion of Surface Coal/Lignite Gasification Projects”-reg.

The undersigned is directed to convey that the Government of India has approved the “Scheme for Promotion of Surface Coal/Lignite Gasification Projects” with a total financial outlay of ₹37,500 crore.

2. An outline of the approved Scheme guidelines and list of support products are enclosed herewith as **Annexure-1**.

Digitally signed by
Alok Verma
Date: 25-06-2026
13:20:12

(Alok Verma)

Under Secretary to the Government of India
Tel. No.: 011-23384112

To,

1. Secretary, Department of Expenditure, Ministry of Finance, New Delhi.
2. CEO, NITI Aayog, New Delhi.
3. Secretary, MoP&NG.
4. Secretary, M/o Chemical and Fertilisers
5. Secretary, Ministry of Steel

Copy for information to:

1. Cabinet Secretariat (Kind Attention: Smt. Anita Tripathi, Joint Secretary), Rashtrapati Bhawan, New Delhi.
2. CCO, Ministry of Coal, New Delhi.
3. IF Division, Ministry of Coal, New Delhi.
4. CMD, CIL, Kolkata.
5. CMD, NLCIL, Neyveli.
6. Director, NIC, MoC – with a request to upload it on the website of the Ministry of Coal.

Guidelines for Scheme for Promotion of Surface Coal/Lignite Gasification Projects

The Scheme aims to accelerate the implementation of surface coal/lignite gasification projects through targeted financial incentive, promote Atmanirbharta by reducing import dependence on chemicals and petrochemicals (such as liquefied natural gas, urea, ammonium nitrate, ammonia, coking coal (via direct reduced iron), methanol, and dimethyl ether), enable value-added utilization of domestic coal resources, and contribute to achieving the national target of 100 MT coal gasification by 2030.

1 Features

- 1.1 The Scheme incentivizes entities to set up surface coal/lignite gasification projects.
- 1.2 A total financial incentive of ₹37,500 crore has been proposed under the Scheme.
- 1.3 The Scheme shall provide financial incentive @ maximum 20% of the cost of plant and machinery (P&M), to the selected applicants.
- 1.4 The Plant and Machinery (P&M) cost shall broadly include the cost of core plant and machinery, technology license, erection and installation for production of syngas and/or downstream product(s). The P&M cost shall not include expenditure on land, site development, buildings and civil works (not associated with erection and installation), pre-operative expenses, financing costs (including interest during construction), or any other soft costs.
- 1.5 The Ministry of Coal shall devise a mechanism to ensure that the Scheme supports only new and unused P&M, procured and installed exclusively for the project. Any P&M that has been previously used, refurbished or transferred from another facility, shall not be eligible for receiving financial incentive under the Scheme.
- 1.6 The financial incentive provided under the Scheme shall not be considered as equity contribution by the project developer for the purpose of financial structuring, debt financing, or financial closure.

2 Eligibility Criteria

- 2.1 The financial incentive under this Scheme shall be available to applicants which are either Public Sector Undertakings (PSUs); or private sector companies; or joint ventures (JVs); or consortiums (not exceeding 3 companies).
- 2.2 The financial incentive under the Scheme shall be available only to entities who will undertake to set-up new surface coal/lignite gasification projects. Any expenditure made prior to the approval of the Scheme shall not be considered for incentive.
- 2.3 Only those projects wherein net worth of the applicant is more than 20% of the total project cost, are eligible under the Scheme and shall be considered for further evaluation.
- 2.4 The minimum plant capacity of a project, in terms of clean syngas shall be 0.5 MTPA (calculated based on annual plant availability of 330 days at an average clean syngas density of 1.1 kg/Nm³).
- 2.5 The Ministry of Coal may, while issuing Request for Proposal (RFP), prescribe additional eligibility criteria.

3 Selection Criteria: Selection Methodology and Evaluation Framework

3.1 Selection Methodology

- 3.1.1 Selection/shortlisting of applicants and allocation of financial incentive shall be undertaken through a transparent and competitive bidding process, implemented through the issuance of RFP, from time to time.

3.2 Evaluation Framework

- 3.2.1 Evaluation criteria shall be devised by benchmarking project cost and taking into account the quantity of coal used as input and quantity of syngas produced as output.

Projects shall be evaluated under a pre-defined scoring framework, comprising the various parameter (indicated at 3.2.3) and detailed at **SCHEDULE-II**, for which scores shall be assigned based on the details furnished by the applicant/bidder.

3.2.2 The scores obtained under these specified parameters of the evaluation framework shall be aggregated to arrive at a total score (out of 100), which shall form the basis for ranking of projects.

3.2.3 The pre-defined scoring parameters under the evaluation framework shall, inter-alia, include:

- i. **Viability Amount Score:** Calculated as lowest of financial incentive as percentage of cost of plant and machinery (P&M), amongst all bidders ÷ proposed financial incentive as percentage of cost of P&M by the bidder × 30

Illustration:

Bidder	Financial Incentive as percentage of cost of P&M (A)	Lowest of Financial Incentive as percentage of cost of P&M amongst all bidders (B)	C= B/A	Viability amount score (D=C*30)
Bidder 1	20%	12%	0.60	18
Bidder 2	15%		0.80	24
Bidder 3	18%		0.67	20
Bidder 4	12%		1.00	30

- ii. **Plant Capacity:** Size of the project in terms of syngas output (raw syngas and clean syngas).
- iii. **Project Cost per MT of Coal:** Total project cost expressed as ₹ per million tonne (MT) of annual coal/lignite utilisation (₹/MTPA), including both feedstock and fuel requirements.
- iv. **Technology Tie-up:** Tie-up with gasification technology providers.
- v. **Financial Strength/Capability:** Financial capability of the applicant assessed with reference to the net worth in relation to the project cost, with scores assigned on a pro-rata basis.

3.3 Selection Criteria:

3.3.1 Selection of projects shall be based on ranking in descending order of total score, subject to:

- a. Achievement of a minimum qualifying score of 40 marks; and
- b. Availability of funds under the overall Scheme outlay of ₹37,500 crores, unless enhanced after due approvals.

3.3.2 Evaluation of applications submitted by applicants shall be carried out by an Evaluation Committee constituted by Ministry of Coal.

3.3.3 The following conditions shall apply to projects seeking financial incentives under the Scheme:

- a) The financial incentive for any single project shall be capped at ₹5,000 crore.
- b) The financial incentive for any particular product (except urea and Synthetic Natural Gas (SNG)) across all approved projects, shall be capped at ₹9,000 crore.
- c) Any entity, including its holding, subsidiary, affiliate or associate companies, shall collectively not be eligible to receive financial incentive exceeding ₹12,000 crore under the Scheme, across all projects. In case of Joint Ventures or Consortiums, the financial incentive shall be calculated among the participating entities in proportion to their respective shareholding pattern or ownership in the project(s).

4. Disbursement Mechanism

4.1 The financial incentives will be disbursed in four equal instalments, linked to the achievement of specified milestones, as follows:

- a) **1st instalment (25%)**: Upon completion of following pre-implementation activities:
 - i. Land acquisition,
 - ii. Grant of Environment Clearance (EC),
 - iii. Coal/lignite tie-up for the project,
 - iv. Finalization of the technology licensor,
 - v. Finalization of the EPC contractor (where applicable), and
 - vi. Achievement of financial closure from banks/financial institutions

For disbursement of the first instalment, the Ministry of Coal shall consider the requirement of submission of Insurance Surety Bond or Bank Guarantee of an appropriate amount by the project developer.

- b) **2nd instalment (25%)**: (i) After disbursal of loan by the Bank/Financial Institution towards the project, (ii) 30% of the equity contribution by the project developers, and (iii) actual expenditure of 50% or more of the approved incentive amount,

incurred on plant and machinery. This will be in the form of reimbursement towards actual expenditure.

- c) **3rd instalment (25%)**: On commissioning of the project.
- d) **4th instalment (25%)**: On achieving minimum 50% of the peak annual production capacity during the previous 365 days.

4.2 In the event of commissioning of the project beyond five (5) years, excluding any period attributable to Force Majeure, from the date of execution of the agreement (between the project developer and Ministry of Coal), the disbursement of the remaining financial incentive (as at the end of 5 years) shall be:

- i. 50%, where commissioning occurs between 5 and 6 years.
- ii. 25%, where commissioning occurs between 6 and 7 years.
- iii. NIL, where commissioning occurs beyond 7 years.

4.3 Project Management Agency (PMA) appointed for the purpose will verify the claims of expenditure.

5. Additional Provisions

5.1 Under the provisions of commercial coal block auction, utilisation of coal is already permitted for coal gasification. The financial incentive under this Scheme shall in no way debar/restrict for any incentive to be claimed under commercial mining regime. The entities shall be eligible for any state level incentives that may be provided.

5.2 No separate financial incentive of any nature will be considered for any project in addition to the financial incentive provided under this Scheme.

5.3 The Ministry shall engage with coal-bearing States/UTs to facilitate and promote the development of coal/lignite gasification projects, including cluster-based development approaches, to enable infrastructure optimisation. Entities shall preferably set up surface coal/lignite gasification project at the pithead (criteria for pithead will be same as considered by the Ministry of Power for setting up coal-based thermal power plants).

5.4 The project implemented under the Scheme shall not be transferred, sold, or otherwise disposed of without prior approval of the Ministry of Coal, during the period of implementation of the project. In the event of any transfer, sale, or cessation of operations within the aforesaid period without prior approval, the financial incentive disbursed shall be recoverable, in full or on a proportionate basis, along with applicable interest, as determined by the Ministry.

6 Downstream Products

6.1 The entities shall have discretion to decide the downstream product(s) through coal/lignite gasification. An indicative list is provided at **SCHEDULE-I**.

6.2 The responsibility for offtake shall rest entirely with the project developer.

7 Technology

7.1 The Scheme shall be technology agnostic. The applicants/bidders are expected to deploy latest technology available in the commercial space. Adoption of indigenous technologies shall be encouraged.

8. Fund allocation

8.1 The year-wise budget allocation under the Scheme, to be implemented over financial years FY 2026–27 to FY 2032–33, is outlined below:

Year-wise fund Outlay (in ₹ Crore)	FY 2026- 27	FY 2027- 28	FY 2028- 29	FY 2029- 30	FY 2030- 31	FY 2031- 32	FY 2032- 33	TOTAL
Fund allocation	-	4,688	9,374	4,688	4,688	4,688	9,374	37,500

9. Empowered Group of Secretaries (EGoS)

9.1 EGoS chaired by Secretary, Expenditure will supervise the Scheme. In addition, EGoS shall be empowered to make any changes required in the guidelines of the Scheme, subject to the condition that the overall financial outlay remain within ₹37,500 crores, unless enhanced after due approvals.

9.2 The proposed constitution of EGoS will be (1) Secretary, Expenditure (2) Secretary, Coal (3) Secretary, Chemicals and Petrochemicals, (4) Secretary,

Petroleum & Natural Gas, (5) CEO, NITI Aayog, (6) Secretary, Fertilizers, and (7) Secretary, Power.

- 9.3 The Ministry of Coal will set up a Special Task Force consisting of Joint Secretary level officials from Department of Expenditure, Ministry of Petroleum and Natural gas, Ministry of Heavy Industries, NITI Aayog, Ministry of Steel, Dept. of Chemicals, and Dept. of Fertilizers, under the chairmanship of Additional Secretary (Coal) to review the progress of coal/lignite gasification projects on regular basis. Additionally, it is also proposed to appoint Project Management Agency to assist the Ministry.

Schedule I- Downstream products from surface coal/lignite gasification

The eligible products that qualify under this Scheme will include Syngas or its downstream products including but not limited to:

1. Acetic Acid
2. Ammonia
3. Ammonium Nitrate
4. Ammonium Sulphates
5. Chloromethane
6. Diesel
7. Di methyl Ether – DME
8. Direct Reduced Iron – DRI
9. Ethanol
10. Formaldehyde
11. Hydrogen
12. Power (through Integrated Gasification Combined Cycle – IGCC)
13. Methanol
14. Methyl Methacrylate – MMA
15. Methyl Tertiary Butyl Ether – MTBE
16. Olefins
17. Sustainable Aviation Fuel – SAF
18. Synthetic Natural Gas
19. Urea

Schedule II – Evaluation Criteria

Parameter	Max Score	Criteria	Score
Viability Amount Score	30	Lowest of financial incentive as percentage of cost of plant and machinery (P&M), amongst all bidders ÷ proposed financial incentive as percentage of cost of P&M by the bidder × 30	30
Plant Capacity	20	A. Clean Syngas: (10)	
		More than 60,000 NM3/hr but less than/equals to 1,00,000 NM3/hr	2
		More than 1,00,000 NM3/hr but less than/equals to 2,00,000 NM3/hr	4
		More than 2,00,000 NM3/hr but less than/equals to 3,00,000 NM3/hr	6
		More than 3,00,000 NM3/hr but less than/equals to 4,00,000 NM3/hr	8
		More than 4,00,000 NM3/hr	10
		B. Raw Syngas: (10)	
		More than 60,000 NM3/hr but less than/equals to 1,00,000 NM3/hr	2
		More than 1,00,000 NM3/hr but less than/equals to 2,00,000 NM3/hr	4
		More than 2,00,000 NM3/hr but less than/equals to 3,00,000 NM3/hr	6
		More than 3,00,000 NM3/hr but less than/equals to 4,00,000 NM3/hr	8
		More than 4,00,000 NM3/hr	10
Project Cost per MT of Coal	20	>₹5,000 crore/ MT of coal utilised for project	0
		>₹4,000 and ≤₹5,000 crore/ MT of coal utilised for project	5
		>₹3,500 and ≤₹4,000 crore/ MT of coal utilised for project	10
		>₹3,000 and ≤₹3,500 crore/ MT of coal utilised for project	15
		≤₹3,000 crore/ MT of coal utilised for project	20
Technology Tie-up	10	No technology tie-up	0
		Firm agreement with technology provider for gasification technology	5
		Use of indigenous technology or acquisition of international technology, supported by a firm tie-up	10

Parameter	Max Score	Criteria	Score
Financial Strength /Capability	20	Net worth more than 20% of Project Cost (on pro rata basis)	20
Total Score	100		