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# Cabinet Approves ₹37,500 Crore Coal Gasification Scheme

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The Union Cabinet, chaired by Prime Minister Narendra Modi, has approved the “Scheme for Promotion of Surface Coal/Lignite Gasification Projects” with a total financial outlay of ₹37,500 crore. The scheme aims to strengthen India’s energy security, reduce dependence on imported fuels and chemicals, and promote cleaner utilization of domestic coal resources. The initiative is part of India’s broader target of achieving gasification of 100 Million Tonnes (MT) of coal by 2030.?

## Objectives of the Coal Gasification Scheme

The primary objective of the scheme is to reduce India’s import dependence on products such as Liquefied Natural Gas (LNG), ammonia, methanol, urea, and coking coal. The government also aims to promote cleaner coal technologies, encourage domestic production of fuels and chemicals, support industrial growth, and strengthen the vision of Atmanirbhar Bharat and Make in India.

The scheme is expected to improve energy security by reducing exposure to global price fluctuations, geopolitical disruptions, and international supply-chain uncertainties.

## What is Coal Gasification?

Coal gasification is a process in which coal or lignite is converted into synthesis gas (syngas) through controlled chemical reactions. Syngas mainly contains hydrogen, carbon monoxide, and small amounts of carbon dioxide.

This gas can be used for electricity generation, fertilizer manufacturing, methanol production, hydrogen generation, and production of chemicals and synthetic fuels. Coal gasification is considered comparatively cleaner than conventional coal burning because it improves efficiency and reduces some pollutants.

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## Major Financial Provisions of the Scheme

Under the scheme, the government will provide financial incentives of up to 20% of the plant and machinery cost for eligible projects. Incentives will be allocated through a competitive bidding process and released in four installments linked to project milestones.

### The scheme has fixed incentive limits:

Maximum incentive for a single project: ₹5,000 crore

Maximum incentive for one product category: ₹9,000 crore

Maximum cap for one entity or group: ₹12,000 crore

The government has also extended coal linkage tenure up to 30 years under the “Production of Syngas leading to Coal Gasification” category to provide long-term policy stability to investors.

### Expected Economic Benefits:

The government estimates that the scheme will attract investments worth around ₹2.5 lakh crore to ₹3 lakh crore. It is expected to support nearly 25 coal gasification projects, especially in coal-bearing regions of the country.

The initiative is also projected to generate around 50,000 direct and indirect employment opportunities and produce annual revenue of nearly ₹6,300 crore from coal utilization.

## India's Import Dependence and Energy Concerns

India currently imports significant quantities of LNG, methanol, ammonia, urea, and coking coal. In FY2025, India's import bill for these products was estimated at approximately ₹2.77 lakh crore. The government believes that expanding coal gasification capacity can substantially reduce this import burden and improve domestic industrial self-reliance.

## India's Coal Reserves and Energy Mix

India possesses around 401 billion tonnes of coal reserves and approximately 47 billion tonnes of lignite reserves. Coal remains a major source of energy in India and contributes more than 55% of the country's energy mix.

Major coal-producing states in India include Jharkhand, Odisha, Chhattisgarh, West Bengal, Madhya Pradesh, and Telangana.

## Environmental and Industrial Significance

The scheme is important from both industrial and environmental perspectives. Coal gasification supports cleaner fuel production and enables the manufacturing of hydrogen, synthetic natural gas, fertilizers, and chemicals. It is also expected to improve efficiency in coal utilization.

However, experts emphasize that carbon capture and emission reduction technologies will remain important to address environmental concerns linked with coal-based industries.

## Previous Government Initiatives Related to Coal Gasification

The Government of India launched the National Coal Gasification Mission in 2021 with the target of gasifying 100 MT of coal by 2030. Earlier, in January 2024, the government approved an ₹8,500 crore support scheme for coal gasification projects. At present, eight projects worth ₹6,233 crore are under implementation.

## About Syngas

Syngas or Synthesis Gas mainly contains:

Hydrogen (H<sub>2</sub>)

Carbon Monoxide (CO)

Carbon Dioxide (CO<sub>2</sub>)

## It is widely used in:

Fertilizer production

Methanol manufacturing

Hydrogen generation

Synthetic fuel production

## Coal India Limited (CIL)

Largest coal-producing company in the world

Headquarters: Kolkata

Functions under the Ministry of Coal

Important Types of Coal

Anthracite

Bituminous

Lignite

Peat

## Important Terms

LNG: Liquefied Natural Gas

Coking Coal: Used mainly in steel production

Methanol: Industrial chemical and alternative fuel

Ammonia: Important raw material for fertilizers

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