

No. 34018/1/2020-CCT (Part-I) (e-349946)
Government of India
Ministry of Coal

Room No. 622A, Shastri Bhawan,
 New Delhi, Dated: 7th February, 2024

ORDER

Sub: Approval of "Scheme for promotion of Coal/Lignite Gasification" - reg.

The undersigned is directed to convey the approval of the President of India on the scheme for promotion of Coal/Lignite Gasification Projects of Government PSUs and Private Sector with an outlay of ₹ 8500 crores towards incentive for coal /lignite gasification projects under three categories. The salient features of the scheme are :-

- I. In **category I**, ₹ 4050 crore provisioned for Government PSUs in which upto 3 projects will be supported by providing lump-sum grant of ₹ 1,350 crores or 15% of capex, whichever is lower.
- II. In order to qualify for the lump-sum grant under **category I**, the selected PSU or a JV of PSUs will have to undertake to set up a manufacturing plant of minimum output of 0.4 million tonnes per annum of single downstream product through coal gasification. The selection of the PSU or a JV of PSUs will be through an open and transparent mechanism.
- III. In **category II**, ₹ 3850 crore provisioned for private sector as well as Government PSUs in which lump-sum grant of ₹ 1000 crores or 15% of capex, whichever is lower provided for each project. At least one project will be bid out on tariff-based bidding process and its criteria will be designed in consultation with NITI Aayog.
- IV. In order to qualify for the bid under **category II**, the selected entity will have to undertake to set up a manufacturing plant of minimum output of 0.4 million tonnes per annum of either single downstream product or a combination of downstream products through coal gasification. The maximum weightage will be in the ratio of 55% for plant capacity and 45% for viability amount sought.
- V. In **category III**, ₹ 600 crores provisioned for demonstration Projects (indigenous technology) and/or small-scale product-based Gasification Plants under which lump-sum grant of ₹ 100 crores or 15% of capex, whichever is lower, will be given to the selected entity who will have a minimum Capex of ₹ 100 Cr and minimum production of 1500 Nm³/hour Syn gas.
- VI. To meet the qualification criteria under **category III**, for demonstration project, the technology adopted must be proved at pilot scale and capex should be at least ₹ 100 Crores on coal gasification unit. For small Scale projects, a plant with similar technology must be in commercial operation anywhere in world. Such small-scale project must be having a minimum Capex of ₹ 100 Cr and minimum production of Syn gas of 1500 Nm³/hr. The plant must be producing syn gas for the purpose of products.
- VII. The selection of entities under category II and III shall be carried out through a competitive and transparent bidding process.
- VIII. The lump sum grant will be paid to the selected entity in two equal investments as listed below:
 - IX. **1st instalment:** After disbursal of loan by the Bank/ Financial Institution towards the project and 30% equity contribution of the project.
 - X. **2nd instalment:** After achieving minimum 50% of the production capacity and one year of continued production of the product
 - XI. Reimbursement will be made on actual expenditure towards capital expenditure on plant/ machinery.
 - XII. PMA appointed for the purpose will verify the claims of expenditure and accordingly

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funds will be released.

XIII. EGoS chaired by Secretary Coal shall be fully empowered to make any changes required in the modalities of the scheme subject to the condition that overall financial outlay remain within ₹ 8500 crores.

2. The above approval are with respect to terms and conditions, if any, mentioned in the Cabinet Note. A copy of the approved guidelines is enclosed herewith for reference.



(Hitlar Singh)

Under Secretary to the Govt. of India.

Email: hitlar.singh85@nic.in

To,

1. Secretary, Department of Expenditure, Ministry of Finance, New Delhi.
2. CEO, NITI Aayog, New Delhi
3. Secretary, MoP&NG
4. Secretary, MHI

Copy for information to:

1. Cabinet Secretariat (Kind Attention:- Shri S.G.P. Verghese, Joint Secretary), Rashtrapati Bhawan, New Delhi.
2. Dy. Controller of Accounts, 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 request to upload it on the website of Ministry of Coal.

Guidelines for Scheme for promotion of Coal/Lignite Gasification Projects

The scheme intends to optimally incentivize potential investors, both domestic and overseas, to set up large scale coal gasification facilities with emphasis on maximum value addition and quality output and achieving pre committed capacity level within a pre-defined time period along with development of indigenous coal gasification technology. The scheme will also promote small scale plants producing various products by incentivizing coal gasification part.

1. Features

- 1.1 The scheme envisages setting up of coal gasification plants in the country by providing financial incentives to all coal gasification projects to ensure these projects are viable.
- 1.2 The first part of the scheme covers incentive payout of ₹ 8500 crores with each project having a minimum capacity of 0.4 MT or above of production for either single downstream product or a combination of downstream products by coal gasification along with demonstration scale (indigenous technology) projects and small scale projects with a minimum Syn Gas production of 1500 Nm³/hr.
- 1.3 Provision of ₹ 8500 crore is envisioned to be allocated among three categories @ ₹ 4050 crore, ₹ 3850 Cr and ₹ 600 Cr respectively. The highlights of each category are as below:

1.3.1 Category I: ₹ 4050 crore provisioned for Government PSUs

1.3.1.1 This category is applicable for at least 3 coal gasification projects undertaken by the Government PSUs or their JVs.

1.3.1.2 The Government PSUs will submit the proposals seeking funding assistance to set up coal/lignite gasification projects and 3 projects will be supported by providing a grant @ ₹ 1350 crores not exceeding 15% of capex to each selected PSU's project, whichever is lower. The PSUs will be selected based on the responses received taking into consideration the qualification criteria are met and one project for one 1st derivative product as far as possible for economies of scale will be taken up.

1.3.1.3 The lump sum grant will be paid to the selected PSUs in two equal investments as listed below:

- a) **1st instalment:** After disbursement of loan by the Bank/ Financial Institution towards the project and 30% equity contribution of the project. Reimbursement will be made on actual expenditure towards capital expenditure on plant/ machinery. PMA appointed for the purpose will verify the claims of expenditure and accordingly funds will be released.
- b) **2nd instalment:** After achieving minimum 50% of the production capacity and one year of continued production of the product.

1.3.1.4 It will encompass projects of any State and Central PSUs within the total incentive amount of ₹ 4050 crore.

1.3.1.5 In order to qualify for the lump-sum grant, the selected PSU or a JV of PSUs will have to undertake to set up a manufacturing plant of minimum output of **0.4 million tonnes** per annum of single downstream product through coal gasification.

1.3.2 Category II: ₹ 3850 crore provisioned for the Private Sector as well as Government PSUs

1.3.2.1 This category will channel ₹ 3850 crore towards projects being undertaken by both the Private Sector as well as Government PSUs.

1.3.2.2 RFP will be published and the project proponents will provide the Financial Viability Assessment of the project and submit the viability gap funding requirement.

1.3.2.3 The incentive will be paid in 2 equal instalments which will be milestone linked as listed below:

- a) **1st instalment:** after the first disbursement of loan by the Bank/ Financial Institution towards the project and 30% equity contribution by the promoters. Reimbursement will be made on actual expenditure towards capital expenditure on plant/ machinery.
- b) **2nd instalment:** after achieving minimum 50% of the production capacity and 1 year of continued production

1.3.2.4 The project proponents who require least amount of funding, not exceeding 15% of capex or ₹ 1000 crores, whichever is lower, will be selected, subject to meeting the qualification criteria.

1.3.2.5 The scheme will encompass projects of Private sector entities and Government PSUs, depending upon the selection of projects on meeting the qualification criteria. The projects will be funded within the total incentive amount of ₹ 3850 crore.

1.3.2.6 The selection of entities shall be carried out through a competitive and transparent bidding process in which proposals for the viability gap funding requirement will be sought for product-based gasification plants for Methanol, Ethanol, DME, Synthetic Natural Gas, Steel Making and Ammonia/Urea/Ammonium Nitrate; the selection will be based on the RFP details. In the bidding parameters, respective weights shall be allocated for total capacity and amount of viability sought where preference will be given to manufacturers who set up higher capacity plants and least viability amount sought. **The maximum weights will be in the ratio of 55% for plant capacity and 45% for viability amount sought. However, in order to qualify for the bid, the selected entity will have to undertake to set up a manufacturing plant of minimum output of 0.4 million tonnes per annum of either single downstream product or a combination of downstream products through coal gasification.** The amount of minimum viability funding requirement will be evaluated under the financial criteria.

1.3.2.7 At least one project will be bid out on **tariff-based bidding process** which is adopted for thermal power plant in power sector under category II of this scheme. **The bidding criteria will be designed in consultation with NITI Aayog.**

1.3.3 Category III: ₹ 600 crores provisioned for the Demonstration Projects (indigenous technology) and/or small-scale product-based Gasification Plants

1.3.3.1 This category will channel ₹ 600 crores towards the demonstration projects or small-scale projects being undertaken by both the Private Sector as well as Government PSUs.

1.3.3.2 RFP will be published, and the project proponents will provide the Financial Viability Assessment of the project and submit the viability gap funding requirement.

1.3.3.3 The incentive will be paid in 2 equal instalments which will be milestone linked as listed below:

a) **1st instalment:** After disbursal of loan by the Bank/ Financial Institution towards the project and 30% equity contribution of the project. Reimbursement will be made on actual expenditure made towards capital expenditure on plant/ machinery.

b) **2nd instalment:** After achieving minimum 50% of the production capacity and one year of continued production of the product.

1.3.3.4 The project proponents who require least amount of funding, not exceeding 15% of capex on coal gasification unit or ₹ 100 crore, whichever is lower, will be selected, subject to meeting the qualification criteria.

1.3.3.5 The selection shall be carried out through a competitive and transparent bidding process in which proposals will be sought for the viability gap funding requirement and the selection will be based on the DFR.

1.3.3.6 In the bidding parameters, respective weights shall be allocated for total capacity, amount of investment and amount of viability sought where preference will be given to manufacturers who set up higher capacity plants, larger investments, least viability amount sought and use of indigenous technology. The maximum weights will be in the ratio of 35% for plant capacity, 35% for investment and 30% for viability amount sought.

1.3.3.7 To meet the qualification criteria under this sub scheme, for demonstration project, the technology adopted must be proved at pilot scale and capex should be at least ₹ 100 Cr on coal gasification unit. For small Scale projects, a plant with similar technology must be in commercial operation anywhere in world. Such small-scale project must be having a minimum Capex of ₹ 100 Cr and minimum production of Syn gas of 1500 Nm³/hr. The plant must be producing syn gas for the purpose of products.

- 1.4 The downstream products that are eligible under this scheme are mentioned in the **Annexure**. The scheme will endeavour to support at least one product in each category.
- 1.5 Incentives will be offered only to those entities that have been selected under the said Program through a competitive and transparent mechanism by inviting the proposals on technical and financial grounds. Among technically qualified firms, bids will be sorted to examine the financial basis for the viability gap requirement.
- 1.6 The entities can also set up coal gasification plants at the pithead on the CBA land that will be provided on lease basis. The bid should include likely site/mine area with approximate requirement of land.
- 1.7 The manufacturing facility as proposed by the entities would have to be commissioned within a period of 5 years.
- 1.8 No marketing support for the downstream products will be provided by the Ministry to the bidder. It will be the sole responsibility of the bidder.

2. Scheme Parameter: Criteria

- 2.1 The selection of entities in the Category II and III shall be carried out through a competitive and transparent bidding process which shall comprise of two stages a technical bid and a financial bid, as will be specified in the RFP. Respective weights shall be allocated for technical criteria including total capacity where preference will be given to manufacturers who set up higher capacity plants. The entities will have to commit/arrange for minimum output of 0.4 Million tonnes in Category II and minimum investment ₹ 100 Cr for coal Gasification unit for category III with a minimum output of 1500 Nm³/hr and weight will also be assigned to the quality of coal used for gasification plant. Additional weights will also be assigned for implementation of CCUS technology/ zero CO₂ emission in the project. The amount of minimum viability gap funding requirement will be evaluated under the financial criteria.
- 2.2 The selection of the entities will be done by the bucket filling method keeping in view the overall scheme limit of ₹ 8500 crore and the requirements quoted by the bidders.

- 2.3 Incentives will be offered only to those entities that have allocated new/fresh investment in the coal gasification plant. Investments made before the approval of the scheme shall not be considered.
- 2.4 The funding claimed under this scheme will in no way debar/restrict for any incentive to be claimed under new commercial mining regime (where companies winning coal blocks in the forthcoming auctions will be eligible to get as much as 50% discount on the revenue-share quoted by them during the bidding process if they earmark at least 10% of the fuel output for coal gasification) or any different scheme. The beneficiaries will be admissible for any state level incentives that may be provided.
- 2.5 The principles of doing business will be applied for the process of selection of eligible entities through transparent method.
- 2.6 No separate financial support of any nature will be considered for any project in addition to the financial assistance provided under this scheme.

3. Scheme Parameter: Technology

- 3.1 The scheme will be technologically agnostic. The entities are expected to deploy latest technology available in the commercial market space. Indigenous technology adoption will be encouraged.
- 3.2 In-case of any breach of the commitments as submitted (i.e., delay in financial closure and commissioning of project on account of project proponent) as decided by EGoS constituted under para 6, suitable penalty provisions will be specified to ensure sincerity in the commitment of manufacturers.

4. Scheme Parameter: End Product

- 4.1 The entities have sole authority to decide the downstream products they want to produce through coal gasification.

5. Scheme Parameter: Fund allocation

- 5.1 The total incentive pay out of the scheme will be ₹ 4050 crores for Category I and ₹ 3850 crore for Category II and ₹ 600 Cr for Category III. Funds are inter-transferable among the three categories, if unused in any category,

except to category I from category II or III., i.e., Funds are fungible from category I to category II but not vice-versa.

5.2 The breakup of fund allocation year wise, for the scheme's duration is tabulated below:

(All amounts are in ₹ Crore)

Financial Provision	FY		2024-25	2028-29
	Outlay: Requirement (₹ Cr)	Category I	2025	2025
		Category II	1925	1925
		Category III	300	300

6. Empowered Group of Secretaries (EGoS)

- 6.1 EGoS chaired by Coal Secretary will monitor the scheme, undertake periodic review of the outgo under the scheme, and take appropriate action to ensure that the expenditure is within the prescribed outlay. In addition, EGoS shall be fully empowered to make any changes required in the modalities of the scheme subject to the condition that the overall financial outlay remain within ₹ 8500 crores.
- 6.2 The proposed constitution of EGoS will be (1) Coal Secretary (2) Secretary, Expenditure (3) Secretary, Chemicals and Petro-chemicals, (4) CEO, NITI Aayog.
- 6.3 It is also proposed to form an Implementation Committee headed by the Additional Secretary, Ministry of Coal. The Ministry of Coal will set up a Technical Task-Force to monitor and advice on the development of the Coal Gasification plants. It is also proposed to appoint Project Management Agency to assist the Ministry.

List of eligible products that qualify under this scheme

The project proponents have to produce 0.4 Million Tonnes per annum of either single downstream product or a combination of downstream products. The eligible products that qualify under this scheme are listed below:

Category I, Category II & Category III

1st Derivative products from Syngas

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

2nd Derivative products from 1st derivate

- ✓ Olefins
- ✓ Urea
- ✓ Formaldehyde
- ✓ Acetic Acid
- ✓ Ammonium Nitrate
- ✓ Ammonium Sulphates
- ✓ Methyl Methacrylate – MMA
- ✓ Chloromethane
- ✓ MTBE