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Coal Gasification Incentive Scheme V-KALP — ₹37,500 Crore for 100 MT Capacity by 2030

5 May 2026 · **ECONOMY** · **ENVIRONMENT** · **GS3**

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Coal Gasification Incentive Scheme V-KALP — ₹37,500 Crore for 100 MT Capacity by 2030

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WHY IN NEWS

The Union Cabinet is expected to approve the enhanced **Coal Gasification Incentive Scheme (V-KALP)** worth **₹37,500 crore** — a major scale-up from the ₹8,500 crore scheme approved in January 2024. The scheme aims to build **100 million tonnes (MT) of coal gasification capacity by 2030**, converting domestic coal into syngas (synthetic gas) to reduce India's heavy dependence on imported LNG, urea, ammonia, methanol, and coking coal.

WHAT IS COAL GASIFICATION?

Coal gasification converts solid coal into **syngas (synthetic gas)** — a mixture of hydrogen (H₂), carbon monoxide (CO), and carbon dioxide (CO₂) — through a chemical reaction with steam and oxygen at high temperature. Unlike direct coal combustion, gasification:

- Produces a cleaner gaseous fuel than burning coal directly
- Enables carbon capture at a single point (easier than dispersed combustion)
- Generates hydrogen, which can be used as a clean fuel
- Produces fertilizer feedstocks (urea, ammonia) from the syngas

SCHEME DETAILS — V-KALP

FEATURE	DETAIL
Scheme name	V-KALP (Coal Gasification Incentive Scheme)
Ministry	Ministry of Coal
Total outlay	₹37,500 crore
Maximum per project	₹3,000 crore
Earlier scheme	₹8,500 crore (January 2024)
National capacity target	100 million tonnes/year by 2030
Current gasification capacity	~1 MT (minimal; nascent)

STRATEGIC RATIONALE — IMPORT SUBSTITUTION

India currently imports significant quantities of:

COMMODITY	IMPORT DEPENDENCE	COAL GASIFICATION ALTERNATIVE
LNG (Liquefied Natural Gas)	~50% of gas demand	Syngas can replace natural gas in industrial applications
Urea (fertilizer)	~20–25% imported	Syngas → ammonia → urea
Ammonia	Significant imports	Direct syngas product
Methanol	Mostly imported	Syngas → methanol (fuel, chemical)
Coking coal	~85% imported (for steel)	DRI (direct reduced iron) process via syngas reduces coking coal need

By gasifying **domestic coal** (India has 361 billion tonnes of proven coal reserves — 5th largest globally), India can produce these chemicals domestically, saving foreign exchange and improving energy security.

COAL SECTOR IN INDIA

INDICATOR	VALUE
Proven coal reserves	361 billion tonnes (5th largest globally)
Annual coal production (FY26)	~1,080 million tonnes (record)
Largest coal producer	Coal India Limited (CIL) — >80% of domestic output
Coal's share in electricity	~70% of India's power generation
National Coal Gasification Mission	Target: 100 MT by 2030

ENVIRONMENTAL CONSIDERATIONS

Coal gasification is cleaner than direct combustion but is **not zero-emission**:

- **CO₂ is produced** — must be captured (Carbon Capture, Utilisation, and Storage — CCUS)
- **Water-intensive** — requires large quantities of water for steam
- **NOT a substitute for renewables** — it is a bridge technology for India's industrial sector while renewable capacity is built

India's push for coal gasification is viewed as **pragmatic** — using abundant domestic coal more efficiently — rather than a retreat from clean energy goals.

UPSC RELEVANCE

PAPER	ANGLE
GS3 — Economy	Energy security, import substitution, industrial policy, fertilizer sector
GS3 — Environment	Coal gasification vs combustion, CCUS, clean coal technology
GS3 — Economy	Coal India, coal sector reforms, coal block auctions

Mains Keywords: Coal gasification, V-KALP, syngas, import substitution, LNG, urea, ammonia, methanol, coking coal, DRI, Coal India, CCUS, energy security, National Coal Gasification Mission

Prelims Facts Corner

ITEM	FACT
Scheme name	V-KALP (Coal Gasification Incentive Scheme)
Outlay	₹37,500 crore
Max per project	₹3,000 crore
Target	100 MT coal gasification capacity by 2030
Ministry	Ministry of Coal
Earlier scheme	₹8,500 crore (January 2024)
Syngas products	Hydrogen, CO, CO ₂ — used for urea, ammonia, methanol, LNG substitute
India coal reserves	361 billion tonnes; 5th largest globally
Coal India share	>80% of India's domestic coal output
Coal in power	~70% of India's electricity generation

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