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Cabinet Approves Rs 37,500 Crore Coal and Lignite Gasification Scheme

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ECONOMY**ENVIRONMENT****REPORTS & SCHEMES**

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WHY IN NEWS

The **Union Cabinet**, chaired by Prime Minister **Narendra Modi**, on **May 13, 2026** approved a **Rs 37,500 crore scheme** to promote **coal and lignite gasification** in India. The scheme targets gasification of about **75 million tonnes (MT)** of coal/lignite, offering a capital subsidy of up to **20 per cent** of plant and machinery cost for new surface-gasification units. Implementing Ministry is the **Ministry of Coal**.

SCHEME HIGHLIGHTS

PARAMETER	DETAIL
Outlay	Rs 37,500 crore
Target gasification	~ 75 MT of coal/lignite
Capital subsidy	Up to 20 per cent of plant and machinery cost
Expected private investment	Rs 2.5-3 lakh crore
Expected employment	~ 50,000 direct/indirect
Expected annual revenue addition	~ Rs 6,300 crore
Implementing Ministry	Ministry of Coal
Eligible categories	Public sector (CIL, NLCIL, SCCL), private players, joint ventures

The scheme aligns with the **National Target of 100 MT coal gasification by 2030**, set under the **National Coal Gasification Mission** conceptualised in 2020.

WHAT IS COAL GASIFICATION?

Coal gasification is a thermo-chemical process that converts carbonaceous fuel into a gaseous fuel called **syngas** (synthesis gas – a mixture of carbon monoxide (CO) and hydrogen (H₂)) at high temperature in a controlled oxygen / steam environment in a vessel called a **gasifier**.

Reactions (simplified)

- $C + H_2O \rightarrow CO + H_2$ (water-gas reaction)
- $C + (1/2) O_2 \rightarrow CO$ (partial oxidation)
- $CO + H_2O \rightarrow CO_2 + H_2$ (water-gas shift)

Surface vs Underground

TYPE	DESCRIPTION
Surface gasification	Coal is mined, fed into an above-ground gasifier – the scheme’s principal focus; mature technology
Underground Coal Gasification (UCG)	In-situ conversion of unmineable coal seams; experimental in India; tested at Vastan (Gujarat)

DOWNSTREAM USES OF SYNGAS

PRODUCT	INDUSTRIAL RELEVANCE
Urea (via ammonia synthesis)	Fertiliser self-reliance – India imports ~25-30 per cent of urea
Methanol	Blending with petrol; under NITI Aayog Methanol Economy programme since 2016
Synthetic Natural Gas (SNG)	Pipeline gas replacement
Direct Reduced Iron (DRI)	Sponge-iron route in steel-making (replaces coking coal)
Hydrogen	Feedstock for refining; blue/turquoise hydrogen route with CCUS
Olefins (ethylene, propylene)	Petrochemical complexes

WHY IT MATTERS – STRATEGIC LOGIC

Import Substitution

- India imports nearly **220 MT of coal annually** (most coking coal for steel)
- Imports of **LNG (~26-30 MMT), urea (~70-80 lakh tonnes), methanol (~2-3 MMT), ammonia** can be substituted
- Reduces forex outgo; FY 2024-25 oil + gas import bill was **~USD 180-185 billion**

Domestic Coal Mobilisation

- India has the **5th largest coal reserves** globally – **~300+ billion tonnes proven** (BCCL/CIL geological reserves)
- Most reserves are **non-coking, high-ash thermal coal** – not suitable for steel but well-suited for gasification
- Captive mines and Mine Developer & Operator (MDO) framework can supply new gasification units

Strait of Hormuz Hedge

- April-May 2026 has seen elevated fuel WPI (24.71 per cent YoY)
- Coal-derived methanol and SNG offer a partial energy hedge against tanker disruption

IMPLEMENTING ARCHITECTURE

Ministry of Coal

- Created in 1957; current Minister **G. Kishan Reddy**
- Allied PSUs: **Coal India Limited (CIL)**, **NLC India Ltd** (lignite – Neyveli), **Singareni Collieries Company Ltd (SCCL)** – JV between Telangana Government and Centre
- The scheme will be administered through a new **Empowered Committee**

Coordination with Other Ministries

- **MoEFCC** – Environmental Clearance, Forest Clearance, Forest (Conservation) Amendment Act, 2023
- **MoP&NG** – syngas integration with refining; methanol blending standards (BIS IS 17076)
- **MoNRE** – green-hydrogen linkages (avoid double-counting under NGHM)
- **MNRE / DST** – CCUS R&D

ENVIRONMENTAL TRADE-OFFS

Coal gasification is **not carbon-zero** – it merely shifts the carbon penalty.

INDICATOR	POSITION
Direct emissions	CO ₂ -intensive; comparable to combustion
With CCUS	Can become “ clean coal ” – captured CO ₂ used in chemicals/EOR
Local pollution	Sulfur dioxide, slag, tar – but lower than direct combustion
Ash	High-ash Indian coal produces large ash mountains

The scheme implicitly assumes a **CCUS layering** in the medium term – aligned with India’s **net-zero target of 2070** (announced at COP26 Glasgow 2021).

RESERVES AND PRODUCTION SNAPSHOT

COUNTRY	COAL RESERVES RANK
United States	1
Russia	2
Australia	3
China	4
India	5

India produced ~**997 MT of coal in FY 2024-25** (highest ever); FY 2025-26 production target ~**1 billion tonnes**. Coal India Limited accounts for ~75 per cent of national output.

LIGNITE – THE BROWN COAL STORY

Lignite reserves are concentrated in:

- **Neyveli (Tamil Nadu)** – principal producer via NLCIL
- **Mata-no-Madh, Panandhro (Gujarat)**
- **Barsingsar (Rajasthan)**

- **Akrimota (Gujarat)** – captive

Lignite has **lower carbon content** (~25-35 per cent) but higher moisture – gasification economics differ from bituminous coal.

UPSC RELEVANCE

GS Paper 3 – Indian Economy and Infrastructure, Environment

- Energy security; import substitution
- Domestic mineral resources and mineral policy
- Industrial subsidies and viability gap funding
- Climate trade-offs in coal-based pathways

GS Paper 2 – Government policies and intervention

- Cabinet-approved schemes; CCS architecture
- Coal Ministry – PSUs and regulatory framework

Mains Angles

- 1 Discuss the rationale and trade-offs of the Rs 37,500 crore Coal Gasification Scheme. Is “clean coal” a credible bridge to net-zero by 2070?
- 2 India’s coal reserves are the 5th largest globally but skewed to thermal grades. Examine how gasification reconfigures their economic value.
- 3 Coal gasification can substitute imports of urea, methanol, ammonia, LNG and coking coal. Critically evaluate this assertion.

A mixture of CO + H₂ produced from coal/biomass gasification; feedstock for ammonia, methanol, SNG, hydrogen, DRI.

Statutory PSU created via the **Coal Mines (Nationalisation) Act, 1973**; world's largest coal producer.

Erstwhile Neyveli Lignite Corporation; under Ministry of Coal; lignite mining at Neyveli, Barsingsar.

Singareni Collieries Company Ltd; JV of **Telangana Government (51 per cent) and Government of India (49 per cent)**.

Government target of **100 MT gasified coal/lignite by 2030**.

Launched by **NITI Aayog in 2016**; targets methanol blending (M15) and gasification-to-methanol value chains.

Carbon Capture, Utilisation and Storage; central to the “clean coal” thesis.

Programme for the Restoration, Awareness, Generation, Nourishment and Amelioration of Mother Earth – promotes alternatives to chemical fertilisers; complements urea import substitution.

India's net-zero target year is **2070** (COP26 Glasgow, November 2021); 2030 NDCs include 50 per cent non-fossil capacity and 45 per cent emissions-intensity reduction.

National Mineral Policy 2019; Mines and Minerals (Development and Regulation) Amendment Act, 2023 – private exploration in critical minerals.

Brown coal with high moisture, lower carbon (25-35 per cent); principal Indian deposits in Tamil Nadu, Gujarat, Rajasthan.

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