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The Rs 37,500 Crore Coal and Lignite Gasification Scheme

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The Rs 37,500 Crore Coal and Lignite Gasification Scheme

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*On , the **Ministry of Coal** held a well-attended **pre-application conference** for the **Scheme for Promotion of Surface Coal and Lignite Gasification Projects**. With the flagship scheme carrying a financial outlay of **Rs 37,500 crore** and an application deadline of **September 7, 2026**, the conference signalled that the programme has now moved from approval to active implementation.*

WHAT THE SCHEME IS

The **Scheme for Promotion of Surface Coal and Lignite Gasification Projects** was **approved by the Union Cabinet on May 13, 2026**. Its objective is to shift India's coal use from simple **combustion** (burning coal to raise steam) toward **gasification**, a cleaner, value-added chemical route that converts coal into a versatile industrial gas.

The scheme is expected to:

- catalyse total investment of about **Rs 2.5 to 3 lakh crore**,
- consume roughly **75 million tonnes of coal per year**, and
- generate around **50,000 jobs**.

It directly supports the national mission to **gasify 100 million tonnes of coal by 2030**.

Financial Snapshot

PARAMETER	VALUE
Financial outlay	Rs 37,500 crore
Cabinet approval	May 13, 2026
Application deadline	September 7, 2026
Expected investment catalysed	Rs 2.5 to 3 lakh crore
Coal to be consumed	~75 million tonnes/year
Employment	~50,000 jobs
National 2030 target	Gasify 100 million tonnes of coal

THE SCIENCE: GASIFICATION VERSUS COMBUSTION

In conventional **combustion**, coal is burned with excess air, releasing heat and carbon dioxide but yielding no chemical **feedstock**. In **gasification**, coal is reacted with a controlled amount of oxygen and steam at high temperature to produce **syngas**, a mixture rich in carbon monoxide and hydrogen. This syngas can then be chemically upgraded into a range of high-value products.

Downstream Products

The scheme targets domestic manufacture of:

- **Synthetic Natural Gas (SNG)**, a substitute for imported LNG,
- **Ammonia**, the base for nitrogenous fertilisers,
- **Methanol**, a clean fuel and chemical building block,
- **Direct Reduced Iron (DRI)** for the steel sector, and
- **synthetic fuels and chemicals.**

WHY IT MATTERS FOR INDIA

India is a **coal-heavy economy** that simultaneously imports large volumes of **methanol, ammonia and natural gas**. Gasification addresses both facts at once.

Energy security and import substitution. By producing SNG, methanol and ammonia domestically, the scheme cuts dependence on volatile global energy and chemical markets and conserves foreign exchange.

Cleaner, value-added coal use. Gasification extracts far more economic value per tonne of coal than burning it, and modern gasifiers are better suited to **carbon capture** than scattered combustion, since carbon dioxide leaves in a concentrated stream.

The core trade-off. Coal gasification is still a **fossil-fuel pathway**. It offers a bridge that lets a coal-rich nation build a domestic chemicals base while renewables scale up, but the **energy-security versus emissions tension** remains real. The policy bet is that value addition, import substitution and capture-readiness justify the near-term emissions footprint.

UPSC RELEVANCE

GS Paper 3: Indian economy and mobilisation of resources; infrastructure and energy; conservation and environmental impact; science and technology in indigenisation.

Prelims pointers:

- Scheme outlay: **Rs 37,500 crore**; Cabinet-approved on **May 13, 2026**.
- Administering ministry: **Ministry of Coal**.
- National target: gasify **100 million tonnes** of coal by **2030**.
- Gasification yields **syngas** (carbon monoxide + hydrogen), upgraded into **SNG, ammonia, methanol and DRI**.

Mains question: “For a coal-dependent economy, gasification is a bridge between energy security and decarbonisation.” Critically examine the objectives and trade-offs of India’s surface coal and lignite gasification scheme. (15 marks, 250 words)

★ FACTS CORNER, KNOWLEDGEPIEDIA

Scheme name: Scheme for Promotion of Surface Coal and Lignite Gasification Projects.

Outlay: Rs 37,500 crore; pre-application conference held July 20, 2026; deadline September 7, 2026.

Syngas = carbon monoxide + hydrogen, made by reacting coal with limited oxygen and steam.

DRI = Direct Reduced Iron, a sponge-iron feed for steelmaking.

SNG = Synthetic Natural Gas, a domestic substitute for imported LNG.

India’s 2030 mission: gasify 100 million tonnes of coal.

Expected impact: ~Rs 2.5 to 3 lakh crore investment, ~75 million tonnes coal/year, ~50,000 jobs.

Sources: PIB, Ministry of Coal · Ministry of Coal official portal · Press Information Bureau, Cabinet decisions

Source: The Rs 37,500 Crore Coal and Lignite Gasification Scheme — Ujiyari.com | Free UPSC & State PCS Current Affairs

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