GOVERNMENT OF INDIA
MINISTRY OF COAL

RAJYA SABHA
UNSTARRED QUESTION NO. 4027
ANSWERED ON 30/03/2026

IMPLEMENTATION OF UNDERGROUND COAL GASIFICATION PROJECTS

4027. DR. FAUZIA KHAN:

Will the Minister of COAL be pleased to state?

(a) the actual disbursement status and utilization of the ₹6,100 crores already allocated under the Viability Gap Funding (VGF) scheme, including project-wise details of beneficiaries;

(b) the performance benchmarks and monitoring mechanisms for VGF-supported projects to ensure achievement of the 100 million tonnes gasification target by 2030 and the penalties for its non-compliance; and

(c) the inter-ministerial coordination challenges with the Ministry of Petroleum and Natural Gas, regarding off-take guarantees for by-products and the timeline for resolving pricing and procurement mechanisms for methanol and synthetic natural gas?

ANSWER

MINISTER OF STATE FOR COAL AND MINES

(SHRI SATISH CHANDRA DUBEY)

(a): Under the financial incentive scheme of Coal and Lignite Gasification, a total of ₹6,133.06 crore has been earmarked for seven projects (list of projects at **Annexure-A**). So far, only M/s Jindal Steel Limited has completed the requirements of disbursement of the first instalment of financial incentive and has made request for release of an amount of ₹284.525 crore. The remaining six projects have not yet met the conditions stipulated in the Scheme guidelines for fund release.

(b): As per the Request for Proposal floated by the Ministry and the Agreements executed between the Ministry of Coal and the Project Proponents, the disbursement of incentives is milestone-linked to ensure timely implementation of coal/lignite gasification projects:

(i) First instalment is subsequent upon financial closure (to be achieved within two years of signing the agreement or within such extended period as allowed). Financial closure includes the first disbursal of the debt by the lenders towards the project, and infusion of at least 30% (thirty percent) equity contribution in the Project. The instalment is reimbursed against expenditure towards plant and machinery.

(ii) Second instalment is linked to project commissioning, which must be completed within five years from the date of signing of the agreement (or extendable up to a period of 2 years in the event of any exigencies). The instalment is to be released after achievement of a minimum 50% of the production capacity and on completion of 1 (one) year of continued production.

To supervise the overall implementation of the Scheme, there is an Empowered Group of Secretaries to undertake periodic review of outgo under the scheme and to take appropriate action to ensure that the expenditure is within the prescribed outlay. Further, a Special Task Force has been constituted under Additional Secretary (Coal) to periodically supervise the implementation of coal gasification projects. A project management agency has been appointed to assist the Ministry in implementation of the Scheme that is responsible for inviting and evaluating the proposals, monitoring the progress and facilitating disbursement of financial outlay and incentives.

In case of non-compliance with provisions of the agreement such as failure to meet the instalment conditions within stipulated period may lead to cancellation of the financial incentive, termination of the agreement, and forfeiture of the Performance Bank Guarantee (PBG). In instances of misrepresentation, submission of false information, or misuse/diversion of funds, there is provision to terminate the agreement and/or suitably:

a. recover damages equivalent to twice the financial incentive provision for the project or the Performance Security amount, whichever is higher, in accordance with the Integrity Pact;
b. recover the entire Financial Incentive along with interest calculated at twice the rate of the prevailing 3-year SBI MCLR prevailing on the date of disbursement, compounded annually; and
c. disqualify the Developer from availing any future financial incentives under the Scheme, as applicable.

(c): Ministry of Coal has engaged with various stakeholders to facilitate market development for coal gasification products such as methanol, synthetic natural gas (SNG) and other chemicals. Efforts in this regard include:

(i) Consultations with Ministry of Petroleum and Natural Gas (MoPNG) and industry stakeholders for off-take arrangements and market linkage of gasification products;

(ii) Exploration of suitable pricing frameworks and procurement mechanisms for downstream products such as methanol and SNG;

(iii) Promotion of the use of methanol and other products in sectors such as transport and industry;

(iv) Facilitation of investments and development of infrastructure for gasification projects.

The issues relating to pricing, procurement and off-take are addressed in a phased manner in consultation with concerned Ministries and stakeholders.

Annexure-A

Particular	Category I			Category II			Category III
	Bharat Coal Gasification and Chemicals Ltd.	**Coal Gas India Limited**	**Coal India Limited**	**Jindal Steel and Power Ltd.**	**Greta Energy and Metal Pvt. Ltd.**	**New Era Cleantech Solution Pvt. Ltd.**	**New Era Cleantech Solution Pvt. Ltd.**
Location	Jharsuguda, Odisha	Burdwan (WB)	Bhadrawati, Chandrapur (MH)	Angul, Odisha	Bhadrawati, Chandrapur (MH)	Bhadrawati, Chandrapur (MH)	Bhadrawati, Chandrapur (MH)
Financial Incentive Earmarked	₹1,350 crores	₹1,350 crores	₹1,350 crores	₹569.05 crores	₹414.01 crores	₹1,000 crores	₹100 crores
Timeline for commissioning	FY2030	FY2030	FY2030	FY2028	FY2028	FY2030	FY2030
End Product(s)	Ammonium Nitrate	Synthetic Natural Gas	Synthetic Natural Gas	Direct Reduced Iron	Direct Reduced Iron	Ammonium Nitrate and Hydrogen	Ethanol

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