

Govt may reimburse GST compensation cess on coal used in gasification

Our Bureau
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The Coal Ministry on Friday said that it is considering a proposal which aims to reimburse the GST compensation cess on coal utilised for gasification projects by companies.

Besides, the Ministry is also mulling a comprehensive scheme to promote coal/lignite gasification projects for both public sector undertakings (PSUs) and the private sector with an outlay of ₹6,000 crore.

“The Ministry is considering an incentive to reimburse the goods and services tax (GST) compensation cess on coal utilised in gasification projects for a period of 10 years after the commercial operational date (COD), provided that the GST compensation cess is extended beyond FY27,” it said.

This incentive aims to offset the inability of entities to claim input tax credit for the same, it added.

The government on a mission mode is fast tracking utilisation of coal and has targeted to achieve 100 million tonnes (mt) of coal gasification by 2030.

GASIFICATION PROJECTS

Under the comprehensive scheme, the selection of entities will be carried out through a competitive and transparent bidding process.

Besides, the government is considering providing budgetary support to eligible PSUs and private sector, enabling them to undertake coal gasification projects.

“In first segment, the government will provide support to PSUs. The second segment encompasses both the private sector and PSUs, with a budget allocation granted to each project. The selection of at least one project under this segment will



be determined through a tariff-based bidding process, with criteria formulated in consultation with NITI Aayog,” it added.

The third segment involves the provision of budgetary support for demonstration projects utilising indigenous technology and/ or small-scale product-based gasification plants.

In October 2022, for setting up four large scale coal-to-chemical projects through surface coal gasification route, Coal India signed three separate MoUs, one each, with Bharat Heavy Electricals (BHEL), Indian Oil Corporation and GAIL (India). In addition, NLC India is signing MoU with BHEL.

PRE-PROJECT PLANS

To come up at an aggregated estimated cost of ₹35,000 crore, the proposed surface coal gasification (SCG) projects are planned to be set up in West Bengal, Odisha, Chattisgarh, Maharashtra and Tamil Nadu.

“The CIL Board has accepted the pre-feasibility reports for three projects, which includes its subsidiaries Eastern Coalfields Ltd, Mahanadi Coalfields Ltd and Western Coalfields Ltd and has approved the initiation of pre-project activities, such as topography survey, soil investigation and water availability studies. Tendering activities are also being undertaken to arrive at firm prices required for the preparation of a detailed feasibility report for the respective projects,” the Ministry informed.