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Union Budget 2026 | India's clean energy, hi-tech defence push hinges on securing critical minerals as rare-earth corridors announced

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Article Content:

Hyderabad: India remains 100% import-dependent for several critical minerals vital to its clean energy transition, advanced manufacturing, defense technologies, and high-tech ambitions—especially with 85–90% reliance on China for rare earth elements. On Sunday, Union Finance Minister Nirmala Sitharaman as part of Union Budget announced Rare Earth Corridors in mineral-rich states including Andhra Pradesh, Tamil Nadu, Odisha, and Kerala to build a robust domestic ecosystem for mining, processing, research, and manufacturing of rare earth permanent magnets.

These corridors build on the Centre's "Scheme to Promote Manufacturing of Sintered Rare Earth Permanent Magnets," launched in November 2025 with a Rs 7,280 crore outlay. They aim to slash import dependence by creating a full domestic supply chain for magnets essential to electric vehicles (EVs), wind turbines, mobile phones, defense equipment, and advanced electronics.

India holds an estimated 7.23 million tonnes of rare earth oxides—ranking third globally after China and Brazil—and 11.93 million tonnes of monazite in beach sands containing 55–65% REEs. Yet its global production share is under 1%, despite rich deposits in coastal areas of Tamil Nadu, Andhra Pradesh, Odisha, Kerala, Gujarat, and Maharashtra, according strategic forum CUTS International. As of September 2025, Indian Rare Earths Ltd (IREL) remains the country's sole refiner, highlighting a critical bottleneck in technology and entrepreneurship. **A Primus Partners report projects India's rare earth magnet demand exceeding 7,000 tonnes by 2030, driven by EV growth.**

China's dominance in the REE value chain also poses a major geopolitical risk, potentially disrupting India's industrial base and clean energy goals during tensions. The four states offer ideal conditions: coastal mineral belts, ports, industrial zones, and infrastructure for processing and export.

However, experts say the Budget lacks details on operationalizing these corridors. "Enhancing, securing, and fostering India's rare earth corridors demands coordinated legal, policy, fiscal, regulatory, and administrative efforts," said Vishnu Sudarsan, Partner at JSA Advocates and Solicitors. "Success hinges on interlocking reforms like removing monazite and beach sand minerals from the Atomic Energy Act's purview, allowing private and joint-venture mining under strict licensing and radiation controls, with mandatory government custody of thorium by-products. A new chapter in the MMDR Act could create a 'critical and strategic minerals' category with longer tenures, accelerated allocation, and royalty structures rewarding downstream processing over raw extraction," Vishnu Sudarsan told DH.

NITI Aayog has long flagged this issue as its 2016 EV policy prioritized rare earth security, while members VK Saraswat in 2017 and Arvind Virmani recently urged domestic sourcing plus international partnerships to counter China. Rare earth magnets like neodymium-iron-boron (NdFeB)—made from neodymium, praseodymium, and dysprosium—offer unmatched strength for compact, efficient devices.

Andhra Pradesh IT Minister Nara Lokesh welcomed the move. "I thank Prime Minister Narendra Modi and Finance Minister Nirmala Sitharaman for a well-balanced Union Budget aligned with India's growth aspirations. Andhra Pradesh gains from the Critical Minerals Corridor, high-speed rail, data centre incentives, electronics manufacturing, and tourism focus. We're excited to accelerate investments and jobs