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Budget 2026 and India's bid for a rare earths power shift

By Kushal Dev Sharma, ET Online Last Updated: Jan 15, 2026, 11:16:00 AM IST

Synopsis
Budget 2026 Expectations: India is treating rare earths as a key strategic test case to loosen China's grip on the sector, with the focus sharpening ahead of Budget 2026. Experts say the budget must prioritise de-risking private investment—through easier financing, tax incentives and assured offtake agreements—to scale up mining, processing and downstream manufacturing. The push is seen as critical to meeting India's infrastructure build-out and energy transition goals.

A vast Indian mining site (Representative Image)

With **Budget 2026** around the corner, rare earths are emerging as a litmus test of India's strategic and industrial ambition. As major economies roll out billion-dollar programmes to cut dependence on China, expectations are mounting that Finance Minister Nirmala Sitharaman will use the upcoming Budget to push India decisively from policy intent to execution — across mining, processing and downstream manufacturing of rare earth elements.

India has already signalled its intent through the National Critical Mineral Mission (NCMM), but industry experts argue that Budget 2026 must go further by de-risking private investment through long-term financing, targeted tax incentives, assured offtake agreements and value-chain-linked incentives.

"The government's focus on **critical minerals** through the National Critical Mineral Mission has provided the necessary impetus," **Vedanta Resources** CEO Deshnee Naidoo told ET Online, adding that securing metals and minerals is "indispensable" for India's infrastructure and energy transition ambitions.

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Can Budget 2026 help India's rare earths power game?

The question now is whether Budget 2026 will convert that impetus into a full-scale rare earth push, and finally reduce India's dependence on China in one of the most strategic resource battles of the decade.

From a US-led '**Pax Silica**' initiative that left India out to the EU's €3-billion effort to cut reliance on China, major powers are racing to secure what was once an obscure set of minerals. Used in renewable energy, defence equipment, electric vehicles, semiconductors and electronics, rare earths have become strategic assets capable of disrupting entire economies. Just as control over crude oil shaped power in the 20th century, rare earths are increasingly shaping it today.

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It is worth noting that while US Ambassador Sergio Gor has said India would be invited to join Pax Silica—an alliance aiming to build a full-stack AI ecosystem from refining to high-end manufacturing — no formal invitation has yet been extended to New Delhi.

"Pleased to share that India will be invited to join Pax Silica, a US-led strategic initiative to build a secure, resilient, and innovation-driven silicon supply chain," wrote Gor on X on January 12. "As the world adopts new technology, it is essential that India and the United States work hand-in-hand together."

India has announced policy measures in recent Budgets, but experts say they have fallen short of catalysing meaningful capacity creation. While the NCMM marked an important step, it has yet to translate into scale.

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Rare earths challenge & Budget 2026

For India, the rare earth challenge is more than a policy issue — it is directly linked to its growth ambitions. This vulnerability was exposed last April when China restricted exports of seven rare earth elements in retaliation to US tariffs, triggering alarm across Indian automakers and prompting an SOS to the government via the Society of Indian Automobile Manufacturers (SIAM).

Although China later allowed limited civilian exports, it retained control over materials critical for defence, underscoring India's strategic exposure — despite the country holding sizeable reserves.

China currently controls about 70% of global rare earth mining and nearly 90% of processing capacity, giving it unmatched leverage over global supply chains.

Budget 2026 needs to boost India's untapped potential

"India holds 6% to 8% of global rare earth reserves (approx. 6.9 million tonnes) but produces less than 1% of total global output, exporting concentrates while importing value-added products," said Abhinav Sengupta, Associate Director, Energy, Utilities & Resources, PricewaterhouseCoopers Pvt. Ltd.

JSW Group Chairman Sajjan Jindal recently acknowledged that India had failed to fully explore its rare earth wealth but said the China shock had

triggered renewed seriousness.

According to the Indian Minerals Yearbook 2022, rare earth elements are characterised by high density, high melting point, high conductivity and high thermal conductance. Many rare-earth minerals contain thorium and uranium in variable amounts. In India, monazite is the principal source of rare earths and thorium, found across 130 deposits in coastal beach placer sands in Kerala, Tamil Nadu, Odisha, Andhra Pradesh, Maharashtra and Gujarat, as well as inland alluvial regions in Jharkhand, West Bengal and Tamil Nadu. Yet mining is only the first step. Processing, refining and separation pose the real challenge.

“Regulatory constraints under the Atomic Energy Act historically restricted private participation; privatisation only occurred in 2023, through critical mineral auctions while actual mineral production still years away,” Sengupta said. Long project timelines, high capital costs and uncertain returns due to limited exploration data and lack of deposit specific processing technology continues to deter investors.

India also lacks midstream industries such as magnet manufacturing, while beach sand mining faces delays due to radioactive thorium content and Coastal Regulation Zone norms. Skill gaps in rare earth chemistry and process engineering further compound the problem, alongside fragmented oversight across multiple schemes.

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What Budget 2026 must deliver

Budget 2026 could be a defining moment — but only if it addresses the entire value chain.

Naidoo said the Union Budget should announce a Non-Ferrous Metal Mission covering aluminium, copper and zinc alongside rare earths. Ensuring domestic market access by restricting unhindered imports could unlock over $100 billion in investment.

Sengupta called for long-term, low-interest loans, tax holidays and guaranteed offtake agreements to de-risk private capital. He also advocated plug-and-play infrastructure hubs in monazite-rich regions, similar to the semiconductor fab model, and expanding the Rs 7,280-crore magnet PLI to include upstream oxides and metals.

Delinking monazite from the Atomic Energy Act, recalling mining regulation under the Ministry of Mines, creating a Rare Earth Exploration Fund, and fast-tracking magnet-to-motor integration through OEM partnerships could further accelerate progress.

Drawing lessons from Australia, the US and Japan, Sengupta said India must pair mining with government-backed processing investments, environmental safeguards and price-support mechanisms.

While current budgetary support is a good start, he cautioned that further reforms are needed to build a fully integrated rare earth value chain at a global scale.