UPSC Mains practice – reference note

GS-III · 10-11-2026 · 15 marks · https://www.shanmugamiasacademy.in/upsc-mains-practice/2026-11-10-critical-mineral-processing

The Union Cabinet's approval in November 2026 of a ₹2,814-crore capex support scheme for lithium and nickel processing shows that refining, not mining alone, is the weak link in India's critical mineral supply chain. Examine the reasons for this gap and suggest measures to build a resilient critical mineral value chain.

1. The news (as of 6 November 2026)

- On 4 November 2026 the Union Cabinet, chaired by Prime Minister Narendra Modi, approved the Capex Support Scheme to promote critical mineral processing, with an outlay of ₹2,814 crore for 2026-27 to 2030-31.
- It offers a 30% capital subsidy for four plants – two lithium plants (at least 30 kt each) and two nickel plants (at least 50 kt each); cobalt is to be recovered as a by-product of nickel processing.
- Reason given: processing of critical minerals is concentrated in a few countries, which exposes India to geopolitical disruption, price volatility and supply restrictions; India depends heavily on imports of refined intermediates and high-purity materials.
- Intended users: electric mobility, battery energy storage systems, electronics, defence and speciality steel.

2. The scheme at a glance

Item	Provision	Source
Outlay and period	₹2,814 crore (₹2,800 crore capital support + ₹14 crore administration), fully from the Budget; FY 2026-27 to 2030-31	PIB (04.11.2026); DD News (05.11.2026)
Plants	Two lithium plants (min 30 kt each) processing ores and concentrates (not brines) into battery-grade products; two nickel plants (min 50 kt each) making Class-1 nickel or battery-grade nickel sulphate, with cobalt recovery	PIB; DD News
Support	30% capital subsidy on eligible investment; cap ₹500 crore per lithium and ₹900 crore per nickel beneficiary; expected investment about ₹10,000 crore	PIB; DD News
Selection	Two stages – technical qualification, then financial bid; two beneficiaries per mineral on a least-cost basis (lowest capital support sought)	PIB

Release and timeline	Three milestone-linked tranches (25%, cumulative 50%, balance after commissioning); commissioning within three years of the Letter of Award; if delayed, undisbursed support tapers down, and commissioning must be completed within five years in all cases	DD News
Governance	Governing Council chaired by the Secretary, Ministry of Mines; a Techno-Financial Committee; a Project Management Agency	DD News

3. Background and related measures

- Critical minerals list – the Ministry of Mines identified 30 critical minerals in 2023.
- MMDR Amendment Act, 2023 – lets the Centre auction critical-mineral blocks and introduced exploration licences.
- National Critical Mineral Mission – approved 29 January 2025; ₹16,300 crore government spending + ₹18,000 crore expected from PSUs and others (₹34,300 crore over seven years); provides for a national stockpile, processing parks and a Centre of Excellence.
- Recycling incentive scheme – approved 3 September 2025; ₹1,500 crore for 2025-26 to 2030-31; at least 270 kt a year of recycling capacity and about 40 kt a year of critical-mineral output.
- Rare Earth Permanent Magnet scheme – approved 26 November 2025; ₹7,280 crore; 6,000 tonnes a year of capacity through five beneficiaries.
- KABIL (Khanij Bidesh India Ltd, a joint venture of NALCO, HCL and MECL) – about 15,703 hectares in Catamarca province, Argentina, for lithium exploration and mining.
- IEA Global Critical Minerals Outlook 2025 – China is the dominant refiner of 19 of the 20 strategic minerals analysed (average share about 70%); the top three refiners' share rose to 86% in 2024.
- India joined the Minerals Security Partnership in 2023.

4. Value-add terms

- Critical minerals, mid-stream processing, refining, battery-grade, Class-1 nickel, supply-chain resilience, de-risking, offtake agreement, strategic stockpile, urban mining, circular economy, capex subsidy, least-cost bidding.

Official sources

- PIB / PMO – Cabinet approves Capex Support Scheme to promote Critical Mineral Processing (4 November 2026) – https://www.pmindia.gov.in/en/news_updates/cabinet-approves-capex-support-scheme-to-promote-critical-mineral-processing-with-an-outlay-of-rs-2814-crore-for-lithium-and-nickel-processing/
- Ministry of Mines – critical minerals and the National Critical Mineral Mission – https://mines.gov.in/
- IEA – Global Critical Minerals Outlook 2025 (executive summary) – https://www.iea.org/reports/global-critical-minerals-outlook-2025/executive-summary

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