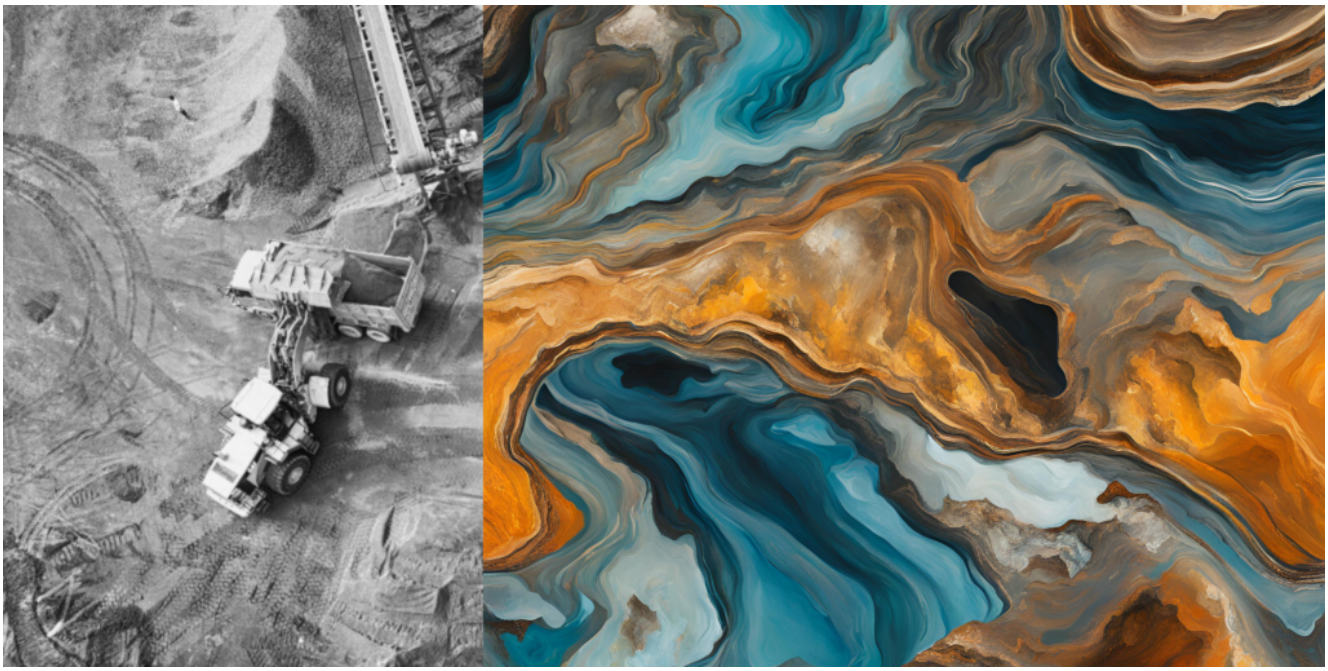
India’s Maiden Critical Mineral Blocks Auction Results: A Setback

July 3, 2024



Amidst a push to secure critical minerals supply chains and subsequent interventions/accelerations at the policy level, on 24 June, the Indian Ministry of Mines announced the results of the country’s maiden auction for critical mineral blocks. After a three-month delay in the announcement of results and the abrupt cancellation of 14 out of 20 blocks in the first tranche, five preferred bidders have been selected and awarded six blocks (out of 20 initially announced in November 2023). Notably, the results came three days after the cancellation of 14 blocks (out of 18) in the second tranche (announced in February 2024) of auctions. Nevertheless, on the same day, fresh auctions for 21 blocks (with ten put up for reauction) as part of a fourth tranche were announced. Even as the Union Minister for Mines, G Kishan Reddy, praised the auction as a success and framed it as a significant step towards achieving self-sufficiency in critical minerals, sector experts noted the absence of major players among the winners

and interpreted it as a lack of confidence in the country's efforts to mine critical minerals.

The Implications of Cancellation

The absence of major players, barring one, among the selected bidders and the cancellation of several blocks represent a major setback for India's critical minerals strategy, which is now dependent on private participation in such auctions, cumulatively estimated at over $350 billion.

This is a significant setback given India's absolute import dependency on minerals, such as lithium, cobalt, and nickel, critical for the country's green energy transition and manufacturing ambitions.

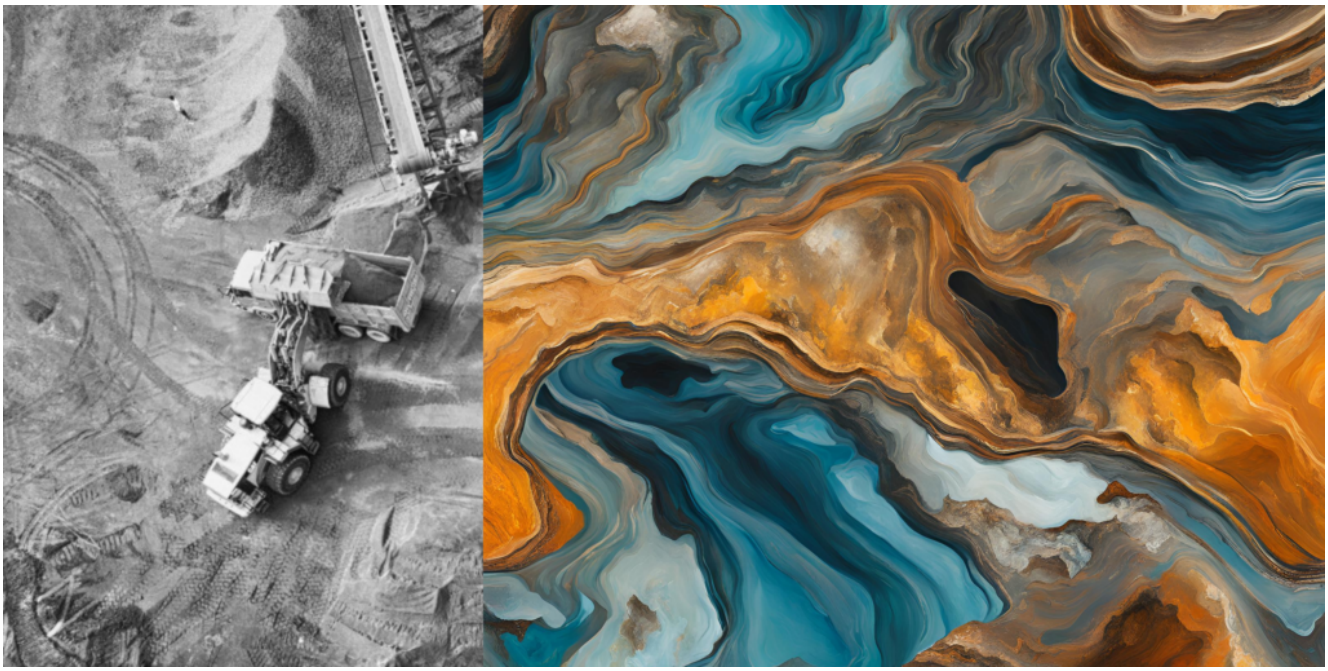
The prima facie failure of the auction process signals the commercial infeasibility of mining the identified blocks in India. Under the Mineral (Auction) Rules, 2015, if a block put up for auction receives less than three technically qualified bids, it warrants that the auction (for any such block) be annulled. Therefore, the cancellation of several blocks, with many receiving no bids, in the first and the second tranches suggests that the majority of blocks were unviable to begin with, given that over 100 players were reportedly interested in the auctions initially and the first tranche had attracted more than 50 bids.

There may be several reasons for this underperformance. To begin with, independent analysts and sector experts have flagged the quality of critical mineral blocks, in particular, the lithium resources, put up for auction. For instance, the lithium block in J&K, which was much hyped by the Indian media ahead of auctions, has clay deposits in it and the technology required for its extraction process remains untested globally, according to ICRA Limited. Consequently, the block received less than three bids and has been put up for reauction.

Furthermore, industry experts believe that the lack of data

and clarity on the state of the reserves is a key reason behind the failure of the auction process and the absence of major players. As an industry player put it to *The Business Standard*, "Nobody wants to invest when there is no data available on the reserves. Whether these companies [selected bidders] have the capability to mine is a big question now. These companies may also fail to do mining."

Even as India has progressed from mining to setting up facilities for separation and refining over the years, industrial-scale metal extraction facilities remain relatively nonexistent, in large part due to the lack of technical knowledge in areas such as vapor metallurgy and the enormous upfront capital requirements. As a result, downstream industries continue to rely on imported raw materials, affecting their global competitiveness and making them vulnerable to supply chain shocks.



Navigating the Path Forward

In a sign of recognizing the scale of challenges ahead, the need to surmount them, and the deficiencies in its approach so far, the GoI has already begun work on a new policy to promote the exploration and processing of critical minerals by offering incentives at each stage of the production process.

Furthermore, the Mines Secretary has announced that the end-to-end policy will also apply retrospectively to the blocks auctioned so far.

Meanwhile, New Delhi is focused on leveraging India's partnerships, through mechanisms such as the US-led Mineral Security Partnerships, to acquire the required technologies for its domestic aspirations and build international collaborations to secure its place in critical minerals supply chains abroad. For instance, in January this year, India acquired five lithium blocks in Argentina through state-owned Khanij Bidesh India Ltd (Kabil), a joint venture of three PSUs formed under the Ministry of Mines in 2019. The Ministry reportedly has plans to support Kabil and other PSUs, such as Coal India Ltd., in acquiring assets and projects overseas by sharing proposals received through the US-led Minerals Security Partnership.

New Delhi is also in talks with several other countries, including the UK, Australia, Russia, and the US, to secure technology collaborations and transfers for its domestic players. The Ministry of Mines has initiated bilateral meetings with Russia, which is home to several leading mining companies, and is keen on instituting a mining partnership with Moscow, which would include Russian investments in Indian mining projects. In return, Moscow is reportedly pushing for Indian investments in Russia's Far East.

Meanwhile, the recently concluded India-US iCET review meet saw a renewed focus on critical minerals. A joint fact sheet stated the aim to promote "India's vital role in the mineral security partnership, including through co-investing in a lithium resource project in South America and a rare earths deposit in Africa…" Furthermore, New Delhi and Washington, in keeping with iCET's "whole of society" approach, will focus on instituting collaborations between American and Indian universities, national laboratories, and private sector researchers, to build future capacity.