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Why India must address its critical gold and copper shortage in the 2026 Union Budget

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With the Union Government preparing its budgetary agenda for FY27, debates around fiscal consolidation, capital expenditure, and industrial growth have taken centre stage.

Far less attention, however, has been paid to an emerging structural vulnerability that affects India's infrastructure, manufacturing, energy transition, and external balances, which is India's growing shortage of critical and other metals/minerals, particularly copper and gold. With global supply chains fragmenting and resource nationalism intensifying, India's dependence on imported metals is a strategic concern that demands attention.

Copper and gold are central to India's economic trajectory, albeit in different ways. Copper is foundational to power transmission, renewable energy, electric mobility, electronics, and defence manufacturing. These are the sectors that the government itself has identified as national priorities.

Gold, meanwhile, plays a unique role in India's financial system, household savings, and external accounts. Together, these two metals account for a disproportionate share of India's mineral import bill, contributing to persistent current account pressures, which may expose the economy to global price volatility and geopolitical disruptions.

Despite its geological potential, India has yet to develop domestic capacity commensurate with its demand growth. Copper imports have surged steadily over the past decade, while

domestic production has stagnated. India now imports over 90 per cent of its refined copper requirements, a significant vulnerability for an economy pursuing aggressive electrification and renewable energy. Gold imports, meanwhile, may routinely exceed $35–40 billion annually, making the metal one of the single most significant contributors to the trade deficit. This persists even as domestic reserves remain underdeveloped and underexploited.

The gap

An analysis of the reasons for the absence of a domestic alternative would show that mining is capital-intensive, technologically demanding, and inherently long-gestation. It requires continuous investment in exploration, rapid project execution, and the ability to absorb risk over long cycles. By contrast, India's mining ecosystem, particularly for non-coal minerals, has been constrained by fragmented ownership, limited risk appetite, slow approvals, and inadequate access to growth capital. This is a teething issue when demand is rising while domestic supply remains stagnant.

Copper and gold are critical to India's growth trajectory, and therefore it is important to address the issue of critical minerals shortage. This is especially important given that India has deep geological potential and long-established government-owned mining enterprises and yet, remains overwhelmingly dependent on imports of minerals. This results in substantial foreign exchange outflows and exposure to global price and geopolitical risks.

Take the example of PSUs. Hindustan Copper Limited, which controls a significant share of India's rich copper ore mining assets, continues to operate well below the scale required to meaningfully reduce import dependence, owing to slow exploration, capital constraints, and operational bottlenecks. A report by the Comptroller and Auditor General of India (CAG) highlighted major failures by Hindustan Copper Limited (HCL) (HCL) in exploration, noting a lack of specific policies, missing time-bound targets, and poor performance in exploring existing mines (brownfield) and new areas (greenfield), leading to operational inefficiencies and potential revenue losses despite India's need for increased copper production.

Similarly, Hutti Gold Mines Limited (HGML), owned by the Government of Karnataka, remains India's only significant primary gold mining company. Despite possessing reserves that could support the country's gold demand for several decades, HGML's annual gold production remains low relative to overall demand. India's domestic gold production is negligible, approximately 2 per cent of total demand. Bharat Gold Mines, which houses one of the country's richest gold reserves, has faced production issues in the past.

These enterprises reflect a broader structural pattern in which valuable public assets remain locked in low-productivity equilibria because the ownership framework does not incentivise speed, risk-taking, or long-term capital deployment.

The implications of this underperformance extend beyond the balance sheets and go into the real economy. Every tonne of copper not produced domestically increases India's exposure to volatile global markets. Each ounce of gold imported increases pressure on the current account and on currency stability. In a world where access to critical minerals is increasingly weaponised, India's limited control over its own resource base weakens its negotiating position and strategic autonomy.

The solution

Addressing this shortage requires a mindset shift, whereby mining is viewed beyond the traditional static public-sector role to recognise it as a strategic growth enabler. This should involve disinvestment, stake sale, partnerships, professionalised management, or access to private and global capital. Private-sector collaboration is likely to drive increased production, scale, speed, technology adoption, and capital deployment.

The significance of disinvestment lies in governments selling public assets to raise revenue for development, reduce fiscal deficits, and lower debt, while simultaneously boosting efficiency, innovation, and competitiveness in sectors by introducing private management, promoting broader ownership, and shifting focus from non-core businesses to core functions, ultimately driving economic growth.

Such reform is a supply-security imperative. Expanding domestic copper and gold production is a must as it strengthens industrial competitiveness, stabilises external balances, and creates high-quality employment across mining, logistics, and downstream processing.

As the government finalises its budget priorities, the question is not whether India can afford to rethink its approach to copper and gold, but whether it can afford not to. Ignoring supply deficits in these minerals risks locking the economy into long-term import dependence at precisely the moment when global competition for resources is intensifying. A credible strategy to unlock domestic copper and gold capacity would signal that India understands the strategic value of its mineral wealth and is prepared to act before shortages become systemic constraints on growth.