

# India needs to unlock its natural resource potential

Mining industry could grow to 10% of GDP if country develops its own deposits

## **ANIL AGARWAL**

With election season under way, political leaders across India are debating how best to grow the economy and end the poverty that still affects over 175m people nationally.

Candidates across the political spectrum should understand that an ambitious programme to develop the country's natural resources would support this goal by making economic growth more inclusive and creating millions of jobs.

But attracting the capital needed to expand the mining and oil industries will require government to work with business to improve the investment climate, raise environmental standards and build public support.

The Indian economy is the third largest in the world. After years of being touted as the next big thing by the global resources industry, it has reached a scale where its growth will have a significant impact on international commodity markets.

Indian demand for steelmaking ingredients iron ore and coking coal is expected to double between 2016 and 2030. The country will account for 30 per cent of new global energy demand between now and 2040 and Opec forecasts its oil consumption will rise 150 per cent over that period.

India now faces a choice. It can import the materials it needs, and see the economic benefits flow overseas as trade deficit increases, or it can develop its own deposits.

The country was once part of the Gondwana supercontinent, along with the landmasses that now make up Africa and Australasia, and has a similar abundance of natural resources — including oil, gas, iron ore, coal, bauxite, gold and silver. But its resources industry is under-developed. Mining contributes just 2.2 per cent to gross domestic product compared with 8.2 per cent in Australia and 7.3 per cent in South Africa.

This means India unnecessarily imports over \$250bn of oil, minerals and metals annually and sector employment is far lower than it should be. The Indian workforce will soon be the world's largest and every year grows by 10m-12m. People are hungry for jobs — as the 25m applications for 90,000 roles at India Railways last year shows. The country cannot afford to ignore opportunities created by developing its resources.

Political leaders have begun to recognise this. The 2019 National Mineral Policy aims to triple the size of the mining and oil industries in the next seven years. These targets and more are achievable but only with the right policy framework and commitments from business. Three changes are needed.

First, government policy must facilitate resource development. We need to improve the industry's access to resources, make permitting quicker and more predictable, and start addressing infrastructure constraints that make it harder to transport production from the mine gate to customers.

Second, we need to challenge ourselves and the industry to win greater community support for development. While Indian law rightly requires that companies secure the consent of local people before companies develop resources, we need to be more active in addressing local concerns if we are to prevent the anti-development protests the industry has previously faced.

In part this will require raising environmental standards and building public confidence in the industry's performance. To support this, business should work with government to create a regulatory body that provides quicker approvals alongside tougher monitoring — so communities feel they are being protected.

At Vedanta we have been investing heavily to minimise the environmental impact of our facilities. For example, at Tuticorin, which is designed to discharge no material into the water system, we

have invested \$75m in various projects to reduce emissions and increase our engagement with the community, so we can proactively address any other concerns they have.

We have more to do but I'm convinced that with modern technology, the industry can build steel, aluminium and other manufacturing plants that don't contribute to air or water pollution.

Finally the industry needs to work with government to build state capacity and spread the benefits of development. Vedanta's contribution to public finances amounted to around \$4.7bn in the financial year to March 2018. Vedanta alone employs more than 65,000 people and helps 3.4m through its community programmes. A growing sector could extend these benefits enormously.

Of course, no industry can replace the state. But programmes like our Nand Ghar education, healthcare and nutrition project can extend government's ability to provide public services.

I'm confident that with the right contribution from government and business, India can establish itself as a major investment destination for the global resources industry. If it fulfils its potential, the mining industry could grow to 10 per cent of GDP and the country could meet half its oil demand and almost the entire mineral requirement through domestic sources — diversifying global supply and boosting national security.

This would mean more jobs, more taxes collected, a stronger balance of payments and the creation of an ecosystem of businesses that support more inclusive economic development. India has an opportunity to eliminate poverty within a decade and play a bigger role in the global economy. The resources industry can help fulfil this potential.

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The Commodities Note is an online commentary on the industry from the Financial Times