

THE ECONOMIC TIMES

Mon, 17 Dec-12; Economic Times - Delhi; Size : 815 sq.cm.; Page : 1

Open Mining Policy can Make India a Powerhouse

ANIL AGARWAL, *Chairman, Vedanta*

VIEWPOINT >> 13



\$1-Trillion Treasure Waiting to be Dug Out

An open and simple policy for extraction and sale of natural resources will make India an economic powerhouse and boost revenues for the government to empower people



ANIL AGARWAL

For a country with one of the largest reserves of natural resources in the world, the transformational potential of India's resources sector is immense. The sector has the potential to add \$1 trillion to the Indian economy that can substantially contribute towards much-needed investments in education, health and nutrition.

India's economic rise since 1991 has resulted in a sharp rise in resource needs, from petroleum products to power and infrastructure. This, in turn, has led to a burgeoning import bill that stands at \$485 billion. Oil and petroleum products is the single-largest contributor with \$150 billion. This is close to 10% of the country's GDP. Gold, silver, coal and fertiliser are the other main items that are adding to this bill. If this continues, vulnerability of the Indian economy to external shocks will become higher. It is, therefore, imperative to take corrective actions immediately.

India is blessed with significant reserves of natural resources and we can produce all the key imported resources indigenously at 15-20% of the import cost. Thus, we can save \$300 billion on yearly basis and, within 3-4 years, we can add \$1 trillion to the economy.

India's current underutilisation of resources tells almost an unbelievable story. Despite having a similar geology to North America, Latin America, Australia and South Africa, we produce only 20% of our natural resource requirements. The mineral exploration industry in countries such as Canada spends over \$2 billion per annum in greenfield exploration, whereas India spends less than \$50 million.

What is worse is that despite having access to key resources like bauxite, India has been unable to tap into the large aluminium market, widely known as a green metal, and lost out to countries like China that have to fully import the raw material. Even with 3.5 billion tonnes of bauxite, which is the third-largest reserve of bauxite in the world, India only manages an annual production of 1.5 million tonnes of aluminium. In contrast, China that has no reserves of bauxite, produces about 20 million tonnes of aluminium annually.

The story is similar in the case of iron ore. Given our reserve level, we are in a position to produce quantities matching Brazil's and Australia's, which produce in the range of 600 million tonnes per annum. Against this, we have so far been producing a modest quantity of 125 million tonnes on yearly basis that also stands drastically reduced.

India's power and infrastructure needs continue to be unmet and underserved due to lack of an open and simple exploration policy that will allow exploration of resources in a sustainable manner. The fear



ARINDAM

that such a move will lead to rampant environmental degradation is also unfounded. With scientific mining and latest technology in mine development and production, these concerns can be fully addressed. A self-declaration policy will allow the companies to take responsibility for their actions, while enabling the government to impose heavy penalties in case of violations.

It is in the industry's interest to increase mineral reserves through exploration to provide value to the stakeholders in a sustainable manner. A nearly seven-fold increase in zinc output by Hindustan Zinc Ltd after disinvestment is a case in point. This has been possible only due to scientific production and systematic exploration.

India's need of the hour is greenfield exploration. One such exploration was the discovery of oil in Rajasthan by Cairn India, which was the country's largest onshore discovery in India in 20 years. Today, Cairn India produces 25% of the country's total crude oil production. India only has a handful of oil and gas companies. It is imperative to have 15-20 players that will bring in the technology and explore sources that will lead to the developme-

nt of the exploration and production value chain and also act as an employment multiplier. Similarly in case of coal and other minerals, many more players need to be brought in for exploration.

The exchequer, both at the Centre and the state level, also stands to gain immensely from a simple exploration policy. Auctioning of blocks and moving to a revenue-sharing

model from the current profit-sharing model will allow the government to rake in more royalty and taxes. A recent PricewaterhouseCoopers report noted that Rajasthan transitioned from a revenue-deficit state into a revenue-surplus one in 2010-11 on the strength of Cairn's Barmer oilfields that started commercial output in late 2009.

India needs to aggressively take steps for utilisation of its natural resource and resultant downstream manufacturing activities. The Indian corporate community and entrepreneurs are capable of bringing in world-class technology

and big investments to support these efforts. State-owned Geological Survey of India (GSI) and Mineral Exploration Corporation (MECL) are also extremely capable of providing guidance for exploration and for development of natural resource sector. Together, we can recreate the transformational change that IT and the telecom sectors have done for the country.

Exploration of domestic natural resource reserves and, thereby, developing manufacturing sectors will not only unlock India's true potential as an economic powerhouse, it will also help us create better infrastructure, generate employment and bring in latest technology. It can generate significant additional revenues to the government that can be used for the social sector, and investment in education, health and nutrition. India's growth needs and the aspirations of 1.2 billion people should not be compromised. Unearthing the hidden treasure through scientific exploration and bringing new mines on the mineral map of India with the latest technology alone can empower the people of India.

(The author is chairman of the Vedanta group)

Scientific mining and latest technology in development and output can address concerns for hurting the environment