

India Seeks Critical Mineral Agreement With US

Why In News

- India has proposed to the United States to convert their **memorandum of understanding** in critical minerals into a **critical minerals agreement (CMA)** that will give the benefits of a free trade agreement to the trade of electric vehicles.



- “I have **suggested that our critical minerals MoU should be converted** to critical minerals partnership agreement and become a beginning point to move towards a free trade agreement (FTA),” commerce and industry minister Piyush Goyal told reporters on Saturday.



Critical Minerals

- **Critical minerals, including cobalt, copper, lithium, nickel, and rare earths**, are essential for clean energy technologies like wind turbines and electric vehicles. These minerals are particularly important for manufacturing batteries for electric cars. The proposed CMPA could help Indian firms gain duty concessions and other benefits in the American market.



- Last year, the US and Japan signed a similar agreement. The US provides benefits **under its Inflation Reduction Act to American firms** or those from countries with an FTA with the US. An official said that converting the MoU into a partnership agreement would give it trade deal status, allowing India to benefit from the US electric vehicle tax credit.

About The Agreement

- Under the **US' Inflation Reduction Act (IRA) of 2022**, certain percentage of critical minerals in EV batteries have to be sourced from the United States or US FTA partners.
- This is a must if EVs have to qualify for tax incentives, which are given as tax breaks to buyers. even vehicles made in countries with which the US has CMA will be eligible for benefits in the form of tax breaks to buyers of EVs in the US. The US provides **tax benefits of up to \$7,500 for new EVs**.



- **Japan is the first country to qualify** for benefits for its EVs under CMA. The pact between the two countries was signed in March last year. The US is negotiating similar agreements with the United Kingdom and European Union.
- An official said the conversion of the MoU into a partnership agreement will give it **the status of a trade deal, thereby** enabling Indian EV manufacturers to benefit from the electric vehicle tax credit that the US gives under its IRA.
- India and US early this month signed an MoU to **“expand and diversify critical mineral supply chains”** during Goyal’s visit to the country for the 6th ministerial level meeting of US-India Commercial Dialogue. The agreement will leverage complementary strengths and facilitate mutually beneficial development of Indian and US critical minerals **exploration, extraction, processing, recycling, and related activities.**



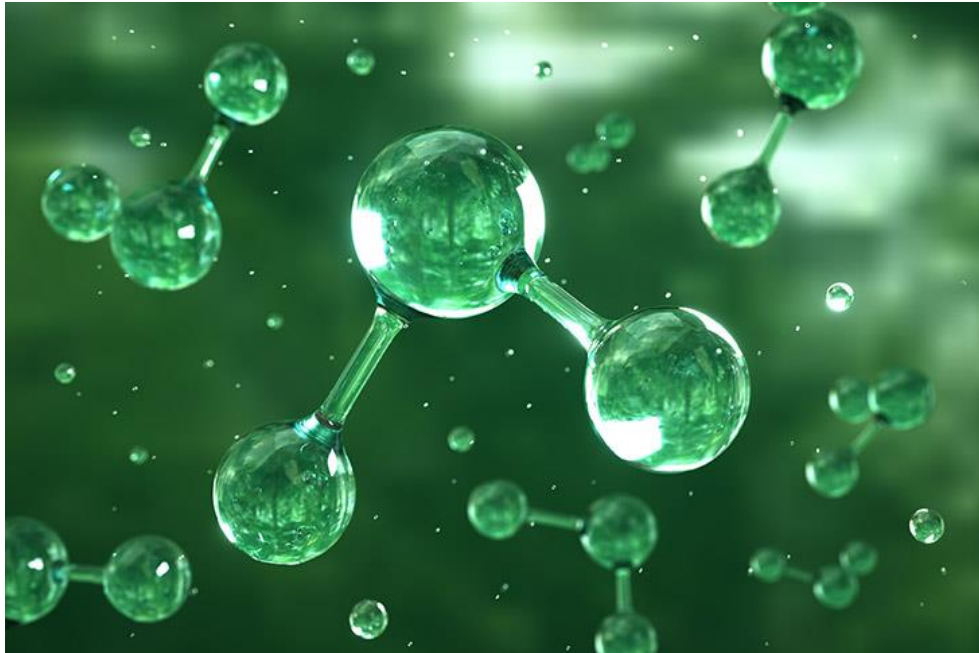
- The critical minerals covered by CMA that the US has covers cobalt, graphite, lithium, manganese and nickel—all key EV battery inputs.
- On the possibility of FTA with the US, the minister said the US congress is not very enthusiastic about FTAs with any country.



- The MoU fell far short of a full critical minerals trade deal that would allow India to **benefit from the \$7,500 U.S. electric vehicle tax credit.**
- Minerals-focused trade deals, opens new tab are one way that the U.S. President Joe Biden's administration hopes to open up access for trusted allies to a \$7,500 per vehicle EV tax credit introduced in last year's climate-focused Inflation Reduction Act.

US Partnership With India

- India's push for a critical minerals agreement with the US, similar to the US-Japan agreement signed last year, could help Indian companies gain from duty concessions and other advantages when selling their products in the American market. **Duty benefits are typically extended** to American companies or those from countries with a trade pact with the US.



- In addition to discussions on **technology transfer, green hydrogen, green ammonia, and bio-sciences**, Goyal mentioned that several American companies have expressed a strong interest in investing in India.
- One American firm is reportedly planning to invest over **\$10 billion in data centres and quantum computing** for artificial intelligence (AI) in India. To further attract investment, India is also aiming to establish investment offices in New York and Silicon Valley, staffed by representatives from Invest India and the National Industrial Corridor Development Corporation (NICDC).