Indian Economy · GS - III

Examine how rising global energy prices affect the mining industry. Discuss measures that resource-intensive industries can adopt to manage energy-cost volatility.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 30/10/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Energy-intensive production; diesel dependency; operational costs; profit margins; commodity markets; hedging strategies; renewable energy; energy efficiency

Model Answer

Introduction

Mining is an energy-intensive industry that depends heavily on diesel and electricity for extraction, transportation and processing. Rising fuel prices can significantly affect production costs and profitability.

Impact of Rising Energy Prices

- **Higher operating costs:** Increased diesel prices raise expenses associated with heavy machinery and transportation.
- **Reduced profitability:** Higher input costs can compress profit margins, particularly when commodity prices remain stable.
- **Investment uncertainty:** Cost volatility may discourage expansion and delay investment in mining projects.

- **Supply-chain effects:** Increased extraction and transportation costs can influence the availability and pricing of minerals.

Mitigation Measures

- **Hedging:** Use financial instruments and long-term contracts to manage fuel-price risks.
- **Energy diversification:** Adopt solar, wind and other renewable energy sources.
- **Efficiency improvements:** Introduce energy-efficient machinery and optimise transportation systems.
- **Technology adoption:** Use automation and digital monitoring to reduce operational inefficiencies.

Conclusion

Energy diversification, financial risk management and technological innovation are essential for improving the resilience and sustainability of the mining industry.

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