FED:Fortescue 'doubling down' on green iron despite leaks

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Body

Iron ore and energy group ***Fortescue*** Ltd says it is focused on a 20-year mission to build the world a green metal supply chain - and a new industry for Australia.

Fortescue was "doubling down" on green metals because they provided a significant growth opportunity and a way to rethink the entire iron and steel sector, metals chief executive Dino Otranto said on Wednesday.

Within 12 months, granules made from Pilbara iron ores, with hydrogen derived from sun-powered renewable energy as the reducing agent, would show the world what was possible, he said.

Site works started in August on the $US50 million ($A74 million) Christmas Creek "green iron" trial plant in the Pilbara region of Western Australia.

The target is annual production of more than 1500 tonnes, using existing hydrogen production infrastructure at a green energy hub that includes production, storage and refuelling infrastructure for the mining fleet.

Mr Otranto said there was "insatiable demand" for green products in China.

"Australia is uniquely positioned for its next boom beyond commodities ... that's why we're putting so much effort into our green iron plant in Christmas Creek," he said.

Group chief financial officer Apple Paget said the strong balance sheet, with cash of $US4.9 billion and net debt of $US0.5 billion at June 30, supported growth projects, including green iron.

But progress on ***Fortescue***'s $US4 billion Iron Bridge project which is better suited for supporting green steel production than lower-grade ore from the Pilbara, has faced delays over pipeline leaks.

Its first magnetite mining operation, 145km south of Port Hedland, is designed to produce a wet concentrate sent along a slurry pipeline.

At full tilt, Iron Bridge could deliver 22 million tonnes of high-grade concentrate and jump-start South Australia's plans to exploit its magnetite reserves for future green iron and steel.

The group's $US6.2 billion decarbonisation plan includes the deployment of an additional two to three gigawatt of renewable energy generation and battery storage, in addition to electric haul trucks and green locomotives.

A 100-megawatt solar farm undergoing commissioning at North Star Junction near Iron Bridge will avoid up to 125,000 tonnes of carbon emissions from operations every year, according to executive chairman Andrew Forrest.

"This is the first of more than one gigawatt of solar infrastructure that we will build before the end of the decade," he said.

One of the world's largest iron ore companies, revenue rose eight per cent to $US18.22 billion and cash on hand was $US4.9 billion.

Fortescue posted a three per cent rise in underlying net profit to $US5.68 billion for the 12 months to June 30, with shipments steady at 191.6 million tonnes.

Hematite shipments were 190.4Mt and magnetite shipments 1.2Mt.

Revenue rose eight per cent to $US18.2 billion as hematite average revenue rose eight per cent to $US103/dry metric tonne. But its costs rose four per cent on labour and other pressures.

By meeting the future market for green metal, ***Fortescue*** also plans to become one of the world's largest consumers of green hydrogen.

For example, the production of 100 million tonnes of green metal would involve around 8Mt of green hydrogen.

But according to energy CEO Mark Hutchison, ***Fortescue*** is "realistic about the pace of the current global energy transition" and "financial discipline always comes first".

"We will never make investments that are not economically viable," he said.

Fortescue declared a fully franked final dividend of A89 cents, for a total dividend of $A1.97 - up from $A1.75 a year earlier.

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