



## *Genex seeks new solar buyers*

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### **Body**

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**Fortescue** has allowed a key deadline to buy green energy for its stalled Gibson Island hydrogen plant to lapse, as renewable energy company Genex says it is talking to other potential buyers for energy from its proposed Bulli Creek solar farm.

The lapse throws fresh doubt over the viability of the Gibson Island project, once the flagship of **Fortescue**'s proposed hydrogen production centres in Australia, but which the company has seemingly set aside as it struggles to find returns at Australian power prices.

The failure of **Fortescue** to meet a twice-extended March 31 deadline to make a final investment decision on building a hydrogen production plant at Incitec Pivot's former Queensland fertiliser plant also has Genex scrambling to find a replacement to anchor the generation hub's construction.

The Andrew Forrest-led company signed a deal with Genex for up to 337.5 megawatts of annual capacity from the proposed 2GW solar farm in October 2023. The deal was to underpin the first 450MW stage of the solar farm's construction, allowing Genex to look for additional contracts to upsize its construction to 775MW and target an eventual 2GW of solar and battery capacity.

But, despite long having flagged plans to make a final investment decision by the end of 2023 - along with partner Incitec Pivot - **Fortescue** dropped Gibson Island from its top priority list only six weeks after signing on with Genex, saying it was still working on front-end engineering and design studies "as Australia struggles to shed its petrostate status and still suffers structurally high green electricity costs".

In December, Genex extended **Fortescue**'s deadline to make a final investment decision until the end of February, then tacked on an additional month.

That deadline has also lapsed and, while Genex said on Tuesday a path was still open for **Fortescue** to buy power from the proposed 5000ha solar farm, the company also flagged talks with alternative buyers for the energy.

## Genex seeks new solar buyers

Genex said **Fortescue** had -neither satisfied or waived the construction by the new March 31 deadline, leaving the door ajar for the iron ore and would-be renewable energy major to make good on the October power purchase agreement.

Incitec declined to comment on Tuesday, but a **Fortescue** spokeswoman said the company was still "progressing" the Gibson Island project, but "we have more work to do". She said: "We are approaching this project with the same financial discipline **Fortescue** has shown for 20 years." But Genex said it was also involved in ongoing talks over additional power contracts, and **Fortescue's** failure to meet the latest deadline "has no material impact on the project timeline or such discussions" - despite confirming that it believed the agreement was on foot, and must be confirmed or terminated before the company could close financing for Bulli Creek.

"Genex is continuing discussions with external parties for further solar offtake which would allow the initial capacity of the project to be increased to up to 775MW to become the largest grid-connected solar farm in Australia," the company said.

"Genex continues to expect that such discussions will conclude and the size of Bulli Creek confirmed by mid-2024, which will support the target of a final investment decision for the first-stage project in the second half of the year." Hydrogen produced at Gibson Island was to have been used to produce ammonia at Incitec's mothballed fertiliser plant nearby.

The Australian understands a key factor in the decision to put the project on the backburner last year was **Fortescue's** failure to find an external buyer for ammonia from the plant, with Incitec rival Orica believed to have turned down an offtake agreement unless **Fortescue** guaranteed it would then buy explosives produced using the plant's ammonia for use at its own mines.

Analysts have long doubted the viability of Gibson Island, with Goldman analysts last year tipping construction costs of \$US1.5bn (\$2.3bn) and production costs of about \$US5.50-\$US6 a kilogram of hydrogen.

Genex shares closed up 1c at \$25.5c on Tuesday, with **Fortescue** down 28c at \$25.42.

A month ago Genex received a \$381m takeover bid from Japan's Electric Power Development, known as J-Power, one of Japan's largest electricity companies, sending shares in the pure-play renewable energy developer up more 30 per cent. Genex said on Tuesday the exclusivity period had been extended to April 8 with a view to reaching a deal.

J-Power has also offered a back-up offer to secure Genex in the event that not enough of Genex's shareholders vote in favour of the bid. J-Power is offering a slightly lower amount of 27c in cash that is conditional on support from Genex shareholders owning at least 50.1 per cent of the Australian renewable energy company. The alternative structure comes amid concerns that a one-time suitor for Genex, Skip Capital, could block the deal.

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