Pullback Twiggy pushes tax credits

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Body

Fortescue founder Andrew -Forrest says Labor should push ahead with billions of dollars in tax -incentives for green--hydrogen producers despite scaling down his own ambitions, arguing that high energy costs must be lowered to secure the fuel source as a commercially viable export -industry.

Dr Forrest told The Australian the feasibility of the industry came down to the cost of electricity - a position backed by former chief scientist Alan Finkel - and ***Fortescue***'s decision to pull back from its target of producing 15 million tonnes of green hydrogen by 2030 should not force a government rethink on its current strategy.

"The time to invest is through the cycle. If you wait for a boom to invest, you're going to be bringing your product on in a bust," Dr Forrest said. "No, I would not recalibrate (government policy)." Ahead of an election where the major parties will present radically different pathways to achieving net-zero emissions by 2050, Anthony Albanese provided an assurance on Thursday that "our energy plan is on track" and Labor was "getting on with the job".

Dr Forrest said he would not change the way the company -approached its energy strategy, despite ***Fortescue***'s green-energy arm racking up more than $US1.44bn ($2.1bn) in losses over the past four years with little in the way of commercial returns.

The ***Fortescue*** restructure - under which 700 jobs will be cut - was seized on by the Coalition as evidence that Labor was "picking losers" by allocating billions of dollars in production tax credits for green-hydrogen producers.

Opposition climate and -energy spokesman Ted O'Brien said the announcement had "blown a gaping hole in the -Albanese Labor government's energy plans" and elevated the importance of gas. But he stopped short of renouncing the viability of the emerging industry.

"We remain optimistic about the success of hydrogen in the long term playing a role in our -future energy mix but we will not follow Labor's mistake of putting all its eggs in one basket," Mr O'Brien said.

As part of its flagship Future Made in Australia plan, the -government provided a budget allocation of $6.7bn to provide a $2 incentive for every kilogram of green hydrogen produced from 2027-28. It also committed $1.3bn for new projects under the Hydrogen Headstart program.

The Prime Minister said Labor was encouraging investment. He said its policies would "reward success" because the tax credits would only kick in once projects were realised. "I tell you what's not real: -nuclear reactors," Mr Albanese said on Thursday. "There is no plan for how they (the Coalition) get around the (nuclear) bans which are there." Australian Hydrogen Council chief executive Fiona Simon estimated that governments - state and federal - had earmarked at least $12bn for hydrogen over the next 13 years. But she noted the US was offering a more appealing production tax credit than Australia: $US3 for every kilogram of green hydrogen.

Responding to the ***Fortescue*** decision, Dr Simon acknowledged that an announcement involving staff cuts was "going to be a blow" but argued that confidence in the sector had not been shaken. "(It) confirms what we've all been talking about for a while, which is that it's really hard to get hydrogen projects up. But ... it doesn't mean that all projects don't work," she said.

Dr Forrest said ***Fortescue*** planned to invest in renewable energy to bring energy costs down and make -hydrogen exports commercially feasible "I wouldn't change anything about the government's commitment," he said. "Companies like ***Fortescue*** will start deploying very low-cost, very low-risk capital into increasing electricity generation, because there's a very strong opportunity there." Dr Finkel, said green hydrogen could replace coal as a chemical--reducing agent in the production of iron, but acknowledged its viability was "highly dependent" on the costs of renewable electricity.

He said the goal should be to start producing green hydrogen at about $2 a kilogram, "which would require the electricity that is used to make the hydrogen to be less than about $30 per megawatt hour - which is very cheap." "Worldwide, customers using iron or steel for railroad lines or building construction - they are not prepared to pay a large premium for green iron," he said. "We need to get the costs down eventually towards the costs of existing iron and steel making." Dr Finkel and Superpower -Institute chair Rod Sims said green hydrogen - produced by cracking water into hydrogen and oxygen through zero-emissions technologies - offered a fresh -opportunity for Australia to combine its comparative advantages in iron ore and renewable energy.

Professor Sims said exporting hydrogen was "incredibly" expensive. "You make the green hydrogen in Australia and you double the cost to send it overseas," he said. "We've got the renewable energy sources to make green hydrogen. That's why Australia is the best place in the world to make green iron." Dr Finkel said that, in addition to lowering electricity prices, the government should make -legislative reforms to fast-track -approvals for renewable projects key to producing green hydrogen.

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