Hydrogen rethink for Fortescue

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Body

Fortescue is considering pausing almost $1 billion of approved hydrogen projects in Australia and the United States as it assesses the second Donald Trump administration's attitude to clean energy.

The mining group, controlled by Andrew Forrest, cut its full-year capital expenditure forecast by one-fifth to $US400 million ($630 million) at its energy division, reflecting reduced spending on green fuel projects and their slow adoption.

Fortescue warned that Trump's return as US president has called into question the development timeline for its $US550 million green hydrogen project in Arizona, after grants promised under the Biden administration had been threatened.

The miner is also considering the time frame for its $150 million electrolyser manufacturing facility in the Queensland city of Gladstone.

"For the Arizona project, the Trump administration has been a flurry of executive action around some sections of the [Inflation Reduction Act] from the grants that come into question and including hydrogen production tax credits," said ***Fortescue*** Energy chief executive Mark Hutchinson.

"Until we have a much clearer view on that, we are being quite cautious about what we're doing. We've spent about one-fifth of the capex on Arizona, so we're being very cautious, very disciplined about the money we spend. We're waiting on the outcome of several elections globally."

He said ***Fortescue*** remained "fully committed to hydrogen", and that more clarity on the projects would be announced at the financial year-end.

Last July, ***Fortescue*** cut 700 jobs and slowed its push into green hydrogen and ammonia by pulling back from its complex at Gibson Island in Queensland. The miner declined to confirm how many of those job cuts were specific to its energy division.

Fortescue hopes its Arizona Hydrogen plant, scheduled to begin production in 2026, will spur the decarbonisation of heavy transport in southwestern US. Low-carbon "green" hydrogen is made by using renewable energy to split water into its constituent parts.

However, ***Fortescue*** and rival Woodside Energy have had their commitment to US hydrogen projects questioned after new rules that made it tougher to access government tax credits.

Hutchinson also poured cold water on the outlook for ***Fortescue***'s green ammonia projects in Norway and Brazil, which may not be progressed unless customers are found. "We're not going to bring [the projects] to the board until we've locked in the buyers," he said.

Meanwhile, South Australia has scrapped its plans to build a green hydrogen plant at Whyalla, marking a blow to the Albanese government's vision for the energy source.

Yesterday's hydrogen setback came as ***Fortescue***'s interim profit fell by more than half, prompting the miner to slash its dividend. Its shares, which have lost more than one-third of their value over the past 12 months, ended 6.22 per cent lower at $18.24.

The Perth-based ***Fortescue*** increased iron ore production to a record high during the December half, shipping 97.1 million tonnes, as commodity prices sagged.

The wobbling Chinese property sector has weighed on prices of the key steel-making ingredient, forcing Australian iron ore miners to increase production to underpin revenues.

Fortescue posted net profit after tax of $US1.55 billion - less than half the $US3.3 billion reported a year ago and 12 per cent lower than what analysts expected. Revenue during the final six months of 2024 was down by one-fifth at $US7.6 billion.

Investors will receive less than half the $1.08 payout they pocketed a year ago. ***Fortescue*** proposes to pay a fully franked interim dividend of 50¢ a share. The payout ratio of 65 per cent of ***Fortescue***'s net profit was unchanged.

The dividend is worth about $560 million to Andrew and Nicola Forrest, who separated in 2023 and collectively control 36.7 per cent of the miner.

Fortescue reported higher costs at its troubled $US3.9 billion Iron Bridge project, which the miner warned was unlikely to reach its production capacity of 22 million tonnes by its September deadline. Guidance for ***Fortescue***'s full-year iron ore shipments remained unchanged, despite disruptions from cyclones in the Pilbara region.

Jarden analyst Jon Bishop said the results undershot consensus expectations, and warned that the falling iron ore price could place future dividends under pressure.

The miner did not offer an update on a native title claim that was filed against it and the state of Western Australia. The claim has almost doubled to $1.8 billion.

The Yindjibarndi people have sued ***Fortescue*** and the state of WA to compensate for lost economic benefits and cultural and spiritual damage caused by its Solomon project in the Pilbara.

Fortescue mining boss Dino Otranto declined to discuss the claim, but said the miner had "never shied away from the right compensation outcome".

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