Hydrogen collapse hits big Australian firms

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Byline: Peter Ker

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Big organisations such as ***Fortescue***, Cleanaway, Wesfarmers, Korea Zinc and the Royal Automobile Club of Victoria have been caught up in the collapse of the Australian division of a controversial US hydrogen vehicle manufacturer.

Hyzon Motors aimed to become the Tesla of hydrogen trucks when it listed on the Nasdaq in July 2021, but has since lost 99 per cent of its value and is now making a low-ball offer to acquire its failed Australian subsidiary out of administration.

The collapse of Hyzon's Australian subsidiary was triggered when the parent refused to extend financial support in July, and comes as the struggling US company is on track to exhaust its cash reserves within seven months at the current rate of spending.

The demise of Hyzon Motors Australia is the latest setback for the struggling hydrogen sector and comes after ***Fortescue*** chairman and hydrogen enthusiast Andrew Forrest conceded in July that the sector would not grow as quickly as he originally hoped.

It also comes after ***Fortescue***-backed hydrogen plane developer Universal Hydrogen collapsed in the US in July after burning through almost $150 million of investor capital.

Hyzon had delivered 10 hydrogen buses to ***Fortescue*** and was also working on hydrogen-powered rubbish trucks for Cleanaway when its Australian subsidiary was placed in administration on July 11. The subsidiary collapsed owing $29.9 million to its creditors, and the list of creditors included 45 local employees.

Hyzon Motors Australia had worked to retrofit hydrogen fuel cells into diesel trucks and buses from a site controlled by the RACV in Melbourne's south-east.

An Australian subsidiary of Korea Zinc, Ark Energy, was owed $2.89 million at the time of collapse, Cleanaway was owed $1.36 million and Wesfarmers subsidiary Coregas claimed $288,000.

The vast majority of Hyzon Australia's $29.9 million of debts were owed to Hyzon entities in the US and China.

Despite vowing to cease working in Australia as part of efforts to focus more on North American markets, Hyzon's parent entity is now trying to acquire the Australian subsidiary under a deed of company arrangement that has been recommended by the administrator, PKF partner Jason Stone.

Mr Stone told creditors they would get a better dividend if they accepted Hyzon's offer, because the US and Chinese subsidiaries of Hyzon would not claim their full debts if the offer was accepted. But he said the Hyzon parent could seek repayment of its secured debts if the Australian subsidiary was instead put into liquidation.

"In the event the proposal is not accepted it is understood that HMI [Hyzon's US parent] and the other related party entities will seek to prove [reclaim debts] in the liquidation," Mr Stone said.

He said the best-case scenario under a liquidation was for creditors to receive 7¢ for every dollar owed by Hyzon Motors Australia. But he said creditors could receive between 19¢ and 60¢ for each dollar owed if they accepted the takeover by the US parent company.

Fortescue was named as a debtor to Hyzon Motors Australia, allegedly owing the collapsed company just over $55,000. Mr Stone did not explain in his report why ***Fortescue*** owed the money; however, he did say there was one "after sales client" who had been invoiced for "spare parts and other support charges".

Hyzon had transferred just over $1 million into an accountant's trust account in case ***Fortescue*** claimed repairs under warranty on the 10 hydrogen buses it had purchased.

Mr Stone said the administrators were eligible to collect those warranty reserves, and he had ordered the third-party accountant to return the money.

"To date this has not occurred and proceedings may need to be issued to recover the funds," he said.

There is no suggestion of wrongdoing by ***Fortescue***.

The 10 hydrogen coaches are used to ferry workers between their mine site accommodation and the airport at ***Fortescue***'s Pilbara iron ore mines.

Australian businessman Craig Knight led Hyzon to a Nasdaq listing in July 2021 amid a wave of cheap money and a boom in hydrogen stocks.

But the stock has since lost more than 99 per cent of its value on the back of a regulatory probe and the failure of the company to ramp up sales as quickly as hoped.

Mr Knight stepped down in mid-2022 and is barred from being a company director for five years after the US Securities and Exchange Commission accused him of making false statements about Hyzon's progress.

Hyzon shares hit a new low of US5.4¢ on Friday.

Most other hydrogen stocks have also suffered steep falls over the past three years.

Norwegian electrolyser manufacturer Nel is down 85 per cent since January 2021, while scandal-plagued Nikola Motors is down 99.6 per cent since June 2020.

Electrolyser manufacturer Plug Power has lost 96.5 per cent of its value since January 2021.

Aside from higher interest rates and slow progress on technology delivery, hydrogen stocks have suffered from the fact subsidies promised under the US government's Inflation Reduction Act (IRA) have proved far harder to access than expected.

Sentiment towards hydrogen has also suffered from perceptions that Republican nominee Donald Trump may scrap the hydrogen incentives in the IRA if returned as president in November.

Hyzon's Nasdaq-listed parent lost $US85 million in the six months to June 30.

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