



## **APA plots path to become Pilbara solar and batteries giant**

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### **Body**

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APA Group says it hopes to expand its power generation portfolio in Western Australia's Pilbara and commit to new investments within a year as it diversifies away from its core business of operating gas pipelines.

The company has a big opportunity in the remote region - the heartland for the country's iron ore mining operations. Industry giants from BHP and Rio Tinto to **Fortescue** - along with lithium developers, oil and gas operators and the fertiliser industry - are moving away from diesel to cut emissions, with demand for power expected to increase five-fold by 2050.

APA yesterday opened a battery and solar project in Port Hedland that will supply BHP's iron ore port in the regional centre. APA chief executive Adam Watson said there were also projects under development in Newman and Chichester, in the Pilbara's south.

The company is also examining building electricity transmission infrastructure to connect Port Hedland to mines around Newman as part of a strategy to electrify the region.

According to the WA government, more than 3000 kilometres of transmission lines will need to be built in the Pilbara alone by 2050 to meet demand.

The Pilbara accounts for 23 per cent of carbon emissions covered by Labor's safeguard mechanism, which penalises big industrial and resources operations if they do not meet greenhouse gas reduction requirements.

"There's a range of projects in the near term that we can bring to market, and that's about a \$3 billion pipeline of projects," Mr Watson said yesterday during a visit to Port Hedland. "We're also talking about building a transmission corridor from port to pit to be able to try and bring more renewables to the region. Some may be for a specific customer, some may be general purpose."

Yesterday, the WA government separately awarded APA priority status for the construction of two electricity transmission corridors - one from Port Hedland to Newman, and another north into the Burrup peninsula. Those

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corridors will connect several large renewable energy projects, winding past wind turbines and potentially connecting to existing electricity networks.

Securing priority status means the two corridors do not have to pass some of the government's regulatory tests and work can begin immediately.

The company said it would negotiate for funding for the projects with the state and the federal government's Clean Energy Finance Corporation.

APA's first major foray outside gas and into electricity generation was its acquisition of \$1.72 billion of Pilbara assets from Alinta Energy last year. APA prevailed over a long list of rival suitors that showed interest in the assets, including oil and gas giant BP, Macquarie Asset Management, Wesfarmers and Pacific Equity Partners, and mining billionaires Andrew Forrest and Gina Rinehart. Morgan Stanley Infrastructure Partners was also short-listed in the auction but withdrew towards the end of the process.

The deal was partly funded by a \$750 million equity raising and marked a big move by APA into remote power generation and into electricity more broadly as it sought to beef up its resilience in the energy transition by reducing the dominance of natural gas within its portfolio.

Some investment bank brokers said at the time that APA had paid too much for the assets, putting pressure on the company to capitalise on its newly acquired big portfolio to grow rapidly.

The Port Hedland solar and battery project is the first of the projects that APA is rolling out after closing that Alinta deal.

Gas power generation, part of APA's core business, is also expected to have a critical role in guaranteeing energy security during the decarbonisation of the Pilbara, where some of the country's biggest mining players are active, including Dr Forrest's **Fortescue** and Mrs Rinehart's Roy Hill mine.

The acquired portfolio included 442 megawatts of operating gas generation, operating solar and battery farms, and more than 200 kilometres of transmission lines - as well as a minority interest in the Goldfields gas pipeline. Roy Hill, **Fortescue** and BHP are all customers, buying power from plants such as the Chichester solar farm and the battery and power station at Newman.

Mr Watson said the producing part of the business had delivered exactly as APA had hoped, while the pipeline of new projects was progressing, with several confidential processes under way with potential customers.

"We are as bullish as we were when we acquired the business around the future prospects. We are very, very confident that the Alinta acquisition will create value for our investors and for our customers," he said.

The Port Hedland project includes a 45-megawatt solar photovoltaic farm, together with a 35-megawatt one-hour battery, connected to APA's existing gas-fired Port Hedland power station to provide firming supply.

Mr Watson said the value of the package for BHP lay in the "bundling" together of the supply sources to maximise the use of cheap and clean renewables - helping cut the miner's reliance on diesel by about a half.

Tim Day, BHP's WA iron ore asset president, said the solar farm should provide most of the daytime energy needs of the group's huge port facilities in Port Hedland. "This power purchase agreement is a step forward on BHP's global pathway to decarbonisation, and it will also play an important role in the renewable energy future of the Pilbara."

BHP has a target to cut scope 1 and 2 emissions by 30 per cent by 2030 on its way to net zero emissions by 2050. The government wants to reduce emissions by 43 per cent on 2005 levels by 2030 and hit net zero by 2050.

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While the miners' decarbonisation targets represent an opportunity for APA and its specialist remote power rivals such as Zenith Energy and Pacific Energy, some resources companies such as **Fortescue** are making their own investments in green power.

"One of the biggest competitors we see is the customer trying to do it themselves," Mr Watson said. But he warned against the "false economy" of trying to secure a cheap energy source given the complexity of putting together solar and wind power, batteries and gas power generation along with the transmission to connect them without compromising energy security for mining operations that run around the clock.

APA's potential next projects include an expansion of the Port Hedland solar and battery project, an expansion of solar and wind generation at Chichester, and a wind farm at Newman.

Bringing solar and wind together would be a "game changer" in helping to bring miners' costs down, Mr Watson said.

APA Group covered the cost of The Australian Financial Review's travel from Sydney to Port Hedland.

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