



Labor's hydrogen goal stalls as Fortescue trims ambitions

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Body

Fortescue will cut 700 jobs and slow its push into green hydrogen in a blow to the Albanese government's plan to make Australia a hydrogen superpower, supported by more than \$8 billion of taxpayer-funded incentives.

Fortescue chairman Andrew Forrest said low carbon "green" hydrogen still had a bright future, but his immediate focus would shift to renewable electricity as he jettisoned a target for **Fortescue** to produce 15 million tonnes of green hydrogen by 2030.

The concession comes after a six-year period in which Dr Forrest was one of the world's leading advocates for hydrogen and as **Fortescue** works to break down a corporate structure that had previously treated its energy and iron ore mining divisions as separate companies.

The decision out of Perth stokes speculation that the Albanese government's flagship Hydrogen Headstart program, which proposes a \$2 per kilogram subsidy to hydrogen producers, could be insufficient to spur the industry into commercial reality. Woodside Energy has struggled to get a US hydrogen project signed off without enough customers willing to pay a premium for low-carbon fuels.

Dr Forrest said lower energy prices were the priority for world leaders at a time when war in Ukraine and the Middle East had roiled commodity markets, driven up the cost of energy and challenged the economics of hydrogen, which is more expensive than natural gas. "In that environment, you're not going to bring in major sources of green hydrogen, which relies on cheap energy prices," he said. "We are not going to swim against the tide."

The Albanese government promise of \$6.7 billion of production tax credits for hydrogen arrived barely a year after pumping \$2 billion of taxpayers' funds into the Hydrogen Headstart policy.

And energy sources say Japanese importers are increasingly looking at hydrogen only as a long-term alternative, preferring in the nearer term substitutes that are compatible with existing transport and utility infrastructure.

Grattan Institute energy policy director Tony Wood said: "The reality is that the queue of people being prepared to pay Twiggy Forrest a lot of money for green hydrogen is not very long."

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Green hydrogen is made by using renewable energy to split water into its constituent parts, and **Fortescue** had shaped as a likely beneficiary of those federal schemes.

But Dr Forrest said **Fortescue** would focus in the immediate future on generating and distributing clean power, rather than using that clean power to make hydrogen. "We're going to stay where we know we can win, and that's green electricity. Nothing beats green electricity," he said.

Dr Forrest is already a big producer of renewable power in his private capacity through Squadron Energy, which owns many Australian wind farms.

The job cuts announced by **Fortescue** yesterday will continue efforts under way for close to 18 months to reduce duplication between the energy and mining divisions.

One layer of duplication will remain: energy boss Mark Hutchinson and mining boss Dino Otranto will continue to be dual chief executives of **Fortescue** and report to Dr Forrest as executive chairman.

While the top three at **Fortescue** will remain in place, the rapid turnover of senior executives has continued, with energy executive Eva Hanly and marketing director Vivienne Tieu leaving the company.

Dual company secretary-general counsel Phil McKeiver has lost the company secretary role, in a move that appears to be driven by his handling of a bitter legal dispute with green iron rival Element Zero.

Fortescue hired private investigators to follow and monitor the former executives behind the Element Zero start-up and their families as part of a lawsuit over an alleged intellectual property breach.

Yesterday, Dr Forrest said no member of the **Fortescue** board had been aware of the strategy and the board "struggled" to align the actions with **Fortescue's** values.

Mr McKeiver had offered his resignation, but it had been rejected, the iron ore billionaire said.

"I'm proud of the guy for taking full responsibility."

Fortescue appointed Mona Gill as company secretary; Mr McKeiver will continue as general counsel.

Iron ore prices are predicted to slide over the next five years as new supply from Africa and Western Australia enters the market, but Dr Forrest said the job cuts were not driven by this.

"We're going to sadly lose around 4.5 per cent of our direct workforce, 3 per cent of our indirect workforce," he said of the proposed cuts.

"It's not a big number in percentage terms, but we still don't like doing it. But it's not to jam operating costs down, it is to streamline this organisation and keep the genius of simplicity."

The job cuts will affect **Fortescue** staff around the world and also add to the thousands of job losses in the Australian resources sector this year at loss-making nickel mines, lithium mines and Alcoa's Kwinana alumina refinery.

Yesterday, **Fortescue** appointed Apple Paget as chief financial officer of the combined group, ending the previous structure where the mining and energy divisions had their own CFOs, such as former Reserve Bank deputy Guy Debelle, who lasted just 143 days.

Former Mineral Resources executive Shelley Robertson was named as **Fortescue's** chief operating officer.

Fortescue will continue to push ahead with three green hydrogen projects that were the subject of final investment decisions last year; one in Arizona, one in the Pilbara, and a \$US150 million venture near Gladstone, which will start construction this year.

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Fortescue said two more hydrogen projects in Norway and Brazil remained under consideration, and the Norwegian project was close to a final investment decision.

Despite abandoning the 2030 hydrogen goal, Dr Forrest said **Fortescue** would eventually get to 15 million tonnes of hydrogen production and would retain its promise to have zero greenhouse gas emissions globally by 2030 without relying on carbon offsets. It bills its hydrogen as zero carbon.

Dr Hutchinson said **Fortescue** would continue to make hydrogen electrolyzers at its Gladstone factory at a time when many customers were enduring long waits for electrolyzers to be delivered.

But **Fortescue**'s plan to retrofit Incitec Pivot's Gibson Island fertiliser plant near Brisbane into a low-carbon version of itself is on the backburner because of high electricity costs in Australia.

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