



Fortescue's US hydrogen project on shaky ground

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Body

Fortescue has cast more doubt over the future of an almost \$900m hydrogen project in the US state of Arizona in the wake of Donald Trump's return to the White House.

The Andrew Forrest-led **Fortescue** on Thursday indicated that the Arizona project was in the balance and that the company was assessing the merits of other big-ticket green energy projects in Norway and Brazil.

Fortescue handed down its December quarter results soon after Dr Forrest told a panel at the World Economic Forum in Davos, Switzerland there had to be a "hard economic base" for businesses to decarbonise - and criticised net-zero emissions -targets.

The mining producer shipped 49.4 million tonnes of iron ore in the December quarter and a record 97.1 million tonnes across the first half.

The troubled Iron Bridge magnetite operations, which were supposed to be producing 22 million tonnes of high-grade iron ore concentrate a year by mid 2023, contributed 3.2 million tonnes to the half-year results.

However, **Fortescue** metals chief executive Dino Otranto said there were positive signs at Iron Bridge after a major shutdown in November.

Mr Otranto said **Fortescue** was committed to its iron ore project in Gabon despite little progress since the company marked its first shipment from the African nation more than a year ago.

Sources close to the project say they believe **Fortescue** has a strained relationship with Gabon's military rulers and that contractors were stood down towards the end of 2024.

Mr Otranto said the Gabon operations were not being wound up. "We got the first shipment out within months after signing the mining convention, but it was always our intent not to continue that operation - a high-cost trucking operation - to focus on the exploration activities," he said.

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In the US, the release this month of final rules on hydrogen projects was thought to be a boost to **Fortescue**'s \$US550m (\$878m) plan for so-called green energy production in Arizona.

The rules relaxed conditions around the supply for hydrogen producers seeking to access tax credits under the former Biden administration's Inflation Reduction Act.

Fortescue said it was assessing the implications of the rules on US hydrogen projects.

The assessment has become more complicated as the new Trump administration makes big policy changes in energy.

Fortescue chief financial officer Apple Paget raised the prospect of the company using debt to finance any "green" energy that went ahead, as it foreshadowed a more detailed update next month. "Clearly, increasing debt remains an option for us, but we do have a very strong capacity in our balance sheet and we're set up that way to take that on and look at other options as well," Ms Paget said in response to questions from analysts.

Speaking on climate change at Davos, Dr Forrest said the word "net" gave companies a get-out clause to "do nothing" to reduce carbon emissions when they went to banks to raise capital.

"We [**Fortescue**] raised capital this morning, only this morning, of \$US9.2bn," Dr Forrest said. It is unclear what he meant by the comments, which came as he reiterated that **Fortescue** intended to spend "at least \$US6.5bn" to decarbonise its iron ore operations.

Citi analysts said it had been a strong quarter in the core iron ore business based on output and lower production costs, but disappointing in terms of cash generation as there was only a slight reduction in net debt. **Fortescue** shares fell 2.2 per cent on Thursday to \$18.62.

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