



## *Fortescue's dream alive despite losses*

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### **Body**

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**Fortescue** chairman Andrew Forrest says he will not change the way the company approaches its energy strategy, despite **Fortescue**'s green energy arm racking up more than \$US1.44bn (\$2.1bn) in losses over the past four years with little in the way of commercial returns.

The figure, drawn from **Fortescue**'s annual accounts from 2021 onwards, does not reflect all of the mining giant's spending on its now-abandoned vision of producing 15 million tonnes of green hydrogen a year.

Its last quarterly production report noted that **Fortescue** expected \$US700m in net operating expenditure for its energy division for the year ending June 30, plus another \$US500m in capital spending and investments.

The company on Wednesday announced that it would cut 700 jobs and pull back from the hydrogen production target.

**Fortescue** has delivered on three final investment decisions as a result of the spending. But Dr Forrest said on Thursday he was confident its efforts in winning access to global energy projects, and technology investments such as its acquisition of Williams Advanced Engineering (now **Fortescue** Zero), would still deliver returns to **Fortescue** shareholders.

"If I could spend the amount of capital you're speculating about, to create a future for this company that will multiply its share price, I would do it every day of the week. There's no way we could have got that out of just doing more of the same," he said.

**Fortescue** Zero delivers a small revenue stream to the ASX-listed company, but not one of its other energy investments has delivered a commercial return. But Dr Forrest said **Fortescue**'s forays into designing ammonia-powered ships, battery-operated trains and future green hydrogen and ammonia production would eventually deliver returns to shareholders.

"You can see the business we're now starting in shipping, in trucking, in rail, in green iron, in shipping green electrons into western Europe. These businesses are all available to us because of that investment," he said.

## Fortescue's dream alive despite losses

**Fortescue's** green dream foundered on energy costs, with the global surge in pricing after Russia's invasion of Ukraine - and the massive post-pandemic cost inflation for major projects - effectively ending the cheap electricity needed to make hydrogen a viable energy source.

Dr Forrest rejects suggestions that **Fortescue** has forever abandoned its ambition of turning hydrogen into a global seaborne commodity equivalent to LNG, but says in the short term **Fortescue** will instead look to build solar and wind projects that will help drive down energy costs to eventually make hydrogen and green ammonia viable.

That would start with powering **Fortescue's** Pilbara iron ore operations, he said, but would eventually extend to grid-scale renewable energy projects - potentially putting **Fortescue** in competition with Dr Forrest's private renewables company, Squadron Energy.

"First of all you've got to look at the home base. We need gigawatts of our own (renewable -energy) first, and **Fortescue** will be now looking at opportunities across Western Australia, across the eastern states, to generate electricity," he said.

"Our purpose is always to value-add. So if we can go to carbon-free iron ore, and carbon-free metals, we will make much, much better returns on this sunk capital we already have than just selling into the National Electricity Market on the east coast - but if those opportunities arise, we're going to take them." Building solar and wind to power the company's Pilbara iron ore operations is a key part of **Fortescue's** goal of achieving "real zero" emissions by 2030 - a goal Dr Forrest says the company is "absolutely" committed to.

But even that will require substantial capital spending and, while **Fortescue's** retreat from its hydrogen ambitions was welcomed by market analysts on Thursday, MST Marquee analyst Saul Kavonic said the company might also be forced to accept its 2030 zero-emissions target is unrealistic.

"This signals **Fortescue** Future Industries has failed. Despite the overwhelming evidence it would be unviable from the get-go, **Fortescue** persisted with its green hydrogen ambitions, spending hundreds of millions and lambasting critics, until only now finally admitting defeat," Mr Kavonic said.

"**Fortescue's** 2030 zero-emissions target should prove to be the next stubborn ambition they wind back, as it also appears im-possible." **Fortescue** executives who raised concerns about the mogul's green hydrogen ambitions deserved an apology, Mr Kavonic added.

"**Fortescue** Future Industries has become the **Fortescue** Future Failure. Its failure was seen as inevitable by most folks in the energy industry from the start, given how uncompetitive green hydrogen economics are. It's remarkable that **Fortescue** took so long to figure it out themselves," Mr -Kavonic said. "All the **Fortescue** leaders and staff who were pushed out for telling the truth about **Fortescue's** green hydrogen ambitions deserve an apology." UBS analyst Lachlan Shaw said in a client note that **Fortescue's** hydrogen retreat was welcome, given expectations the hydrogen strategy would suck up cash as the iron ore price retreated later this decade.

"We had long been cautious about green hydrogen on better alternatives," he said. "â€ The capital discipline implied in the narrowing and slowing of **Fortescue's** push into green hydrogen is welcome." **Fortescue** shares closed down 32c to \$22.04 on Thursday.

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