



Fortescue partner Plug Power tumbles after \$1.5bn raising plan

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Body

Fortescue partner and supplier Plug Power is looking to raise \$US1bn (\$1.52bn) in the US capital markets to keep its hydrogen ambitions alive, underlining the risks facing the nascent green energy sector.

Stock in the electrolyser and hydrogen company crashed on the US markets this week after the company said it planned to raise as much as \$US1bn in a stock offering, despite downplaying its financial troubles in November.

Plug is a key partner for Andrew Forrest's **Fortescue** Energy, both as a potential supplier of electrolyzers for the company's own projects, and as a joint venture partner with **Fortescue** in the US hydrogen market.

Last October, **Fortescue** named Plug Power as the preferred supplier of 550MW in electrolyzers for its Gibson Island green ammonia plant in Queensland - although that plan may be stalled as **Fortescue** battles to find power cheap enough to realise its hydrogen ambitions.

Plug and **Fortescue** also have a deal for the Australian resources major to take up to a 40 per cent stake in Plug's Texas hydrogen plant and for Plug to take a stake of up to 25 per cent in a plant **Fortescue** wants to build in - Arizona.

Those plans may also need rethinking, however, after the draft detail of hydrogen subsidies on offer from the Biden administration turned out tougher than expected, requiring new sources of clean energy powering the production of hydrogen to qualify for generous \$US3 per kilogram -subsidies.

In November, Plug attached a going concern warning to its quarterly accounts, warning the company was running out of cash after burning through more than \$US860m (\$1307m) in the first nine months of the year.

At the time a spokesman for **Fortescue** said the company was not concerned about Plug's -financial position or ability to deliver on its agreements with -**Fortescue**.

Plug chief financial officer Paul Middleton told analysts the going concern warning was driven by the need to comply with corporate accounting standards, and Plug was confident it could raise debt to cover its obligations.

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"I have a \$US5bn (\$9.43bn) balance sheet that's unlevered," he said. "I mean, I really don't have any debt.

"So we still are extremely confident about the range of parties and solutions that we're working with." But the company instead filed a prospectus to raise up to \$US1bn on the US market this week, in a move that could dilute existing shareholders substantially.

The filing sent Plug stock down more than 40 per cent over the past few days, with the company now trading around \$US2.40 a share - more than 85 per cent below its price a year ago, and a fraction of its all-time high of \$US66.87 in January 2021. Plug is due to give a business update early next week.

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