FED:Iron ore strength bankrolls emission-busting Fortescue

AAP Newsfeed

February 22, 2024 Thursday 6:53 PM AEST

Section: DOMESTIC NEWS

Length: 681 words

Dateline: CANBERRA Feb 22

Body

Iron ore producer ***Fortescue*** Group is standing by plans to strip emissions from the key Australian export more quickly than rivals BHP and Rio Tinto.

Fortescue has reiterated plans for $US6.2 billion in capital investment by 2030 to eliminate fossil fuel risk and reduce operating costs, backed by a cash windfall from high iron ore prices even as other commodities falter.

"We're going to make sure we're 'real zero' by 2030 and we're on track to do that," the energy division's chief executive Mark Hutchinson told a results webcast while visiting a project in Gabon in central Africa.

Fortescue reported a net profit of $US3.3 billion for the six months to December 31, up 41 per cent, on solid demand in China from the car industry and decarbonisation manufacturers as well as traditional steelmaking for the construction sector.

The higher-grade Belinga project in Gabon, the company's first iron ore operations outside Australia, will prove to be important for green steel later this decade, according to ***Fortescue***.

Shares in ***Fortescue*** closed up 2.1 per cent or 58 cents at $27.83 as investors cheered the surge in profits and a higher dividend.

Underlying earnings before interest, taxes, depreciation, and amortisation, a key measure of profitability, rose 36 per cent to $US5.9 billion.

Mr Hutchinson said emissions reduction continues to gain momentum, including the testing of the first battery electric haul truck prototype in the Pilbara, with the decarbonisation spend to ramp up over "the next few quarters".

Quizzed on a possible slowdown on green hydrogen, Mr Hutchinson said "we still have very ambitious plans over the next few years to develop this".

"There is just no one else doing what we are doing," he said on Thursday.

A final investment decision was taken last November on the first two hydrogen projects: a 50-megawatt electrolyser project in Gladstone, Queensland, and the Phoenix hydrogen hub in the United States where more generous subsidies are available for development.

A green hydrogen project in Norway was likely to be "the next cab off the rank", Mr Hutchison said, as the country responds to climate change with plans to be a leader in renewable energy, green hydrogen and green ammonia in Europe.

Analyst Sean Williams at Moody?s Investors Service said earnings growth was supported by favourable iron ore prices, strong shipment levels and cost discipline.

"***Fortescue***'s solid financial profile sets the company in a good position given its investment spending will likely remain elevated in the coming years," he said.

Plans for decarbonising mining include the deployment of an additional two to three gigawatts of renewable energy generation and battery storage, as well as a green haulage fleet and locomotives.

Total capital expenditure for the half-year period was $US1.5 billion, including $US104 million on decarbonisation and $US165 million by ***Fortescue*** Energy.

Overall, the cash balance was $US4.7 billion at 31 December 2023 and gross debt was unchanged at $US5.3 billion, resulting in net debt of $US0.6 billion.

Iron Bridge went into operational production in August 2023 and completed ***Fortescue***?s first shipment of higher grade magnetite product.

The company said there was also progress on the Pilbara Energy Connect project with the completion of 320km of transmission lines to connect Solomon to Iron Bridge and through to Port Hedland.

In the critical minerals portfolio, ***Fortescue*** said it was ramping up exploration activities in copper, rare earths and lithium.

Fortescue Capital, launched last November, is seeking investors to support the pipeline of green hydrogen and green ammonia projects and emissions reduction at the Pilbara operations.

UBS analyst Lachlan Shaw said the result was "solid and clean" but warned achieving full-year shipment guidance of 192-197 million tonnes after January's weather and a December train derailment would require a strong second-half.

The group declared a fully franked interim dividend of $A1.08 per share, up from 75 cents a year earlier.

Load-Date: February 22, 2024
