



Hydrogen's half price challenge; Clean energy

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Body

Fortescue Energy boss Mark Hutchinson says Australia must get power prices down to about \$US30 (\$45.36) a megawatt hour if it wants to be a hydrogen superpower, under a goal that would effectively require a halving of power prices across much of the eastern states.

Mr Hutchinson's power price challenge came as he warned that **Fortescue** and Incitec Pivot would find it "tough" to proceed with a plan to retrofit Queensland's Gibson Island fertiliser plant towards a future in hydrogen and ammonia unless governments helped mitigate the high cost of clean energy.

Gibson Island had traditionally consumed large volumes of methane gas - a compound of carbon and hydrogen - to make ammonia, which is a compound of nitrogen and hydrogen.

But **Fortescue**, Incitec and taxpayer agencies such as the Australian Renewable Energy Agency have funded studies into a retrofit of Gibson Island, where an electrolyser would make green hydrogen at the site for synthesis with nitrogen to make "green ammonia".

Green ammonia can be combusted as a source of energy but is also considered the easiest way to transport hydrogen long distances.

Fortescue was expected to take a final investment decision on Gibson Island in late 2023, but the project has not yet been approved and the company contracted to supply solar power to the project, Genex, has given **Fortescue** until March 31 to decide.

Mr Hutchinson told The Australian Financial Review Business Summit that high power prices were the main impediment at Gibson Island.

"We've been working very, very hard on it," he said. "But it's tough based on the current power prices when we're looking at competing globally. It's a tough decision.

"So we're working very closely with the Queensland government and federal government to figure out a way to make it happen because it's a bit of a litmus test for the rest of the hydrogen industry in Australia, to be honest.

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"We're very keen to get it up."

"Green" hydrogen can be made with zero or low carbon emissions if renewable electricity is passed through water to separate the fluid into its constituent parts, oxygen and hydrogen.

Fortescue has travelled the world over the past five years searching for the cheapest sources of clean power to generate affordable green hydrogen.

The company expects to approve a green hydrogen project in Norway this year which would be powered by carbon-free hydroelectricity.

"If you look around the world where you can get cheap renewable power, competitive renewable power is below \$US30 a megawatt hour," he said.

"That should really be the target and particularly when you're looking at really what will be a global market to supply green ammonia, green hydrogen. So that's kind of the goal."

Average annual power prices were above \$100 per megawatt hour in NSW, Queensland and South Australia in 2023, according to data published by the Australian Energy Regulator (AER).

The same AER data found average annual power prices in Tasmania were \$56 per megawatt hour while Victorian prices averaged slightly higher than Tasmania.

Asked about the large number of departures from **Fortescue**'s executive ranks over the past four years, Mr Hutchinson said new recruits needed to fit into the company's unique culture, not vice versa.

"Some people come in and think they [have to] fix it," he said. "That's just not **Fortescue**. We don't need to be fixed."

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