[Fortescue nears green hydrogen call]

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Body

Fortescue Energy CEO Mark Hutchinson says the company is likely to make a decision next month on whether to push ahead with its biggest Australian green hydrogen project, as the company's mining division hits more troubles with its Iron Bridge magnetite project.

Fortescue delivered its December quarter production report on Thursday, blaming ongoing troubles with the water supply to Iron Bridge for a decision to again slash production guidance, and saying an additional $US140m ($213m) would need to be spent on work to get the plant running at full tilt.

It is the second time in six months that ***Fortescue*** has cut export guidance from the troubled operation, after initially flagging exports of 7 million tonnes for the full financial year.

In September, ***Fortescue*** said it expected to ship about 5 million tonnes of magnetite concentrate from Iron Bridge this financial year, but has so far managed only five cargoes.

The company, which is controlled by billionaire Andrew Forrest, said shipments from the facility could reach as little as 40 per cent of that 5 million tonne guidance, giving a new range of 2-4 million tonnes.

Fortescue said it was still having trouble with supply from its borefields for the water-hungry operation, where a high-pressure water line keeps springing leaks.

"Work is under way to evaluate options to derisk and improve the performance of the high-pressure section (65km) of the raw water pipeline, where the leaks have occurred," the company said. "It is anticipated that replacing this section of the pipeline would not materially impact Iron Bridge's ramp-up schedule and would require investment of -approximately $US100m (For-tescue's share)." ***Fortescue*** owns about 70 per cent of the operation, with the remainder controlled by Taiwan's Formosa.

The company increased the total cost of delivering the 22 -million-tonnes-a-year mine to $US4bn in its annual financial results last year, from a previous -estimate of $US3.9bn, and its initial guidance, when the project was approved in 2019, of $US2.6bn. ***Fortescue*** wrote $US1bn off its valuation of the project in its last annual report.

Fortescue shipped 48.6 million tonnes of iron ore in the December quarter, slightly below the 49.4 million tonnes shipped in the same period in 2022.

The company said its C1 cash cost for the period averaged $US17.62 a wet metric tonne, and it received an average $US116.18 a dry metric tonne for its sales in the December period.

Fortescue closed December with net debt of $US600m, the company said. The company has said it still expects to ship 192-197 million tonnes for the full year, despite the impact of the troubles at Iron Bridge and a derailment on its iron ore line in the Pilbara that stopped trains for four days over the New Year weekend.

Fortescue said it was implementing an "operational recovery plan" to optimise rail loading and shipments for the second half of the year.

Fortescue Metals chief executive Dino Otranto said he believed the company would still meet its full-year shipments guidance for the year, despite the setbacks at Iron Bridge and through the derailment.

"The rest of the supply chain is performing exceptionally well. The bottleneck for our operations is rail, so we expect any specific recovery plan just to be focused on that, but we're in a pretty good position," Mr Otranto said.

After falling short of its promise to reach a final investment decision on as many as five green energy projects in 2024, the company was likely to make a call on its biggest planned hydrogen project in Australia, Mr Hutchinson said.

Fortescue announced the -approval of two projects from its energy division in November, ticking off plans for small hydrogen production plants in Phoenix in the US and at Gladstone in Queensland.

At the time, ***Fortescue*** said it would fast-track a decision on larger projects in Norway, Kenya and Brazil.

But the company put off any decision on its Gibson Island proposal in Brisbane, where For-tescue has been working with Incitec Pivot on a green hydrogen feed for Incitec's mothballed fertiliser plant. At the time, ***Fortescue*** cited high Australian energy costs for the deferral.

Late last month, Genex Power told the market it had extended a deadline for ***Fortescue*** to close a deal for power from its proposed Bulli Creek solar farm - first -announced in October - by two months until the end of February.

Mr Hutchinson told reporters and analysts that a final decision on the plant was likely at ***Fortescue***'s board meeting.

"We're working hard to get this project over the line," Mr Hutchinson said. "We have a board meeting coming up later in February and I would imagine there will be a 'go or no go' decision made at that board meeting." ***Fortescue*** shares rose 2 per cent to $28.97 in a higher market on Thursday.

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