



**8 January 2025**

**Senator Jess Walsh  
Chair, Senate Standing Committees on Economics**

Dear Senator Walsh,

**Future Made in Australia (Production Tax Credits and Other Measures) Bill 2024**

A proudly Australian company with balance sheet strength, Fortescue is a global leader in large-scale, ultra-efficient and highly complex developments with a proven track record in developing and operating assets in remote and isolated locations. Fortescue has a strong focus on decarbonisation, evidenced by its industry leading target to achieve real-zero carbon emissions across our terrestrial mining operations by 2030. We are establishing a global portfolio of renewable energy, green hydrogen and derivatives, battery system and green technology projects and operations that are at the forefront of the global energy transition.

Fortescue welcomes the opportunity to provide comment on the Future Made in Australia (Production Tax Credits and Other Measures) Bill 2024 inquiry by the Senate Economics Legislation Committee. The introduction of the Hydrogen Production Tax Incentive (HPTI) is a key moment for the development of Australia's green hydrogen and derivatives industries. We believe the HPTI, as a key element of the Government's *Future Made in Australia* plan, will be critical to catalysing the deployment of commercial scale green hydrogen projects, green metals processing (notably green iron) and low carbon liquid fuel developments. This will in turn catalyse growth in domestic industries, manufacturing and jobs of a decarbonised economy and secure our nation's global exports in commodities such as iron ore and bauxite/alumina through future opportunities in green iron and green aluminium. Fortescue strongly supports the Future Made in Australia (Production Tax Credits and Other Measures) Bill 2024 and recommends its passing by the Senate as soon as practicable.

Even with the HPTI the costs of green hydrogen remain high, impacting the near-term development of a green hydrogen export industry in Australia. Green hydrogen will however be a critical input into downstream processing of value-added resources including green iron. The Chamber of Minerals and Energy Western Australia (CMEWA) has recently released a report entitled '*Realising WA's Green Iron Potential*' produced by Mandala and Partners that details the significant opportunity for Australia and Western Australia that exists in taking the vast iron ore resources of the Pilbara and processing it onshore, using green hydrogen and renewable electricity, into value-added green iron that can be exported to traditional steel making mills around the world.



The Pilbara currently exports approximately 900 million tonnes of iron ore every year to various markets around the world, but mainly into China. The CMEWA report has found that with the right policy settings from the Commonwealth and WA Governments, WA could produce at least 4.5Mt of green iron in 2030, ramping up to 218Mt in 2050, providing 14% of global supply. This could generate at least \$4 billion and \$170 billion of export revenue in 2030 and 2050 respectively<sup>1</sup> and \$74billion in additional revenue to current iron ore exports while supporting up to 19,600 ongoing direct jobs by 2050<sup>2</sup>.

In addition to the direct economic benefit, the steelmaking industry contributes approximately 6-9% of global emissions every year with the ironmaking segment of the sector generating up to 90% of total emissions in the supply chain.<sup>3</sup> If the above production projections were to be met, it would result in approximately 1.2% reduction in total global emissions (456Mt of CO<sub>2</sub>) which is close to Australia's current national emissions profile for domestic emissions. An emissions reduction of this magnitude (growing out to 2050) on the path to net-zero emissions would drastically improve Australia's hopes to maintain pace with our committed Nationally Determined Contributions under the Paris Agreement.

The introduction of the A\$2/kg HPTI will have a material impact on the viability of this developing industry and the ability to attract third party financing for projects in Australia. The commercial returns of these projects for investors will remain difficult in the short to medium term until Australia can significantly reduce the Levelised Cost of Electricity through innovation and wide availability of renewable energy. The price of electricity is the single greatest contributor to the delivered price of green hydrogen and green iron. Reducing renewable electricity costs must remain a priority to build a strong investment case for a large-scale multi-billion-dollar project beyond the sunset of the HPTI legislation.

Australia is on a strong path of renewable energy investment that should see reductions in power prices nationwide. Policy interventions by the Commonwealth Government such as the Capacity Investment Scheme will work with the HPTI to support Australia to achieve its renewable energy superpower goals. State, Federal and territory governments, and other Commonwealth agencies like the Australian Renewable Energy Agency (ARENA) must continue their renewable energy and green hydrogen policy platforms and ensure they complement and stack these supporting policies with the HPTI to enable Australian industry to move up the green product value chain.

While Fortescue strongly supports the structure of HPTI in its current form, we note that it would not be indexed over time to inflation. This decision will result in a considerable decrease over time in the value of the HPTI, weakening the investment signal for projects in Australia. A lack of inflation adjustment for the HPTI means the real value of the tax offset will have declined more than 10 per cent by the time the HPTI comes into effect, and by around a third by the time it expires.<sup>4</sup> If the opportunity arises to adjust this policy

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<sup>1</sup> CMEWA, *Realising WA's green iron potential*, December 2024, page 16, available at <https://www.cmewa.com.au/reports/cme-green-iron-report-realising-was-green-iron-potential/>

<sup>2</sup> Ibid, p3

<sup>3</sup> Ibid, p3

<sup>4</sup> Based on Commonwealth Budget 2024-25 CPI inflation forecasts.

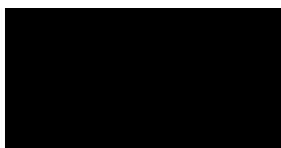


decision it would strengthen the HPTI and provide a much stronger investment signal for green hydrogen projects until the legislation sunsets in 2040.

Thank you for the opportunity to comment on this consultation. If you would like to discuss any of the issues raised in this submission, please contact [REDACTED].

Yours sincerely

**FORTESCUE**



Bronwyn Grieve

**Director of Global Sustainability & External Affairs**