**Submission No 121**

# INQUIRY INTO DATA CENTRES

**Organisation:** Friends of the Earth Australia

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312 Smith Street
Collingwood, Victoria 3066
https://www.foe.org.au

# Friends of the Earth Australia Submission

# NSW Parliamentary Inquiry into data centres

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**About Us:** Friends of the Earth Australia is a national environmental justice organisation consisting of seven local member groups and thirteen affiliate members, with over 65,000 supporters throughout the country. We are a member of Friends of the Earth International, the world's largest network of grassroots environmental organisations, uniting 77 national member groups and some 5,000 local organising groups on every continent. We are committed to the creation of an environmentally sustainable and socially equitable future, and campaign for a world where environmental protection, social justice and economic welfare for all people, go hand in hand.

**Acknowledgement**
Friends of the Earth Australia meet and work on stolen lands of Aboriginal & Torres Strait Islander people and respect that sovereignty of those lands was never ceded. We pay respect to Elders, past and present, and acknowledge the pivotal role that Aboriginal & Torres Strait Islander people continue to play within the Australian community.

## Submission

Friends of the Earth Australia is pleased to make a submission to this NSW Legislative Council inquiry into data centres.

The proliferation of planning applications for data centres in NSW presents unprecedented uncertainties and potential impacts both for communities where these developments are proposed, and for the people of NSW as a whole. Data centres, particularly those powering generative AI, are some of the biggest energy consumers and there is little regulatory oversight currently in place to manage the growth of this sector and its impacts on people, energy and water.

Australians are concerned about the dominance of AI and what it means for jobs, data security, privacy, and the integrity of our information environment. In consultation conducted by the federal government in 2024, Australians were clear that they want to see stronger regulation of AI industries, including mandatory guardrails to protect public interest, encompassing governance and compliance, risk management, transparency, and oversight.[1]

[1] Australian Government Minister for Industry and Science, 'The Albanese Government acts to make AI safer', 5 September 2024, https://www.minister.industry.gov.au/ministers/husic/media-releases/albanese-government-acts-make-ai-safer

NSW is already home to around 90 data centres, and another 22 applications have been received and/or approved in the first quarter of this year alone.[2] This growth illustrates how the boom of generative AI has supercharged the demand for data centres, as well as the scale and speed at which we build them. Generative AI is significantly more energy- and water-intensive than its predecessors, and the data centres it uses are bigger and hungrier.

There is a real risk that the data centre industry is developing at a rate at which regulation cannot keep pace, and that the rights and protections of people will come second to corporate profit. Rather than creating an environment of competition for data centres in NSW, the government should reassess the contributions and impacts of this industry and take a methodical, considered, and participatory approach to developing regulatory frameworks that lay out the conditions under which the hosting of data centres might provide a net benefit to NSW and its people - not just big tech.

If we fail to do this, we risk derailing the renewable energy transition and our legislated emissions reductions, and extending our reliance on fossil fuels far beyond what is consistent with a liveable planet. We now have a narrowing window in which to ensure that our communities, environment and climate are protected from outsized development, and to get the policy and regulatory settings right for a future that centres the people of NSW, and not corporate profits.

**Derailing the energy transition**

Data centres are becoming some of the biggest users of energy, with AEMO forecasting that data centres will consume 11% of NSW electricity by 2030.[3] Recent media reporting calculated that if every data centre project currently logged in the NSW Planning portal was built, electricity demand at their peak would be more than four times the rest of the city.[4]

In the past year alone, NSW has approved eight data centres worth more than $10 billion, including the biggest data centre in the Southern Hemisphere.[5] This project will be 1GW - almost as large as Australia's biggest wind farm.[6] The 22 data centre applications received in the first quarter of this year represent a combined demand of 3.67 gigawatts - the

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[2] Australian Financial Review, Paul Karp, 'The Sydney suburbs that will house $52b of power-hungry data centres', 27 March 2026, https://www.afr.com/politics/the-sydney-suburbs-that-will-house-52b-of-power-hungry-data-centres-20260326-p5zix8

[3] Australian Financial Review, Paul Karp, 'The Sydney suburbs that will house $52b of power-hungry data centres', 27 March 2026, https://www.afr.com/politics/the-sydney-suburbs-that-will-house-52b-of-power-hungry-data-centres-20260326-p5zix8

[4] Sydney Morning Herald, Mostafa Rachwani, 'Data centres are popping up all over Sydney. But what impact do they have on our suburbs?', 28 January 2026, https://www.smh.com.au/national/nsw/data-centres-are-popping-up-all-over-sydney-but-what-impact-do-they-have-on-our-suburbs-20260114-p5ntv6.html

[5] Australian Financial Review, Paul Karp, 'Go-ahead for giant $3.1b data centre in Sydney suburb', 28 November 2025, https://www.afr.com/politics/go-ahead-for-giant-3-1b-data-centre-in sydney-suburb-20251127-p5nizc

[6] Golden Plains Wind Farm, https://goldenplainswindfarm.com.au/about-golden-plains-wind-farm/

equivalent of 1.1 million NSW homes.[7] This scale of demand threatens to consume new renewable energy generation coming online, meaning it is no longer available to replace coal-fired power in the grid.

This presents a serious risk to the energy transition in NSW, which is already projected to fall short of its renewable energy target of 16 gigawatts by 2030, and its commitment to reach net zero by 2050. As Bruce Mountain of the Victoria Energy Policy Centre has explained, data centres "make the transition challenge harder, because it's not just that you need to replace coal-fired generation, you need to build new capacity to meet rising demand".[8] It is hard to see how NSW will meet its renewable energy and emissions reduction targets with this scale of energy-hungry projects coming online.

Arguments that data centres will facilitate investment in renewable energy are not supported by experiences in the United States, the industry's biggest marker, where data centre proliferation is being powered by new gas or nuclear power. Closer to home, in Moss Vale, NSW, a developer plans to power its data centres with on-site gas-fired engines, producing enough energy to power 70,000 homes.[9] As it has done in the United States, data centre growth risks becoming a justification for more gas extraction.

Building a new industry that relies on fossil fuels, or that pulls energy from the grid faster than we can replace it with renewables, is not going to see NSW advance its renewable energy transition. Additionally, rapid data centre build-out is increasing demand for electrical, IT and construction trades without coordinated workforce planning and pathways, exacerbating skills shortages and limiting the flow-on benefits to the renewable energy transition.

To ensure that data centres do not negatively impact the transition of our energy system to renewable sources, data centres built in NSW must be powered by additional, locally sourced, renewable energy, rather than relying on certificates (LGCs) or offtakes from existing projects. Each new development must be matched with additional renewable generation equivalent to at least 100% of its electricity demand, as well as covering the cost of grid connections and upgrades.

**Energy consumers bear the costs**

In other jurisdictions such as the United States, the proliferation of data centres has resulted in rising consumer energy prices due to increased demand and shifted connection and transmission costs.[10] Potential cost increases resulting from data centre energy demand

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[7] Australian Financial Review, Paul Karp, 'The Sydney suburbs that will house $52b of power-hungry data centres', 27 March 2026, https://www.afr.com/politics/the-sydney-suburbs-that-will-house-52b-of-power-hungry-data-centres-20260326-p5zix8

[8] ABC, Samuel Yang, 'Power-hungry data centres scrambling to find enough electricity to meet demand', 26 July 2024, https://www.abc.net.au/news/2024-07-26/data-centre-electricity-grid-demand/104140808

[9] ABC, Penny Burfitt, 'Cloud Carrier proposes gas-fired power station to power Moss Vale AI data centre', 4 March 2026, https://www.abc.net.au/news/2026-03-04/gas-plant-ai-data-centre-moss-vale/106405944

[10] CNBC, Spencer Kimball and Gabriel Cortés, 'Data centers are concentrated in these states. Here's what's happening to electricity price', 14 November 2025,

threaten to exacerbate the financial strain already felt by NSW families and businesses weathering rising energy bills.

Clear policy and regulatory guidelines should focus on reducing system costs through sensible siting of data centres close to existing infrastructure. Where new developments drive new transmission, firming or network upgrades, those costs should be attributed to developers and not shifted onto other consumers.

**Supercharging climate change**

Energy intensive AI-computing needs, represented by data centre growth, are driving up global energy consumption and resource extraction,[11] when we know that to halt runaway climate change we must curb extraction and overconsumption, and invest in systems of restoration.

Proponents of AI have positioned it as a climate solution that will drive energy efficiency, accelerate renewable energy, and ultimately reduce carbon emissions. However, in practice the growth of AI and data centre infrastructure has been shown to significantly increase emissions. According to a recent study, “greenhouse gas emissions from three top AI platform suppliers - Alphabet, Amazon and Microsoft - are up 62 percent from 2020, reaching 47 million metric tons alone in 2023, which amounts to half of the total emissions of a country like Peru.”[12] Without strong requirements for additional renewable energy capacity, the risk remains that increased energy demand will be met by additional fossil fuels.

Here at home, recent climate targets have reportedly been revised down due to uncertainty around how AI usage will impact energy use and associated emissions,[13] demonstrating that data centres are already risking our ability to meet legislated emissions reduction targets.

Ultimately, the data shows that AI is not going to solve climate change - in fact it will make implementing the solutions much harder. If we do not ensure stringent regulatory architecture around data centre development, it will drive unsustainable energy and water and resource use, undermining our ability to bring down emissions. As a minimum, approved projects should meet best-practice standards for energy efficiency, commit to fossil-free energy and circular economy principles across the supply chain, as well as clear end-of-life management plans to minimise waste.

**Creating competition for land and water**

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https://www.cnbc.com/2025/11/14/data-centers-are-concentrated-in-these-states-heres-whats-happening-to-electricity-prices-.html

[11] University of Oxford TIDE Centre, Angel Melguizo, Raúl Katz & Juan Jung, ‘Can AI grow green? Evidence of an inverted-U curve between AI, energy use and emissions’, June 2025, https://oxford-tide.org/wp-content/uploads/2025/06/ai_energy_melguizo_jung_katz_0805_rev06.pdf

[12] University of Oxford TIDE Centre, Angel Melguizo, Raúl Katz & Juan Jung, ‘Can AI grow green? Evidence of an inverted-U curve between AI, energy use and emissions’, June 2025, https://oxford-tide.org/wp-content/uploads/2025/06/ai_energy_melguizo_jung_katz_0805_rev06.pdf

[13] Australian Financial Review, Ryan Cropp, ‘Climate goals hindered by AI and data centres’, 22 September 2025, https://www.afr.com/policy/energy-and-climate/explosive-ai-growth-a-threat-to-labor-s-climate-ambition-20250922-p5mwyh

The data centre boom raises questions about how we prioritise the use of our land and water resources. In other jurisdictions, 'AI wars' have driven the irrational use and allocation of energy, land and water towards data centres and other AI infrastructure and away from services that benefit our social and societal needs.[14] This represents a continued and worsening trend towards resource extraction and financial investment in the interests of big business, and at the expense of everyday people.

Large data centers can consume up to 5 million gallons per day, equivalent to the water use of a town populated by 10,000 to 50,000 people[15]. This presents a challenge for NSW, with Australian data centres estimated to consume 47 billion litres of water a year[16] and some reports indicating that AI use could require the equivalent of 25% of Sydney's drinking water by 2050.[17]

The majority of Sydney water is sourced from rainwater, with a limited amount of desalination capacity, leaving this water catchment already vulnerable to drought, and to the increasing insecurity of climate change. Most data centres in Sydney currently use drinking water for cooling, which is already contributing to increased prices for households. The regulator indicated rising demand from data centres was a factor in their decision to increase water bills by $168 in 2025.[18] Data centres increasing demand for limited water resources without sufficient investment in desalination or water recycling will present a real risk to NSW water security and place communities in competition with big tech corporations for scarce fresh water.

Datacentres are also already beginning to leave a large footprint on the Australian landscape, with a single data centre occupying on average between 10,000 to 100,000 square metres.[19] In urban centres they already occupy large areas of land that might otherwise be used for housing, essential services, or transport infrastructure - while delivering none of the benefit to the community that these other land uses do. Urban communities are already seeing housing developments stalled or abandoned, risking thousands of homes for Australians, as datacentres use up available water.[20]

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[14] Transition Security, Ilias Alami, 'Imperial State Capitalism: A new geopolitics is shaping the development of AI and the energy transition', 18 November 2025, https://transitionsecurity.org/imperial-state-capitalism/

[15] Environmental and Energy Study Institute, Miguel Yañez-Barnuevo, 'Data Centers and Water Consumption', 25 June 2025, https://www.eesi.org/articles/view/data-centers-and-water-consumption

[16] Sydney Morning Herald, Andrew Taylor, 'Thirsty data centres threaten to delay thousands of new homes', 17 August 2024, https://www.smh.com.au/national/nsw/thirsty-data-centres-threaten-to-delay-thousands-of-new-homes-20240807-p5k0ah.html

[17] Cyber Daily, Daniel Croft, 'AI's true blue: Aussie AI could be skulling 25% of Sydney's drinking water by 2035', 28 August 2025, https://www.cyberdaily.au/digital-transformation/12566-ais-true-blue-aussie-ai-could-be-skulling-25-of-sydneys-drinking-water-by-2035

[18] Renew Economy, Rachel Williamson, 'Regulators are asking hungry data centres to pay more for grid power, so households can pay less', 8 February 2026, https://reneweconomy.com.au/regulators-are-asking-hungry-data-centres-to-pay-more-for-grid-power-so-households-can-pay-less/

[19] The Conversation, Bronwyn Cumbo, 'Australia is set to get more AI data centres. Local communities need to be more involved', 8 July 2025, https://theconversation.com/australia-is-set-to-get-more-ai-data-centres-local-communities-need-to-be-more-involved-259799

[20] Sydney Morning Herald, Andrew Taylor, 'Thirsty data centres threaten to delay thousands of new homes', 17 August 2024,

Where data centres are approved for development in NSW, highly efficient cooling systems, whether water-based or other technologies, should be implemented. Water cooling must not utilise potable water, and should use closed loop systems. Water usage projections by industry should be disclosed at the proposal stage and integrated into state government planning systems to ensure that operations will not impact local water availability prior to approval, and ongoing assessments should ensure compliance. Data centre demand for water should never threaten human access to safe drinking water.

Data centres should also follow smart siting principles applied to other major infrastructure, including avoiding high-value biodiversity areas, prioritising already-cleared or industrial land, and using robust spatial mapping to minimise environmental conflict. Siting decisions should also serve First Nations and community interests, consider the availability of water and infrastructure, and assess both for cumulative impacts and compare against alternative land uses.

**Concentrated impacts for communities**

Existing and proposed data centres in NSW are overwhelmingly concentrated in a few locations, such as Botany, Macquarie Park, and Kemps Creek. In areas that are already commercialised, under-serviced, and with little green space or public amenity, the siting of data centres within Sydney raises a number of issues.

In Western Sydney for example, which routinely records temperatures up to 10 degrees higher than the eastern part of the city, urban heating stands to be fast-tracked by numerous large concrete facilities emitting temperatures of 35°C to 45°C.[21] This reinforces structural disadvantage in these communities which are already disproportionately experiencing climate impacts.

Data centres also contribute little, if any, social benefit. They are hot, noisy, securitised and windowless concrete boxes, on vast blocks of land, and they are being built without regard for community concerns or community benefit. Like with other large construction projects, developers of data centres should be required to demonstrate and deliver tangible benefits to their host communities.

All new data centres should be required to conduct meaningful community consultation and engagement, and commit to local benefit-sharing agreements with community stakeholders, creating tangible benefit for communities, workers, First Nations, and the environment. The NSW government can play a central role in ensuring that any data centres built in NSW are delivering investment and enrichment of local communities and ecosystems.

**Industry for social harm**

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https://www.smh.com.au/national/nsw/thirsty-data-centres-threaten-to-delay-thousands-of-new-homes-20240807-p5k0ah.html

[21] Renewable and Sustainable Energy Reviews, Xiaolei Yuan et al, 'Waste heat recoveries in data centers: A review', October 2023, https://www.sciencedirect.com/science/article/pii/S1364032123006342

The unfettered explosion of generative AI, and the capital attracted and invested by this industry, is driving numerous social harms and fundamentally changing what is possible and acceptable across a range of human rights areas.

Where previous generations of data centres primarily serviced the data needs of commerce and facilitated digital connectivity, generative AI is responsible for generating illegal explicit images,[22] directing vulnerable people to self-harm,[23] and automating the bombing of civilians in Iran.[24] Additionally, we are increasingly seeing an association between AI and extractive industries such as the gas industry, which has identified a new market in data centres.

Recently, Australian businesses have restructured and downsized their workforces, citing displacement by AI.[25] While experts point to a transformation of the workplace, rather than a significant dip in unemployment, there are clear implications for workers, particularly those in entry-level roles and in particular industries. This will demand careful planning and implementation by governments of new education and training priorities, and has the potential to gut entire workforces, such as in Australia's already small arts sector.

This raises a clear question for the government: is an industry that is actively facilitating the generation of exploitative content, furthering militarisation and global conflict, and displacing workers, the type of industry we wish to make a home for in NSW? Friends of the Earth believes we should instead incentivise investment from industries that contribute clear social and environmental good, such as renewable energy.

**Conclusion**

Friends of the Earth is deeply concerned by the proliferation of data centres in NSW, which threaten to put unfettered demand on public resources while contributing little of social value. To welcome this industry at the speed and scale that current planning applications implies, risks replicating the socially harmful impacts of unregulated industry in the United States, which we can see is now attracting significant pushback from communities.[26]

It is essential that the NSW government thoroughly assess the social, climate and environmental costs of hosting this new generation of data centres, and develop clear policy and regulatory frameworks for any future development that go further than the federal government's recent expectations for data centres and ensures that the industry does not make massive profits from NSW resources at the expense of communities.

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[22] BBC, Chris Vallance, 'Elon Musk's Grok AI appears to have made child sexual imagery, says charity', 8 January 2026, https://www.bbc.com/news/articles/cvg1mzlryxeo
[23] ABC, April McLennan, 'AI chatbots accused of encouraging teen suicide as experts sound alarm', 12 August 2025, https://www.abc.net.au/news/2025-08-12/how-young-australians-being-impacted-by-ai/105630108
[24] The Guardian, Robert Booth and Dan Milmo, 'Iran war heralds era of AI-powered bombing quicker than 'speed of thought', 3 March 2026, 'https://www.theguardian.com/technology/2026/mar/03/iran-war-heralds-era-of-ai-powered-bombing-quicker-than-speed-of-thought
[25] The Guardian, Luca Ittimani and Josh Taylor, 'Will AI take Australian jobs, or is it just an excuse for corporate restructure?', 14 March 2026, https://www.theguardian.com/australia-news/2026/mar/14/ai-jobs-australia-corporate-restructure
[26] The Guardian, Tom Perkins, ''A perfect, wild storm': widely loathed datacenters see little US political opposition', 14 January 2026, https://www.theguardian.com/us-news/2026/jan/13/datacenters-us-political-opposition

**Recommendations**

1. The NSW government should introduce a moratorium on any new data centre development until a clear state-wide strategy and strong policy settings are in place;
2. The NSW government should set clear expectations for how any data centre developments will deliver social and environmental benefit to their host communities and to NSW;
3. The NSW government should work with First Nations groups to determine approaches that uphold Aboriginal sovereignty and provide adequate independent oversight of land and water use by data centres;
4. The NSW government should conduct community consultation across NSW and around proposed sites to enable community participation in planning for a coordinated state-wide approach to data centre approvals, as well as establishing frameworks for community benefit-sharing;
5. Data centres should be required to 'BYO' additional renewable energy as a minimum standard, and be sited within identified areas that prioritise First Nations interests, nature protection, access to infrastructure, water availability and services, and coordination with the renewable energy build-out;
6. Individual data centre projects should be required to engage in consultation and negotiate community benefits with host communities;
7. The NSW government should develop minimum reporting and accountability standards for data centres that include hourly energy mix, water use, annual emissions, cooling methods, heat dispersal, and waste streams at a facility level.

Thank you for the opportunity to make a submission to this inquiry. We welcome further discussion of these matters, including at any hearings conducted as part of this inquiry.