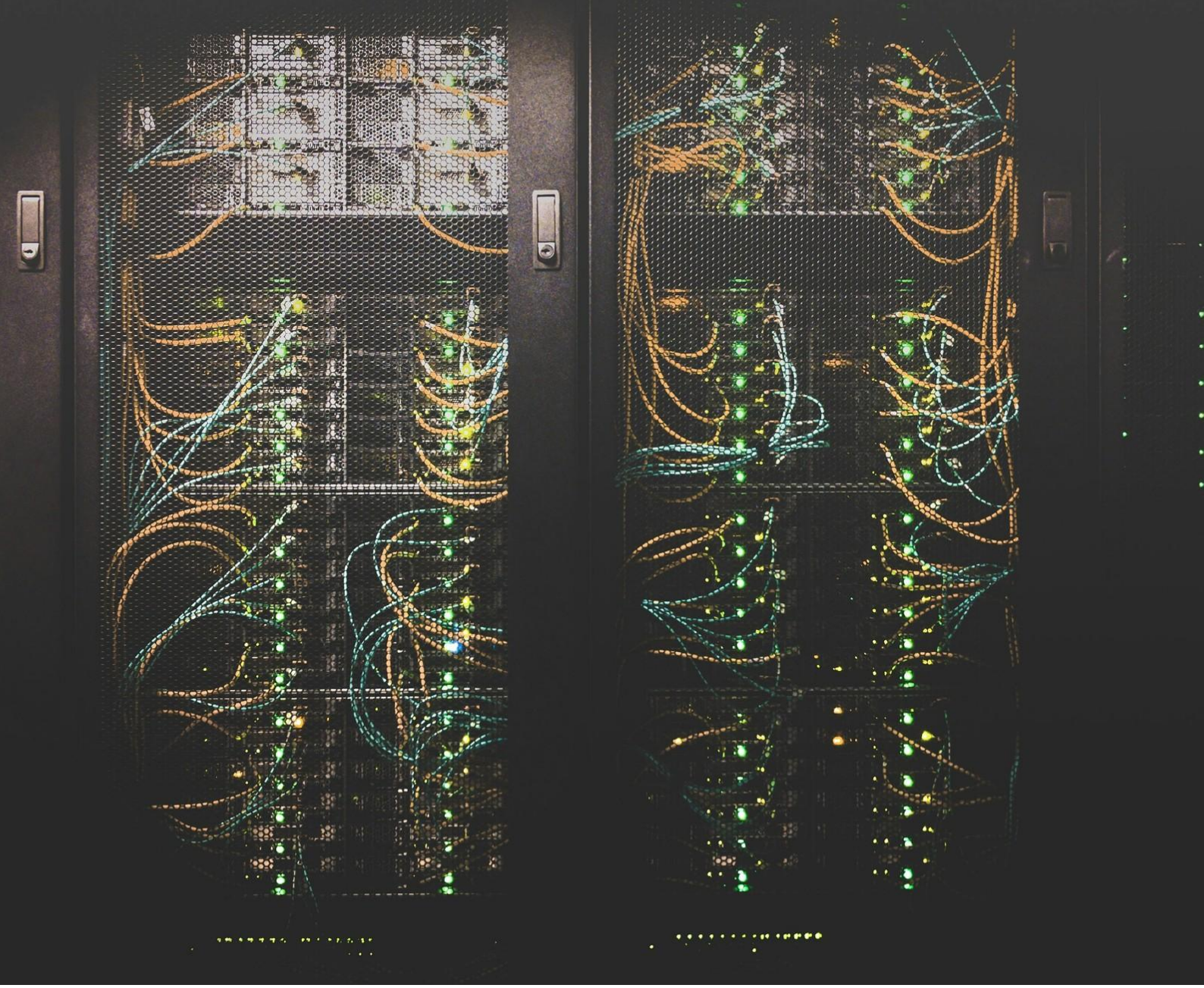


AI data centres in Tasmania

Submission to the Tasmanian Government's
Draft Expectations for Data Centres and AI Infrastructure Developers

October 2026 | Prepared by:

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UNIVERSITY of TASMANIA
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We acknowledge the Palawa/Pakana of Lutruwita, the traditional owners of the land upon which we live and work. We pay respects to Elders past and present as the knowledge holders and sharers. We honour their strong culture and knowledges as vital to the self-determination, wellbeing and resilience of their communities. We stand for a future that profoundly respects and acknowledges Aboriginal perspectives, culture, language, and history.

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The Tasmanian Policy Exchange (TPE) was established in 2020 to enhance the University's capacity to work with government and community partners to make timely and informed contributions to policy issues and debates shaping Tasmania's future. It also works with staff from across the University of Tasmania to develop evidence-based policy options and longer-term collaborations.

You can view our work at www.utas.edu.au/tpe.

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Policy In My Backyard
The TPE is proud to present Policy in My Backyard (PIMBY), where we take a closer look at the policy challenges that shape life in Tasmania – from elections to environment, healthcare to housing. Each edition unpacks complex issues with clarity, curiosity, and a deep interest in how policy plays out on the ground.

You can read all our posts at www.policyinmybackyard.org.

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Executive Summary

The Tasmanian Policy Exchange welcomes the opportunity to provide feedback on the Tasmanian Government's draft *Expectations for Data Centres and AI Infrastructure Developers*. This submission builds on two recent Policy in My Backyard papers: "Here comes the boom: AI data centres in Tasmania" (17 September 2026) and "Hosting AI: Making data centres work for Tasmania" (1 October 2026).

The draft expectations represent an important step towards establishing a clear policy framework for a rapidly emerging industry that has the potential to deliver significant economic opportunities, while also creating substantial demands on Tasmania's energy system, infrastructure and communities.

Tasmania possesses several advantages as a location for data centre and AI infrastructure investment, including a high proportion of renewable energy, favourable climatic conditions, industrial land availability and improving digital connectivity. These advantages are likely to attract continued interest from proponents of large-scale AI infrastructure projects.

The key policy question is not whether Tasmania should host data centres, but under what conditions. The State should seek to maximise the economic, social and technological benefits arising from investment while ensuring that energy consumers, communities and taxpayers are not exposed to unreasonable costs or risks.

The draft expectations correctly focus on economic development, community engagement, energy, water, planning and transparency. However, several elements would benefit from greater specificity and stronger implementation mechanisms.

Recommendations

1	Strengthen Expectation 1 by requiring proponents to publish measurable commitments relating to local employment, training, apprenticeships, procurement and community benefits.
2	Require proponents of large-scale projects to prepare Local Benefits Plans identifying expected construction jobs, operational jobs, procurement opportunities and skills-development pathways.
3	Encourage or require Community Benefit Agreements for major developments to ensure host communities receive enduring and locally relevant benefits.
4	Strengthen expectations regarding early community engagement by requiring proponents to disclose anticipated energy demand, water demand, infrastructure requirements, environmental impacts and community benefits before development applications are lodged.
5	Require proponents to meet the full costs of electricity, network, water and other infrastructure upgrades required to support their projects, ensuring no adverse impacts on existing customers.
6	Require proponents to demonstrate how electricity demand will be matched by new renewable generation and storage on island, and how interim electricity requirements will be managed.
7	Require public disclosure of project-specific forecasts of electricity demand, water consumption, renewable energy commitments and infrastructure requirements, subject to legitimate commercial and security considerations.
8	Develop Tasmania-specific guidance for large-scale data centre development that addresses energy, infrastructure, community benefits and cumulative impacts.
9	Consider additional strategic assessment arrangements for ‘hyperscale’ developments above 100 MW to ensure statewide energy, economic and infrastructure impacts are appropriately considered.
10	Establish an annual public reporting framework for major data centre developments covering cumulative energy use, water use, employment outcomes, local procurement and community commitments.

Introduction

The Tasmanian Policy Exchange (TPE) welcomes the opportunity to contribute the opportunity to provide feedback on the Tasmanian Government's draft *Expectations for Data Centres and AI Infrastructure Developers*. This submission builds on two recent Policy in My Backyard papers: "Here comes the boom: AI data centres in Tasmania" (17 September 2026) and "Hosting AI: Making data centres work for Tasmania" (1 October 2026).

The debate over AI data centres is in full swing. Supporters argue they will boost economic growth and productivity, speed up AI adoption and build sovereign technological capability. Critics point to environmental and social impacts, heavy infrastructure demands and uncertain long-term value for host communities, as well as wider concerns about the effects of AI on the nature of work and society.

The TPE does not argue that Tasmania should either go all in on AI data centres or ban them. Our aim is to make sure that *if* we host them, we do so on our terms and in a way that benefits the state.

Reflecting the discussion questions outlined in the Government's *Consultation Paper* this submission is organised around the seven draft expectations: Maximising Benefits to Tasmania, Early Engagement, Engagement with Government, Supporting Tasmania's Energy System, Sustainable Water Usage, Approval Pathways, and Transparency and Reporting.

1. Maximising Benefits to Tasmania

The Tasmanian Policy Exchange strongly supports the objective of ensuring that data centre and AI infrastructure investment delivers clear and enduring benefits for Tasmania. While headline investment figures can be substantial, international experience suggests that the economic benefits retained in host communities are often considerably lower than initial project announcements may imply. The Australian Financial Review [paywalled] has pointed out that much of the investment is in imported chips and equipment, so the money flows overseas. The challenge for Tasmania is to secure a meaningful return in three areas: raising revenue, jobs and skills and innovation.

For this reason, the final expectations should place greater emphasis on demonstrating measurable local benefits.

Raising Revenue

Governments have long taxed profitable businesses to ensure communities receive a share of the value they generate. The art, of course, is doing this fairly and efficiently without deterring investment.

The distinctive business model of AI data centres makes many traditional tax instruments ineffective. Governments elsewhere have responded through targeted taxes and charges on things like land and property, data-centre equipment, and electricity consumption.

Tasmania, however, has fewer options at the state level. Data centres are likely to pay very little payroll tax because they employ few permanent staff. They will pay land tax, but because land tax is levied on unimproved land value, the enormous value of the data centre itself is not taxable. And since 2023, introducing a new state tax on data-centre equipment, or a consumption tax on data-centre electricity or water use, would almost certainly be unconstitutional.

But this doesn't mean we're out of options. Tasmania's councils could raise considerable revenue from data centres through council rates. The *Local Government Act 1993 (Tas)* gives councils broad latitude to vary general rates or service charges according to the use, location, or planning zone of land. Several councils already use these powers to raise additional revenue from wind farms, mines and quarries, short-stay accommodation, and other uses.

Any revenue mechanism would need to balance capturing public value with maintaining Tasmania's attractiveness as an investment destination. Ideally, there would be a consistent state-wide approach to taxing data centres rather than different arrangements across councils. Importantly, a proportion of any additional revenue from taxation or energy would be reinvested in communities and help regional economies manage future transitions.

Jobs, Skills and Innovation

The draft expectations appropriately recognise the importance of employment, skills and innovation. However, data centres are capital-intensive, not labour-intensive. Construction and fit-out create many jobs, but ongoing operations need relatively few workers. Industry benchmarks suggest highly automated campuses need about 25 to 40 permanent staff per 100 MW. Firmus estimates that its 52 MW Wesley Vale facility will support 70 construction jobs but only 20 ongoing roles, and that its proposed Tasmanian facilities will have a permanent workforce of around 175. These jobs are highly skilled and well paid, but data centres will never anchor regional employment in the way the MIs have.

Construction and fit-out require electrical, HVAC (heating, ventilation and air conditioning), network and engineering expertise. Data centres are increasing demand for these skills, and NECA warns that they are adding to national competition for construction workers, electrical trades and network engineers. In Tasmania, these skills are already stretched by the renewable energy transition and other major projects such as the Macquarie Point stadium, so data centre construction could drive up costs across the sector.

Nevertheless, if managed well, this demand is an opportunity to expand Tasmania's skilled workforce. The Government could partner data centre operators with education and training providers to create local training pathways. In 2025, for example, Microsoft and TAFE NSW established a Datacentre Academy at Meadowbank, offering hands-on technical training, mentoring and pathways into data centre jobs.

Proponents should be expected to provide measurable commitments regarding:

- apprenticeships, traineeships and graduate opportunities;
- workforce development partnerships;
- workforce diversity initiatives;
- support for STEM education; and
- collaboration with local research institutions and technology businesses.

Local Community Benefits

Part of the challenge of ensuring community benefits is that costs and benefits of AI data centres fall unevenly. Most of the benefits – investment, innovation spillovers and electricity revenue – are spread across the wider economy. Many of the costs – disruptive construction, noise, visual impacts and pressure on local infrastructure – are concentrated in the host communities.

However, there can be local benefits. Waste heat from Meta's data centre in Odense, Denmark, is used to heat water for the city's heating system. In Tasmania, waste heat could be used in industrial processes or to warm greenhouses. Data centres could also support shared infrastructure, such as fibre connections and water supply upgrades.

The draft expectations rightly recognise the importance of ensuring benefits flow to host communities. Two mechanisms used elsewhere could help ensure that host communities are well informed and share in the benefits: Community benefit agreements (CBAs) and community impact assessments.

As part of the planning approval process, developers could be required to negotiate community benefit agreements (CBAs) that deliver local infrastructure, community facilities and other benefits. Byron, New York, a town of fewer than 3,000 people, secured almost US$25 million over 20 years through a CBA.

Developers could also be required to assess and publicly disclose potential impacts – such as impacts on visual amenity, noise, water use and electricity infrastructure – before projects are approved. This is normal practice in the UK and Nordic countries, and helps communities and decision-makers understand the likely benefits and costs. In Tasmania, this is currently required only under particular planning approval pathways.

We recommend strengthening this section by explicitly encouraging mechanisms such as CBAs and community impact assessments for large-scale developments.

Supply Chains

We support expectations encouraging local procurement and supply chain development. Proponents should be expected to demonstrate how Tasmanian businesses will be given opportunities to participate across project development, construction and operations.

Commercial Contribution and Cost Recovery

The draft expectations correctly state that proponents should meet applicable infrastructure costs and avoid inappropriate cost shifting. This principle should remain central to the final framework.

Large-scale developments should not transfer electricity, network, water or infrastructure costs onto existing households and businesses.

2. Early Engagement with Community and Stakeholders

The Tasmanian Policy Exchange strongly supports the emphasis placed on early engagement and public transparency. Community confidence is most likely to be achieved when engagement occurs before project decisions have effectively been finalised.

The Government's proposed approach is illustrated in the consultation document's community engagement section.

To support informed community discussion, proponents should provide early disclosure of:

- anticipated electricity demand;
- anticipated water demand;
- cooling technologies;
- infrastructure and network requirements;
- construction impacts;
- expected employment outcomes; and
- proposed community benefits.

Early engagement should include local councils, nearby residents, Tasmanian Aboriginal communities, businesses, infrastructure providers and relevant community organisations.

3. Engagement with Tasmanian Government

While we are supportive of the role of the Office of the Coordinator-General in facilitating engagement between proponents and government agencies and GBEs, this facilitation should not diminish independent assessment or community participation requirements. Establishing clear and agreed expectations in relation large-scale AI datacentre development should expedite the approval process without diminishing planning standards.

Government's role should be to ensuring that developments align with Tasmania's broader economic, infrastructure and energy objectives.

It will also be crucial that government considers cumulative impacts arising from multiple proposals, particularly in relation to energy demand and infrastructure planning (see section 6 below).

4. Supporting Tasmania's Energy System

Electricity is the biggest and most complex issue raised by AI data centres in Tasmania. Firmus' three proposed facilities would need up to 450 MW – around 30% of Tasmania's current electricity consumption. Tasmanians are rightly asking where this power will come from, what operators will pay for it, and whether they could price existing industries out of the market.

The possible scale of the electricity demand has the potential to affect energy markets, network investment and broader economic development outcomes.

The Government's energy expectations are among the most important elements of the draft framework.

Renewable Energy Commitments

We strongly support the expectation that proponents support additional renewable generation in Tasmania.

In May, the Energy and Climate Change Ministerial Council agreed that data centres must eventually match or exceed their electricity needs with new renewable generation. The challenge is timing. As the draft Statement notes, new generation "may not align with proposed data centre and AI infrastructure

projects becoming operational." Proponents should show transparently how they will operate until new generation comes online, without relying on high-emitting, short-term measures such as diesel generation.

The final policy should clearly require proponents to demonstrate:

- how new demand will be matched by new renewable supply;
- how commitments will be independently verified; and
- the timeframe over which commitments will be delivered.

Electricity Costs and Network Costs

The draft expectations appropriately require proponents to meet connection and network costs – existing customers should not pay the costs of new infrastructure. This principle should be maintained and strengthened.

Proponents should enter secure, long-term power purchase agreements at prices that reflect the current cost of new generation (around $150/MWh, firmed).

Transparency

A lack of transparency about potential impacts has been fuelling public concern about data centres. Public confidence would be strengthened if proponents publicly disclosed:

- forecast electricity consumption;
- intended electricity contracting/supply arrangements;
- renewable energy commitments;
- network impacts; and
- expected timing of electricity demand growth.

Subject to legitimate commercial confidentiality, such information should be made publicly available.

5. Sustainable Water Usage

There is concern around the impacts of AI data centre water usage. The draft expectations appropriately recognise water as a critical resource requiring careful management.

Despite community concern, current Tasmanian proposals appear to need relatively little water. Firmus says its proposed Bell Bay facility will use 19.2 million litres a year – about the same as 110 households. Water use could become more of an issue in the future, depending on the scale and location of new facilities and their cooling technology (which is changing rapidly). Their needs would then

have to be balanced against those of households, irrigation, other industries and environmental flows.

The Government's proposed framework correctly emphasises efficient cooling technologies, sustainable water sourcing and protection of existing users.

To strengthen community confidence, proponents should be expected to publicly disclose:

- estimated maximum water demand;
- estimated average annual water use;
- cooling technologies;
- wastewater arrangements; and
- opportunities for water recycling and reuse.

The final framework should also encourage operational reporting of actual water consumption following project commencement.

6. Approval Pathways

Most data centre proposals are assessed under Tasmania's Resource Management and Planning System (RMPS), with development applications generally decided by the relevant local council. The RMPS allows for community participation, but it focuses on land-use and environmental matters, not on energy system and economic impacts or long-term community benefits.

Large AI data centres need broader assessment than the RMPS offers. There is a strong case for proposals above the 100 MW hyperscale threshold to be assessed by the Tasmanian Planning Commission under the Major Projects process. Another option is a new statutory approach like Queensland's 2025 planning amendments, which require proponents to engage directly with communities and specify community benefits although creating a new planning 'pathway' would increase the complexity of an already fragmented planning system.

Tasmania-specific guidelines for data centre development should also be developed as a priority, for example as part of the Tasmanian Planning Commission's *Guidance Resources*. These should inform both planning approvals and power supply agreements, so that proponents, communities and decision-makers are working from the same expectations.

Assessment of AI data centre plans should consider:

- cumulative energy impacts;
- infrastructure requirements;
- regional development opportunities;
- community benefits; and
- statewide economic impacts.

7. Transparency and Reporting

Community concern about AI data centres is growing, in Tasmania and elsewhere. Clear and transparent processes for assessing proposals, and for ensuring they deliver lasting community and economic benefits, should be put in place as soon as possible.

Public confidence depends on communities being able to assess whether proponents have delivered the economic, environmental and social outcomes initially promised.

The reporting expectation outlined in the consultation paper is therefore critical.

Subject to legitimate commercial, cybersecurity and national security constraints, proponents should publicly report:

- electricity consumption;
- water consumption;
- employment outcomes;
- apprenticeship and training outcomes;
- local procurement spending;
- renewable energy commitments; and
- community benefit commitments.

Annual public reporting would provide accountability and help inform future policy development.

Conclusion

The Tasmanian Policy Exchange welcomes the Government's proactive development of expectations for data centres and AI infrastructure developers. The draft framework appropriately recognises the opportunities associated with investment in digital infrastructure while acknowledging legitimate concerns relating to energy, water, infrastructure and community impacts.

The framework would be strengthened by a stronger focus on the requirement for local benefits, full cost recovery, transparency, reporting and community engagement. Most importantly, the final policy framework should ensure that the benefits of hosting major data centre and AI infrastructure projects are shared in the host communities and broadly across Tasmania and that existing households, businesses and communities are not exposed to costs or risks.

With these improvements, the expectations can provide a strong foundation for attracting responsible investment that contributes to Tasmania's long-term economic prosperity, energy transition and digital development.