Submission: Draft Expectations for Data Centres and AI Infrastructure

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To: Tasmanian Government, Department of State Growth · From: Rohan Gleeson, [redacted], Tasmania

About the author

I am a recent Tasmanian resident and a commercial and finance consultant with 25 years of infrastructure investment experience. I have built business cases and funding structures for telecommunications operators, investors and international development banks, including the World Bank, International Finance Corporation (IFC) and the African Development Bank. Often that work involved defining what an investment must deliver to its host country and developing mechanisms to maximise the chances the planned benefits are realised. I write in a personal capacity.

Summary

The draft Expectations say, rightly, that data centres must deliver lasting benefits for Tasmania. But as drafted, the risk that those benefits never turn up sits with Tasmanians, not with the data centre owners. The draft says what is expected. It does not put numbers on the benefits, require them to be measured, or say what happens if they are not delivered.

Fortunately, there are well-tested answers. Development and resource projects around the world routinely write host-country benefits into binding agreements and back them with monitoring, financial security and remedies. In short, I recommend that Tasmania quantify what each project commits to at approval; monitor it independently for the life of the project; agree up front how any shortfall will be made good, backed by security so the owner and not Tasmanians carries the risk; take a share of the upside; and make the Expectations binding through project agreements.

Benefits are expected, but not secured

The draft is clear that it creates no obligations. It describes itself as a non-statutory statement of government policy that does not create a new approval or regulatory process (p. 3). Its benefit provisions are aspirations, with no targets, verification or consequences.

Draft provision	What it says	What is missing
Benefits to Tasmania (Expectation 1)	Proponents are expected to structure projects so Tasmanians see "a clear and lasting return" (p. 6)	Clear measure(s) of that return, remedies if it does not materialise
Jobs (1a)	Proponents "should be transparent about the number and nature of jobs" (p. 6)	Commitment to a number of jobs

Draft provision	What it says	What is missing
Community benefits (1b)	Proponents "should seek opportunities" to deliver benefits (p. 6)	A minimum value; compare the NSW per-megawatt rate below
Local supply chains (1c)	Proponents are expected to "maximise opportunities" for Tasmanian suppliers (p. 6)	An explicit local content target and associated reporting
Reporting (Expectation 7)	The Government "encourages" disclosure, and proponents "should consider publishing" outcomes (p. 15)	Mandatory reporting and/or independent verification.
Timing of new generation (4d)	Load may connect before new generation, with commitments "progressively delivered" (p. 11)	Deadlines and consequences if the generation never arrives
Demand flexibility (4c)	Proponents "should be flexible" and able to reduce consumption if needed (p. 11)	Contractual curtailment right with reagreed priority order

Where the draft is firmer, it still relies on future negotiation. It rightly requires proponents to pay for connection and their share of network costs, and to protect existing customers from stranded asset risk (pp. 7, 12). But it leaves the form of that protection to commercial negotiation with publicly owned businesses, with no minimum standard.

So the risk sits with Tasmania. If a project employs fewer people than promised, or misses other fundamental milestones, Tasmanians absorb the shortfall. The draft itself asks what practical commitments would best support Tasmanian jobs, skills, local procurement and lasting community benefits (p. 7). My answer is commitments that are quantified and enforceable.

The stakes are large. Six confidential proposals are being explored in addition to Firmus's three, and together they would use at least 500 MW (ABC, 9 September 2026). Data centre owners are best placed to deliver the benefits they promise, so they should carry the risk of not delivering them.

Firmus's withdrawal of its planned ASX float on 9 October shows why this matters (CNBC, 9 October 2026). Firmus cited market volatility and says it will now seek private funding. I am not commenting on Firmus's prospects here. But the Government has already gone a long way to support this sector, including creating an AI Factory Zone in northern Tasmania (Firmus), and investor appetite for these projects can change very quickly. That is exactly why the question of who carries the risk if a project stalls, shrinks or changes hands should be settled at approval, not afterwards.

These mechanisms are proven

Capturing host-country benefits is standard practice in development finance, public-private partnerships (PPPs) and resource projects. Benefits are written into binding agreements, measured, and enforced. Tasmania does not need to invent anything new.

Mechanism	Where it is used	What it does
Host-government and community development agreements	Mining, oil and gas, major infrastructure	Set out the investor's obligations to the host: jobs, training, local spend, community funding
Local content plans	Resource and infrastructure projects	Commit the investor to measurable local employment and procurement, reported regularly
Key performance indicators with abatement	PPP contracts	Payments or concessions reduce automatically when performance falls short
Performance bonds and bank guarantees	PPPs, construction and concessions	Provide cash the government can draw on if obligations are not met
Step-in rights and change-of-control consent	PPPs and concessions	Protect the public interest if a project fails or is sold
Free-carried equity interests	Mining and petroleum	Give the host state a share of the equity without putting in cash
Benefit-sharing rates	Australian renewable energy	Set a fixed community payment per megawatt for the life of the project

The last example is close to home. The NSW Benefit Sharing Guideline sets rates of $850 per MW per year for solar and $1,050 per MW per year for wind, paid over the life of the development and indexed to CPI (NSW Benefit Sharing Guideline). Data centres are among the largest single loads on any grid, so a similar, published rate would give proponents certainty and communities a fair share.

Tasmania can also think more ambitiously than a fixed payment. Gibtel, the Gibraltar telecoms operator and a former client of mine, used Gibraltar's unique geography to build a data centre offering, turning a small territory's position into a competitive advantage. Tasmania needs to think at that level too. The aim should be an environment where data centre operators and their technology suppliers become ambassadors for Tasmania and choose to move some of their R&D, engineering or training here. We have a strong case to make: an extraordinary natural environment, lower property prices than most mainland capitals, and a quality of life that is hard to match. The Government could build this into its facilitation, for example by linking proponents with the University of Tasmania and treating a local R&D presence as part of what it looks for in the projects it supports.

Recommendations: quantify, monitor, make good

1. **Quantify the benefits at approval.** Each project should commit to a benefits register, written into its approval or project agreement. It might cover operational jobs held by Tasmanian residents (counted separately from construction jobs), local procurement as a share of operating spend, megawatts of new Tasmanian generation funded, agreed dollar contributions to network and connection costs, water use per megawatt and the share recycled, community benefit funding per megawatt per year, and training places and apprenticeships.
2. **Monitor independently after construction.** Owners should report against the agreed objectives every year, with independent verification, and the results should be published. Often most benefits arrive during operation, not construction, so monitoring must extend for the life of the project.
3. **Agree upfront how shortfalls are made good.** The remedy for each commitment should be set before approval when the government has maximum leverage, not negotiated following a failure. It should be backed by financial security the State can draw on without having to undertake legal action.
4. **Allocate each risk to the party best placed to manage it.** The table below sets out a suggested allocation.

Risk	Who should bear it	Mechanism
Jobs or local spending fall short	Owner	Annual payment into a Tasmanian community or skills fund, sized to the shortfall
Load falls or the project closes early, stranding new network or generation assets	Owner	Take-or-pay network and energy contracts for the asset's payback period. The draft recognises this risk (p. 7) but sets no minimum protection
Site abandoned at end of life or on failure	Owner	Decommissioning bond lodged before construction
Promised new generation not delivered	Owner	Generation built and contracted before load connects; curtailment until it is
Project sold to a new owner	Owner and buyer	Obligations bind successors; State consent required for change of control
Concessions or favourable terms not justified by outcomes	Owner	Clawback of the value of any concession

Give Tasmania a share of the upside

The recommendations above protect Tasmania if things do not proceed as planned. Tasmania should also share in success. Data centres will run on Tasmanian renewable energy and network capacity, which are scarce public assets.

One option is for the State to hold a minority equity stake in each project. This gives Tasmania dividends, information rights and some influence over the project's future. The risk is that the State puts public capital into a volatile, fast-changing sector, while also acting as approver and energy seller. A minority stake also gives limited control.

The Government could get the same benefits with less risk. A free-carried interest gives the State a minority equity share without contributing capital, as is common in resource projects. A golden share gives a veto over change of control and major decisions, with no economic exposure. A levy or royalty per megawatt-hour, or per unit of compute, means Tasmania's return rises with the project's success. Or Hydro Tasmania's supply price could be linked to the data centre's earnings.

None of these options requires the State to put in capital, so they sit comfortably with the draft's position that projects should be viable without government financial support (p. 9). I recommend the Expectations state that projects of this scale should expect to offer the State one of these mechanisms, chosen to suit each project.

Further points

Most importantly, the Expectations need teeth. Expectations alone cannot be enforced, so each approval should come with a project agreement or deed that turns them into obligations. That should cover the benefits register, monitoring and remedies above, as well as decommissioning at end of life and what happens when a project is sold, neither of which the draft mentions. Even the Commonwealth attaches a consequence: under its March 2026 expectations, energy-intensive proposals not closely aligned with them will not be prioritised in Commonwealth regulatory assessments (Australian Government expectations). Tasmania could apply the same test to Coordinator-General facilitation and connection priority.

Beyond that, four specific gaps stand out:

- **Define "additional" renewable generation.** The draft requires additional Tasmanian generation, but it also allows supply from existing spare capacity and accepts proof through "recognised certification schemes" (p. 10). Firmus has said it will initially match its power use with renewable energy credits (ABC, 3 July 2026). Credits do not add generation to the Tasmanian grid. "Additional" should mean new Tasmanian generation, contracted before the load connects.
- **Assess projects cumulatively.** Nine proposals are in view, and six of the proponents are confidential. The draft does not address cumulative impact at all. Each project should be assessed against the combined demand of all of them, with a staged connection queue and public disclosure of proponents at the feasibility stage.
- **Set curtailment priority.** The draft says only that proponents should be able to reduce consumption if needed (p. 11). In dry years or when Hydro storages are low, data centres should be interruptible before households and existing industry, under contracts agreed upfront.

- **Provide a fit-for-purpose assessment pathway.** Councils have said the current planning scheme does not let them consider all the relevant matters (ABC, 9 September 2026). The draft relies on existing pathways and permit conditions (p. 14). A state-level framework would close this gap.

Conclusion

Data centres can bring real investment to Tasmania, and I would like to see them succeed here. The question is who carries the risk if the promised benefits do not arrive. As drafted, it is Tasmanians. Quantified commitments, independent monitoring, agreed remedies backed by security, and a share of the upside would put that risk back with the owners, who are best placed to manage it. These are proven tools, and Tasmania can adopt them now.

This also matters to me personally. Getting it right is part of how Tasmania keeps its young people. The skilled, well-paid jobs these projects promise are exactly what young Tasmanians, like my son, need if they are to build careers here rather than leave for the mainland. Those jobs should be committed to, not just hoped for.

I would welcome the opportunity to discuss my submission.

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