Tasmanian Irrigation

ABN: 9572 2799 075/ ACN: 133 148 384

Submission on Draft Expectations for Data Centres and AI Infrastructure Developers: Tasmania

Introduction

Tasmanian Irrigation welcomes the opportunity to provide feedback on the Tasmanian Government's draft Data_Centre_and_AI_Statement_of_Expectations_4_September_2026.

Tasmanian Irrigation supports the Tasmanian Government's objective of securing economic development, skilled employment, innovation and private investment while protecting the interests of Tasmanian communities and existing infrastructure users.

Tasmanian Irrigation also supports the Government's strong focus on ensuring data centre proponents underwrite new renewable energy generation, recover the full costs of infrastructure required to support their developments, and protect existing electricity customers from adverse impacts. These principles appropriately recognise electricity as a strategic economic resource that requires careful stewardship.

However, it is our view that from a water and agricultural perspective, the draft does not adequately consider the range of relevant matters.

The Australian Government's Expectations of Data Centres and AI Infrastructure Developers identifies sustainable and responsible water use as one of only five national expectations and explicitly links water security to Australia's national interest. By comparison, the Tasmanian draft devotes extensive attention to energy security, renewable generation, network protection and cost recovery, while water is addressed primarily in terms of minimising consumption and avoiding impacts on existing users.

Power and water are the two critical inputs required for many data centre developments. Energy supply can be expanded through additional generation, including wind and solar. Natural freshwater resources are finite, although access to water can be increased through new storage and delivery infrastructure and, at higher cost, through recycling, desalination or other augmentation measures.

The framework adopts a clear "grow the pie" approach to energy, requiring proponents to contribute to the development of additional energy supply. In contrast, the water chapter adopts a narrower "do no harm" approach. This represents a significant policy imbalance and overlooks water-specific risks and opportunities.

As well, a significant portion of Tasmania's renewable energy is derived from hydropower, underpinned by water. Thus, the focus on energy as an input to data centres is also a focus on water resources, without specific acknowledgement. Whether for electricity or cooling provisions, the demand on the state's water resources from AI data centres must be acknowledged, prioritised and effectively managed.

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Tasmania's water resources support agriculture, food production, regional communities, industry, recreational and amenity, and environmental values. Irrigation underpins substantial economic activity across the State and represents significant public investment in water infrastructure. Accordingly, water should be afforded a level of policy consideration comparable to that applied to energy.

Tasmanian Irrigation's submission is centred on ensuring that future data centre development protects agricultural water security, strengthens drought resilience, prioritises fit-for-purpose water sources, supports continuous improvement in water efficiency and delivers enduring benefits to Tasmania's economy and communities.

Yours sincerely,

Michael Sylvester

Chief Executive Officer

Attachment: Tasmanian Irrigation submission on Draft Expectations for Data Centres and AI Infrastructure Developers: Tasmania

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Key Recommendations

Recommendation 1

Recognise irrigated agriculture as a critical existing water user

The draft repeatedly refers to protecting "existing users" but does not identify irrigated agriculture or food production as strategic existing water uses.

Tasmanian Irrigation notes that irrigation-driven agriculture delivers substantial economic and social value to Tasmania and should be explicitly recognised within the framework. This reflects broader water policy discussions currently underway in Tasmania, which acknowledge the importance of equitable access to water resources and the economic contribution of irrigated agriculture.

The framework should recognise that water security for irrigated agriculture is not simply a private commercial issue. It is directly linked to food production, regional employment, export earnings and economic resilience.

Drought and climate variability sharpen these risks. High-surety irrigation infrastructure provides farmers and regional communities with productive capacity and resilience during dry periods. Data centre policy should therefore protect the water and infrastructure capacity needed to maintain agricultural production through drought and avoid transferring drought risk to existing users.

Suggested addition to Principle 3 (Environment and Planning):

> Protect water security for existing strategic water users, including irrigated agriculture, food production industries and regional communities.

Recommendation 2

Recognise Tasmanian Irrigation as a key water infrastructure provider

The draft specifically identifies Hydro Tasmania and TasNetworks as critical infrastructure providers within Tasmania's energy system.

There is no equivalent recognition of Tasmanian Irrigation despite its role as a significant bulk water infrastructure provider and operator of significant public water infrastructure assets. Tasmanian Irrigation's role extends beyond irrigation supply and increasingly includes supporting broader economic development opportunities through strategic water infrastructure. Existing Tasmanian legislation also enables Tasmanian Irrigation, subject to statutory requirements, to contract for industrial water supply associated with hydrogen production. This provides a practical foundation for Tasmanian Irrigation to contribute to Tasmania's future critical energy infrastructure, while reinforcing that the water infrastructure supporting energy and industry should itself be recognised as critical infrastructure.

Suggested addition to Section 5(a):

> Proponents should engage early with relevant water infrastructure providers, including Tasmanian Irrigation and TasWater where applicable, to assess water availability, infrastructure requirements, system capacity and opportunities for sustainable supply.

This would align the treatment of water infrastructure providers with the approach already adopted for the energy sector.

Recommendation 3

Establish a clear water sourcing hierarchy

The Australian Government's national expectations establish a clear policy expectation that data centres support Australia's energy transition by underwriting additional renewable generation.

The Tasmanian framework appropriately translates this principle into detailed requirements for electricity supply. No equivalent hierarchy exists for water sourcing.

Tasmanian Irrigation supports the draft's preference for recycled and other fit-for-purpose sources but recommends care with the term 'non-potable'. A clearer distinction is between raw water used for agriculture and industry, recycled or reclaimed water, and reticulated drinking water treated to public health standards. Treated drinking water is generally more expensive to produce and may be constrained by population growth and climate variability. Rainwater may also be used as drinking water in rural settings, so 'potable' should not be used as a simple proxy for all untreated water.

Suggested addition to Section 5(a):

> Proponents should demonstrate that recycled, reclaimed and fit-for-purpose raw water sources have been fully considered and prioritised before seeking access to reticulated drinking water or existing agricultural water supplies.

Recommendation 4

Require assessment of impacts on agricultural water security and food production

The draft requires proponents to forecast water demand and demonstrate that water security for existing users will not be affected.

Tasmanian Irrigation considers that this requirement should be strengthened.

Tasmanian Irrigation's major infrastructure developments undergo significant State and, where applicable, Commonwealth environmental and planning assessment. These processes can include sustainable-yield and hydrological modelling, assessment of impacts on environmental values, public engagement and conditions governing construction and operation. This demonstrates the level of scrutiny applied to major water infrastructure projects and supports a clear expectation that large data centre water demands should be subject to transparent and coordinated assessment.

The framework should establish an early, coordinated approvals pathway for data centre water use, without weakening environmental standards, so source sustainability, cumulative impacts, infrastructure requirements and public-interest considerations are assessed before development commitments are made.

Data Centre Projects above a defined water use threshold should also undergo a robust analysis and approvals process. At a minimum, proponents should prepare a Water Security Impact Assessment addressing:

- source of water supply;
- alternative water sources assessed;
- impacts on existing agricultural users;
- impacts on future agricultural development;
- drought contingency arrangements;

- infrastructure augmentation requirements; and
- measures to ensure existing users are no worse off.

Large-scale water-consuming developments should be required to assess and publicly disclose actual consumption, water source and impacts on other users.

Recommendation 5

Encourage investment that expands water infrastructure capacity

One of the strongest features of the draft is the requirement that data centre proponents support the development of additional renewable energy generation rather than relying solely on existing capacity.

Tasmanian Irrigation considers a similar principle should apply to water. While natural freshwater resources cannot be expanded (indeed climate modelling indicates that there will be greater pressure on this natural resource), new infrastructure can increase access to, and the reliability of, water.

Major industrial developments can create opportunities to:

- expand water storage capacity;
- invest in recycled water infrastructure;
- improve system resilience;
- unlock new regional water supplies; and
- create benefits for existing users.

Rather than focusing solely on mitigating impacts, the framework should encourage developments that improve Tasmania's long-term water security and make productive use of existing capacity. Where irrigation schemes have unsold capacity created for future agricultural growth, appropriate new demand may improve scheme economies of scale, support debt reduction or cost recovery, and create benefits for farmers and the State, provided agricultural water security and scheme purposes are protected.

Suggested addition to Section 5(b):

> Where significant new water demand is proposed, proponents should investigate opportunities to contribute to water infrastructure investments that increase storage, treatment or delivery capacity, improve drought resilience and water security, use suitable existing unsold irrigation scheme capacity where available, and generate enduring benefits for regional communities and existing water users.

This approach is consistent with the principle that new demand should expand access, infrastructure capacity and resilience rather than compete for constrained freshwater supplies.

Recommendation 6

Apply equivalent full cost recovery principles to water

The draft adopts strong cost recovery principles for electricity infrastructure and network augmentation.

Tasmanian Irrigation supports a comparable approach for water.

The National Water Agreement and established national water pricing principles provide a relevant policy foundation, including efficient and sustainable use of water resources and infrastructure, transparent pricing, user-pays and recovery of efficient capital, planning and management costs.

Suggested addition:

> Data centre and AI infrastructure developments must pay the full, transparent price for water services and meet the full costs associated with water supply, storage, treatment, transport, delivery, environmental assessment and network augmentation required to support the development, ensuring no net cost or cross-subsidy is borne by existing customers.

This would create greater consistency between the energy and water chapters and align with national water pricing principles concerning efficient and sustainable use, user pays, pricing transparency and recovery of infrastructure, planning and management costs.

Recommendation 7

Require best-practice water efficiency and continuous improvement

Water efficiency should be integral to data centre design, technology selection, siting and operating approvals, rather than treated only as an operational aspiration.

Proponents should be required to demonstrate adoption of best-available, fit-for-purpose cooling and water-management technologies; set measurable water-use efficiency targets; monitor and publicly report performance; and maintain a plan for progressive efficiency improvements as technology develops.

Suggested addition:

> Data centre and AI infrastructure developments must minimise water consumption through best-practice design and operation, prioritise water-efficient and low-water cooling technologies, and demonstrate how water-use efficiency will be monitored and improved over the life of the development.

Recommendation 8

Explicitly recognise the economic value of existing water uses

The national expectations place significant emphasis on Australia's national interest and the social licence required to operate large-scale data centre infrastructure.

The Tasmanian framework should similarly require proponents to demonstrate how proposed water use aligns with Tasmania's long-term economic interests.

This should include consideration of:

- the value of existing agricultural production;
- impacts on regional employment;
- food and fibre production outcomes;
- long-term water security; and
- net public benefit to Tasmania.

The objective should be to ensure water resources continue to deliver the greatest long-term economic and social value to the State. This principle is consistent with broader discussions regarding the best use of Tasmania's water resources and equitable access to water for productive industries.

Conclusion

Tasmanian Irrigation supports the development of a clear policy framework to guide investment in data centres and AI infrastructure in Tasmania. We also support the Government's strong focus on commercial viability, cost recovery, renewable energy investment and protection of existing infrastructure users.

However, the current draft gives considerably greater policy attention to energy security than water security. While proponents are expected to support the development of additional energy capacity and protect existing electricity customers, there are no equivalent expectations relating to agricultural water security, drought resilience, water-source suitability, water efficiency, full-cost pricing, environmental approvals or expansion and efficient use of water infrastructure capacity.

Tasmanian Irrigation recommends that the framework be strengthened by:

- recognising irrigated agriculture as a critical existing water user;
- recognising Tasmanian Irrigation as a key water infrastructure provider;
- establishing a clear hierarchy based on fit-for-purpose water sources;

- requiring assessment of impacts on agricultural water security, food production and drought resilience;
- encouraging investment that expands water infrastructure capacity and makes efficient use of suitable existing capacity;
- applying full-cost, user-pays pricing principles to water infrastructure;
- requiring best-practice water efficiency and continuous improvement; and
- requiring major projects to undertake a Water Security Impact Assessment and coordinated environmental approvals.

These changes would better align the Tasmanian framework with the Australian Government's national expectations and national water policy principles, while ensuring that data centre investment supports, rather than competes with, Tasmania's long-term water security, drought resilience, agricultural productivity and regional prosperity.

The overarching principle should be that new industrial demand leaves existing users no worse off, pays its full water-related costs, minimises consumption through best-practice design and continuous improvement, and wherever possible contributes to Tasmania's long-term water security, drought resilience and productive capacity.

Ends

October 2026