Submission to Inquiry on AI Data Centres in Tasmania **21/09/2026**

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To: House of Assembly Standing Committee on Government Administration A (assemblygaa@parliament.tas.gov.au)

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To whom it may concern,

I am making the following submission as a qualified governance expert with deep subject matter expertise.

I address the following Terms of Reference:

1. Protect public resources and the environment

- **Grid and Infrastructure Strain:** The proposed scaling of AI data centres – led by facilities across St Leonards, Bell Bay, and Wesley Vale totalling an estimated **400–444 MW** – presents unprecedented risk to Tasmania's finite energy and other resources. This pipeline represents an immediate draw of **15% to 20% of the entire state grid** by a single, unproven client/new industry. This also represents a high **concentration risk** for anchor investors. If one client absorbs this much capacity, any future legislative grid-rationing or public energy emergency creates an immediate threat to the company's revenue projections, which must be flagged in pre-IPO prospectuses.
- **The "Pure Hydro/renewable" Greenwashing Liability:** Marketing these data centres as "100% green and sustainable" because they plug into Tasmania's hydro (and wind and solar) grid creates **acute legal and financial risks**, for the State government, the taxpayer, the company and its financiers.

  During dry or low-wind seasons, a continuous 24/7 baseload requirement will deplete local hydro reserves. As no doubt you are already well aware, this will force Hydro Tasmania to import expensive, coal-fired power from Victoria via the Basslink cable (and any others proposed), and/or to utilise renewable power normally available to other industries, businesses or households.

Relying on Basslink coal-fired power imports during dry seasons etc triggers a breach of the **Equator Principles (Principle 2: Environmental and Social Assessment)** and violates **SFDR (Sustainable Finance Disclosure Regulation) Article 9** compliance for investment funds like Singapore's Temasek, a **climate litigation risk** for IPO underwriters.

Any claim to be powered by renewables is thus greenwashing and **creates a severe risk to one of Tasmania's most important public resources: Brand Tasmania.**

This is also evidenced by the initial company concerned (Firmus's) diesel backup generators, as already demonstrated by a datacentre in western Melbourne producing significant local environmental and social impacts (noise, emissions, etc). Moreover, this aspect lacks quantification and technical grounding regarding carbon accounting. This shifts the asset's emissions profile from "pure green" to a high **Scope 1 (direct) emissions footprint**. For institutional investors bound by net-zero targets, this creates an unmitigated **Scope 1 liability** that complicates IPO pricing.

- **Regulatory Penalties (ASIC & ACCC):** Under Australia's Mandatory Climate-Related Financial Disclosures regime, large companies and financial institutions must accurately disclose material climate risks.

  The **Australian Securities and Investments Commission (ASIC)** can prosecute misleading sustainability claims under Regulatory Guide 280 (RG 280). See https://www.asic.gov.au/regulatory-resources/find-a-document/regulatory-guides/rg-280-sustainability-reporting (dated 31/03/2025)

  This is a further risk to Tasmania's reputation and brand and cannot be ignored.

  Additionally, the **Australian Competition and Consumer Commission (ACCC)** has **designated corporate greenwashing an enforcement priority**. Proponents attributing a "pure hydro" or "pure renewable" footprint to these datacentre facilities risk civil penalties, class-action climate litigation, and further catastrophic damage to the premium valuation of Brand Tasmania, and all businesses that depend on this, with **a commensurate risk of class action(s).**

- **Marine Infrastructure Risks:** The proposed landing of the **60+ Tbps Bernacchi-1 subsea cable system** requires complex Commonwealth and State maritime approvals, which as you would also know, can be very lengthy. The new NEPA (2025) means this cannot simply be pushed through by Building Tasmania, or any other entity, and the penalties for non-compliance are now significantly greater. Under NEPA, maritime and subsea easements cannot be fast-tracked via political mechanisms (like "Projects of State Significance"). This introduces severe **CapEx lock-in**, where capital is frozen in land facilities while waiting for subsea environmental clearance.

  Fragmented planning processes currently in place also fail to account for the cumulative environmental impact of laying subsea assets along with other environmental impacts.

- **Institutional ESG Risk Integration:** For international underwriters operating under the *Equator Principles*, these developments introduce critical, compounding Environmental, Social, and Governance (ESG) vulnerabilities.

  From an **Environmental (E)** perspective, a project-by-project approval system ignores the cumulative threats, including but not limited to regional water tables and grid capacity. This creates a high probability of **operational energy curtailment risk and/or stranded-asset risk** during low-inflow hydro periods.

  From a **Social (S)** standpoint, aggressive, multi-million-dollar early-stage community and sports sponsorships (e.g., Tasmania Devils, JackJumpers, Cricket Tasmania) are increasingly flagged by institutional compliance filters as an artificial substitute for a genuine social licence (a.k.a. **proxy social-licence buying**). In this context, this is a practice widely known as "**sportswashing"**. Social licence cannot be bought, and financiers (of Firmus and other prospective database operators) will be looking closely at this aspect as they need to be legally compliant, manage their risks and abide by international ESG principles.

  This disconnect is exacerbated by a negligible operational footprint that is currently estimated to create just **115 permanent island-wide employment positions**. **The S score (in ESG) will be low, and the risk to return ratio extremely high.** Tasmania already has a number of large, looming environmental and other unfunded liabilities and cannot afford to be burdened with additional stranded assets and associated public backlash.

  In terms of **Governance (G)**, relying on the state's non-binding, non-statutory *Draft Statement of Expectations for Data Centres* provides zero legal certainty for investors. Instead, it exposes institutional capital to deep **sovereign risk premiums**, severe **CapEx lock-in**, **siloed administrative approvals bottlenecks**, and future legislative or local appeals tribunal (TASCAT) intervention.

2. Ensure Tasmania's Resource Management and Planning System adequately recognises and addresses the specific impacts of the development and construction of AI and data facilities

- **The Planning Oversight Gap:** Despite recent changes, currently Tasmania's project assessments are siloed, disconnected and vulnerable. Local councils evaluate basic land-use zoning, the EPA looks at isolated site emissions, Hydro Tasmania negotiates commercial contracts, and Treasury handles macro-fiscal policy. No single regulatory entity evaluates a consolidated matrix of resource and telecoms allocation, infrastructure burden and long-term sovereign risk.

  Whilst not alone in facing this Tasmanian planning void, the scale and (apparent) urgency of this current datacentre proposal highlights and exacerbates this deficiency and indeed exploits it. Again, this is another area that project financiers WILL be scrutinising: **lack of proper governance.** Once again, piecemeal 'approvals' are not a foundation for social licence and create significant legal and other vulnerabilities.

- The Tasmanian Planning Scheme possesses a **structural blind spot** because it assesses data centres as standard industrial warehouses rather than hyper-resource-intensive system utilities. Financiers evaluating governance will view this as an **unstable foundation** prone to sudden, retroactive policy corrections.

  Tasmania is simply not ready to assess or approve these types of investments, or to wear the significant risks if government proceeds regardless.

- **Cumulative Impact Blindspot:** Treating data centres as conventional industrial land-use developments leaves Tasmania blind to costly cumulative impacts. A single facility might appear manageable in isolation, but the combined demand of multiple data centres and subsea cables risks operational throttling and grid instability.

  This fragmented approach allows public infrastructure to be incrementally committed until contracts are legally embedded, irreversible, and exposed to sovereign risk. This has the potential to trap international financiers in a high-exposure **CapEx lock-in** vulnerable to retroactive statutory overhauls.

  Moreover, the Tasmanian public are not fools, and eventually a tipping point of significant discontent will be reached. Unlike the salmon industry, for example, the number of jobs and multiplier economic effects created by this new industry are relatively low and are thus less likely to be publicly tolerated. Moreover, when grid capacity tightens, the political and public pressure to curtail data centre energy allocations will be far higher than for traditional employers, escalating the **operational curtailment risk** for the IPO.

3. Provide Parliamentary Oversight and Accountability for new facility construction and resource allocation

- **Fiscal Illusion:** Despite multi-billion-dollar headline investment figures, the **net structural return to the Tasmanian State Budget is virtually non-existent.** International corporate tax-minimisation structures already put in place by Firmus strip data centre operations of taxable profits at a federal level, which does not directly enrich state revenue or provide any relief to Tasmanian taxpayers.

- **Sovereign Debt Mitigation:** Local council rates are tied to basic industrial land valuations, which provides zero material relief for Tasmania's current Aa3/AA degraded credit rating or our $6.5+ billion public debt burden. Parliamentary oversight is urgently needed to review major business cases before public assets are legally bound to low-yield projects. **Tasmanians cannot afford to subsidise the secondary infrastructure (transmission upgrades, water pipelines etc) required for a 444 MW footprint**. Investors such as Temasek will face unexpected infrastructure cost-shifting, degrading their expected internal rate of return (IRR).

- A project pipeline that seeks up to **$7 billion** in capital prior to a public float also requires robust parliamentary oversight to prevent hidden public subsidisation. Currently, critical power off-take agreements, water supply conditions, and marine infrastructure easements are negotiated through confidential commercial arrangements.

Parliament must implement a robust, transparent mandatory review mechanism for any development that consumes more than **5% of the state's total energy capacity** (individually or cumulatively, if 'project-sliced' to evade thresholds), verified by an independent, third-party audit presented directly to the Auditor-General.

4. Ensure transparent public disclosure of resource consumption

- **Contract and Asset Opacity:** Executive departments and Government Business Enterprises (GBEs) have historically relied on non-disclosure agreements (NDAs) and commercial-in-confidence clauses to shield water (and other) negotiation briefs and contracts such as energy from public view. Datacentres' project financiers' **obligatory ESG requirements** mandate transparency, otherwise by definition there can be no social licence.
- **The Need for Registries:** To satisfy global institutional investor ESG underwriting standards (such as the Equator Principles) and eliminate **corporate greenwashing liabilities**, resource commitments must be transparent. **Global capital allocators utilise automated AI risk-scanning tools engineered to detect hidden public subsidies.**

  Parliament must enforce a centralised, machine-readable public registry detailing actual energy, water, and data bandwidth consumption against initial project forecasts to eliminate greenwashing risks.

  Relying on unverified, non-binding corporate projections distorts the public record and leaves the state open to considerable secondary infrastructure costs and associated risks. **This is not just a local governance issue;** institutional pre-IPO due diligence will reveal such aspects including hidden state-subsidised power contracts that create market distortion and litigation risks.

5. Provide the Tasmanian Community with adequate, advance opportunities for consultation

- **Asymmetrical Burden of Proof:** Because the state has not executed comprehensive, state-wide cumulative energy and infrastructure modelling, the exhausting, technically complex, and under-resourced burden of proof has been shifted onto local communities and volunteer organisations to expose systemic risks. Whilst this is not a new phenomenon in Tasmanian governance, **times, technology and expectations have changed, and relying on such ad hoc processes now carries significant ESG risks**. Authentic consultation cannot happen when local councils are forced to evaluate high-impact, multi-megawatt facilities within rigid, localised statutory planning timelines.

  Genuine community consultation must occur **before** long-term state resources are legally locked in. This committee submission process is itself an example of poorly planned and executed consultation. Such activities reduce public trust and 'buy-in', increase discontent and create systemic social friction. There are plenty of examples of the outcomes of such lack of consultation for the projects' financiers risk assessors to examine, including but not limited to the Gunns' proposed Bell Bay pulpmill, which achieved regulatory approvals but collapsed due to lack of social licence, associated time delays, and resulted in huge capital losses for investors, suppliers and other impacted parties. Tasmania (and investors) cannot afford a repetition of this avoidable, uncoordinated consultation and governance disaster.

6. Ensures the Tasmanian community receive tangible benefits from all AI and data facilities constructed in the state

- **Negligible Employment Multiplier:** The proposed highly automated data facilities require an estimated total of only (circa) **115 permanent operational staff island-wide** once constructed. This creates a **severe structural imbalance** when compared to the 444 MW grid allocation (and associated public infrastructure) required to support them.
- **Resource Displacement of Local Industry:** Allocating 15% to 20% of the state grid to a low-employment automated sector **actively starves productive, high-employment local industries**. For instance, the historic Boyer Paper Mill was recently denied a modest 45-60 MW allocation to phase out industrial coal usage due to a stated "lack of grid capacity," yet uncoordinated private data centre applications have successfully secured fast-tracked grid priority. As yet there has been no explanation provided to the public (or to Boyer, or its employees), creating further ESG risk.
- **Cost Off-Loading to Other Users including Local Households:** When hydro reserves are depleted by continuous data centre baseloads, the cost of importing supplementary Victorian coal power via Basslink will filter down directly to other businesses' power bills, causing severe local economic pressure and damage, including but not limited to Tasmania's important mining and agricultural sectors. This will also impact household and other power users, including those transitioning to electric vehicles.

  If continuous data centre loads drive up household power bills via Basslink coal imports, the project's brand also becomes toxic (and with it, the sportswashed teams). Major institutional funds (like Temasek) will reject an IPO where the core asset is publicly perceived as a direct cause of regional energy poverty and the displacement of local employers like the Boyer mill.

7. Any other matter incidental

- **Sponsorship vs. Social Licence:** As discussed above, proponents have rapidly expanded high-profile community and sporting partnerships. While corporate investment is welcome, **global ESG risk scanners flag aggressive, early-stage community sponsorship as a proxy risk for "social licence buying"** when divorced from transparent regulatory assessments.

  Corporate sponsorship must be strictly separated from independent administrative approvals.
- The uncoordinated allocation of renewable energy grids creates significant compliance risks under domestic and international laws, triggering automated warnings across

institutional risk desks, including, as discussed:

  - **ASIC Accountability**: Under Regulatory Guide 280 (RG 280) ASIC Sustainability Reporting, marketing these facilities as "100% clean and sustainable" while forcing the state to import coal-fired power over Basslink to maintain domestic reserves constitute a **material climate-related financial non-disclosure**.

  - **ACCC Enforcement**: The ACCC prosecutes misleading and deceptive environmental conduct. Distorting Tasmania's clean energy grid status creates severe greenwashing litigation liability, devaluing the premium integrity of Brand Tasmania and harming traditional local exporters who rely on authentic, low-emission credentials to remain competitive globally.
- **There appears to be No Financial Clawback or Security Bond** to protect Tasmania from bankruptcies or abandoned assets if an IPO fails or capital dries up.

- For global institutional allocators (such as Temasek, other sovereign wealth funds, and international pension boards) evaluating a multi-billion-dollar pre-IPO share float like the one proposed by Firmus Technologies, **regulatory chaos equals financial risk**. Tier-1 institutional financiers demand absolute regulatory certainty and flawless ESG data compliance and will likely refuse to anchor the proposed $7 billion IPO. This leaves the project vulnerable to predatory, short-term capital providers or high-yield lenders who require higher returns and are far more likely to abandon assets or default if macro-economic conditions tighten.

  With Tasmania currently operating **a fragmented, siloed planning framework, this creates an unstable legal landscape**. If the State Government fails to implement clear, centralised, and statutory regulations, sophisticated capital will heavily discount the asset's valuation, demand a high sovereign risk premium, or withdraw entirely.

  The Committee must understand that failing to implement a rigid, legislated **Major Projects Assurance Framework** does not make Tasmania "business-friendly", but instead makes the state a high-risk, low-yield jurisdiction, with many implications beyond this one project or industry.

Administrative Recommendations for the Committee's Final Report

To protect public assets, prevent greenwashing liabilities, establish a stable, transparent environment acceptable to international capital markets, and to protect the premium valuation of Tasmania's Brand and reputation, this submission urges the Committee to recommend that Parliament execute the following six legislated clauses:

1. **Implement an Immediate Legislative Moratorium:** Halt all further data centre energy, water, and subsea infrastructure allocations under the *Land Use Planning and Approvals Act 1993* (TAS) until a comprehensive, independent state-wide **Cumulative Systemic Impact Assessment** is completed to quantify regional socioeconomic, environmental, and grid-capacity thresholds.

2. **Mandate Independent, Off-Grid Green Co-Investment:** Amend energy regulations to prohibit any data centre development exceeding a 10 MW baseline draw from consuming existing public hydro or wind/solar capacity. Legislation must compel developers to fully fund, permit, and construct new, non-destructive renewable energy generation assets (such as utilising brownfield plantation lands) to meet 100% of their operational requirements.

3. Establish a **Mandatory Parliamentary Review Gateway (Anti-Project-Slicing)**: Amend the Government Business Enterprises Act 1995 to mandate that any commercial power or water allocation exceeding 20 MW individually or 50 MW cumulatively across related corporate entities and multi-stage proposals must be reviewed and approved by a Standing Parliamentary Committee before execution to prevent proponents from evading major project triggers, as has also been evidenced in Tasmania in the past at great cost to taxpayers.

4. **Enforce an Anti-Greenwashing Public Performance Registry**: Mandate the creation of a public, machine-readable registry reporting live, hourly operational metrics of all data facilities, explicitly tracking real-time Power Usage Effectiveness (PUE), actual water consumption, and the precise energy source ratio (including Basslink coal-import spikes), to insulate pre-IPO institutional investors from ASIC and ACCC greenwashing litigation. This is completely feasible and is utilised elsewhere.

5. **Implement Mandatory Capital Decommissioning Bonds**: Require data centre operators to lodge an independent, upfront financial security bond with the Tasmanian Treasury prior to construction. This guarantees full site remediation and infrastructure decommissioning funds are held publicly, eliminating the risk of un-remediated stranded assets if the entity faces post-IPO insolvency.

6. **Enforce Complete Contract Transparency and NDA Invalidation**: Exercise parliamentary powers to compel the immediate public disclosure of all non-disclosure agreements (NDAs), water negotiation briefs, and energy pricing contracts executed between executive government agencies, Hydro Tasmania, TasNetworks, and project proponents over the past three years, establishing that commercial-in-confidence provisions cannot be used to mask the systemic extraction of public resources, and that social licence and the ESG foundations are sound.

If the state fails to implement these rigorous, centralised, statutory protections, it will not attract premium, sustainable investment from top-tier institutions. Moreover, this will result in Tasmania assuming 100% of the long-term debt and infrastructure risks for a relatively small number of permanent jobs, while actively destroying the clean energy premium that authentic, high-employment local exporters rely on to survive.

I trust this Committee will take these important matters into your full consideration. Thank you for this opportunity to provide input into this critical decision-making and planning process.

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