

22 September 2026

SUBMISSION FOR THE INQUIRY INTO AI DATA CENTRES IN TASMANIA

OVERVIEW

Thank you for the opportunity to contribute to the Inquiry into AI Data Centres in Tasmania (the Inquiry) conducted by the Government Administration Committee A, Parliament of Tasmania (the Committee).

LMS Energy (LMS) supports the Terms of Reference (ToR) set for the Committee for the Inquiry. LMS' core purpose is to protect the environment, which is strongly aligned with ToR 1.

The Australian Energy Market Operator (AEMO) reports that in financial year 2025-26 (FY26) there were around 165 data centres that consumed approximately 5 terawatt hours (TWh) of electricity, with 225 data centre projects in development with 67 gigawatts (GW) of combined energy needs¹.

The Australian Government expect data centres will put upward pressure on energy prices. They will make a positive contribution to Australia's energy transition by securing additional clean energy generation, improve security and stability of the energy grid and by minimising energy demand and emissions². Tasmania achieved 100% net renewable electricity production in 2020, with plans to provide 200% renewable electricity by 2040³. **LMS recommends that the Tasmanian Government establish a pathway requiring new large grid-connected data centres to achieve 100 per cent renewable electricity supply, including renewable firming, rather than relying solely on annual renewable-energy matching.**

Data centres should be encouraged to bring new renewable generation and firming capacity into the Tasmanian energy system commensurate with the additional demand they create. Eligible solutions should be technology neutral and include hydroelectricity, wind, solar, batteries and renewable gas.

Where gas-fired generation is used to provide firming or backup generation, Tasmania should establish a pathway for fossil natural gas to be progressively displaced by accredited renewable gas.

This approach would turn the growth of AI infrastructure from a growing burden on Tasmania's electricity system into a catalyst for investment in new renewable generation, renewable firming and regional energy infrastructure.

¹ AEMO, 2026, 'Forecasting growing data centre demand', <https://www.aemo.com.au/-/media/files/electricity/nem/planning_and_forecasting/nem_esoo/2026/esoo-data-centre-forecasting-overview.pdf?>.

² Department of Industry, Science and Resources, 2026, 'Expectations of data centres and AI infrastructure developers', Australian Government, <<https://www.industry.gov.au/publications/expectations-data-centres-and-ai-infrastructure-developers>>.

³ Renewables, Climates and Future Industries Tasmania, '200% Tasmanian Renewable Energy Target', <https://www.recfit.tas.gov.au/what_is_recfit/energy_vision/200_renewable_energy_target>.

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ABOUT LMS ENERGY

LMS is Australia's largest renewable gas and methane abatement company. It abates around 6 million tonnes of carbon dioxide equivalent each year by capturing methane generated through the decomposition of organic waste.

Over the past 30 years, LMS has prevented more than 60 million tonnes of carbon dioxide equivalent from entering the atmosphere. LMS is Australian owned, operates around 70 landfill biogas facilities across Australia, New Zealand and the United States, and employs nearly 300 people.

Biogas currently used to generate renewable electricity, or otherwise flared for methane destruction, can be upgraded to renewable natural gas (RNG, also known as biomethane). RNG is chemically interchangeable with conventional natural gas and can be injected into existing gas networks or supplied directly to generators.

RNG is essential in helping Australia achieve net zero⁴, as highlighted in Australia's Net Zero Plans⁵. It has been identified that approximately 400 petajoules (PJ) of RNG is recoverable today across Australia, with approximately 5PJ recoverable in Tasmania alone⁶. The biogas industry could add \$50 billion to Australia's GDP by 2050 and create 18,000 full-time jobs, mostly in regional areas⁷.

Internationally, RNG has a strong history of success, for example, Denmark is on track for 100% renewable gas by 2030, and in 2024 alone, the US brought online 124 new biogas projects, enabled by supportive policies⁸.

⁴ Canadell, P., Saunio, M., and Jackson, R., 2024, 'Methane emissions are at new highs. It could put us on a dangerous climate path', 11 September 2024, CSIRO, <<https://www.csiro.au/en/news/All/Articles/2024/September/Methane-emissions-new-highs>>.

⁵ Refer to Australian Government, 2025, 'Australia's Net Zero Plan', <<https://www.dcceew.gov.au/climate-change/publications/net-zero-plan>>, Australian Government, 2025, 'Electricity and Energy Sector Plan', <<https://www.dcceew.gov.au/sites/default/files/documents/electricity-energy-sector-plan-2025.pdf>>, and Australian Government, 2025, 'Industry Sector Plan', <<https://www.industry.gov.au/sites/default/files/2025-09/dsr-industry-sector-plan.pdf>>.

⁶ Blunomy, 2025, 'Biomethane Opportunities to Decarbonise Australian Industry: Converting waste into grid-injectable biomethane', <<https://theblunomy.com/publications/biomethane-opportunities-to-decarbonise-australian-industry>>.

⁷ Race for 2030, 2023, 'B5: Opportunity Assessment. Anaerobic digestion for electricity, transport and gas. Final Report', <<https://www.racefor2030.com.au/project/b5-on-site-anaerobic-digestion/>>.

⁸ Deloitte, 2025, 'Unlocking Renewable Natural Gas to Enhance Energy Security and Maintain Australia's Manufacturing Sector', Bioenergy Australia, <<https://cdn.revolutionise.com.au/cups/bioenergy/files/Outdgum1meyoizrw.pdf>>.

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DETAILED COMMENTS

Data centres to bring their own complete energy supply

LMS proposes the Tasmanian Government require grid-connected data centres to target 100 per cent renewable energy supply on a firmed basis, rather than merely matching their annual electricity consumption with renewable generation.

Tasmania enters the growth of AI and data centres from a position of considerable strength. Its electricity system is anchored by renewable hydroelectricity and increasingly supported by wind and other renewable generation. However, Tasmania remains connected to the broader National Electricity Market (NEM). At times of low renewable generation, constrained hydro availability or high demand, Tasmania can and does rely on its own 386MW gas-fired generation and electricity imported from Victoria.

Consequently, the development of large new data-centre loads can have impacts beyond their nominal renewable-energy contracts. A data centre may contract for enough renewable electricity to match its annual consumption while still increasing demand for dispatchable fossil generation or mainland electricity during periods when renewable generation is insufficient.

LMS submits that Tasmania adopt a more rigorous objective: **new grid-connected data centres to progressively achieve fully renewable electricity consumption across all operating conditions, including the firming required to support their operations.**

This would encompass all forms of renewable energy capable of contributing to a reliable electricity system — hydro, wind, solar, batteries and renewable gas. RNG, produced from existing organic waste streams and upgraded to pipeline-quality gas equivalent to natural gas and can provide dispatchable generation when variable renewable generation is unavailable while avoiding the need to increase reliance on fossil natural gas.

Such an approach would preserve Tasmania's renewable-energy advantage while ensuring that the economic development associated with AI infrastructure does not come at the expense of the State's existing electricity consumers or its renewable-energy objectives.

Addressing key terms of reference

Protect public resources and the environment

Tasmania's renewable electricity is a valuable public resource. Data centres should not simply consume an increasing share of existing renewable generation and leave other consumers to meet the resulting marginal demand through gas generation or mainland imports.

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LMS recommends the policy objective therefore be additionality: new data-centre demand required to stimulate additional renewable generation, storage and renewable firming capacity.

Sourcing RNG will allow Tasmania to convert waste methane into a dispatchable renewable energy resource, simultaneously abating methane and providing firm electricity.

Transparent disclosure

Transparent disclosure from data centres would require large data centres to:

- disclose annually their electricity consumption and peak demand;
- renewable electricity generated or contracted specifically to support the facility;
- electricity storage; gas consumption;
- RNG consumption; and
- backup diesel generation; and associated Scope 1 and Scope 2 emissions.

Yours sincerely,



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