

## Inquiry into AI Data Centres in Tasmania

Submission by the UNSW AI Institute

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### **Executive summary**

The current wave of AI data centre investment is Tasmania's opportunity to secure lasting capability and public benefit, but leverage mostly exists during the investment phase. Binding, enforceable public-interest conditions should be set before facilities are approved. The Tasmania's core positions should be:

- **Hosting is not capability.** The value in AI lies in compute, data, models and skills, not in the building. Facilitation decisions should be judged by the durable capability and public benefit they leave behind.
- **Conditions must reach the tenant.** The operator that obtains planning approval rarely controls the compute. Obligations should cascade through leases and connection conditions to the tenants who do, supported by direct undertakings for major projects.
- **Treat energy and water as equally material.** Require genuinely new, additional renewable generation, which matters even more where the grid is already predominantly renewable. Treat water conservation as non-negotiable, requiring a NABERS water rating once the framework due in October 2026 is operational.
- **Reserve compute for the public interest.** Require a defined share of capacity, or favourable long-term access, for researchers, SMEs, not-for-profits and public-interest users, in line with federal data centre expectations. Free-token offers are not a substitute for durable access.
- **Mandate transparent disclosure.** Require annual reporting of energy, water and workload efficiency, extended to tenants and not only operators, alongside public-value outcomes rather than construction spend.
- **Build genuine local benefit and workforce.** Require apprenticeships, TAFE, undergraduate and postgraduate pathways and local supplier participation, and consider a levy hypothecated to a long-term capability fund.
- **Do not weaken copyright or data sovereignty.** Protect state-significant datasets and Australian creators. There is no need to undermine the creative industries in order to secure data centre investment.

## Terms of Reference

*Inquire into and report upon the construction and operation of AI data centres in Tasmania, including recommending future legislation and regulations necessary to:*

### **1. Protect public resources and the environment**

Data centres place large new demands on two shared resources, electricity and water, that Tasmanian households, industry and the environment rely on. Conditions that protect the public interest should be attached before an investment is approved.

Grid connection should be conditioned on genuinely new and additional renewable generation and storage, that adds capacity to the system. Recontracting of existing clean supply from a grid that is already predominantly renewable, in particular to fill the gap while new energy projects are built, pushes wholesale prices and emissions up while drawing down clean supply that would otherwise serve other users. Connection conditions should require new additional generation, fair contribution to network costs, demand flexibility, and transparent reporting, with no counting of existing renewable capacity as additionality.

It is reasonable for Tasmania to require data centres to use efficient cooling design, non-potable or circular water where feasible, to conduct local water-stress assessment, to reuse waste-heat where viable, and to be transparent in public reporting. NABERS is developing a water efficiency framework for data centres, due in October 2026, and this should become a condition of facilitation as soon as it is available.

Finally, demand forecasting should distinguish genuine demand from speculative or duplicated connection requests, and should account for continuing gains in model efficiency, so that public resources are not committed to capacity that never materialises.

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

The single most important structural point for the planning system is the distinction between the operator and the tenant. In an AI-intensive facility, the operator obtains planning approval, signs the energy and water connections, and is the natural target of regulatory conditions, yet is usually not the party that controls the compute. The tenants, who may be hyperscalers, neocloud providers and large enterprise customers, decide the workload, the cooling approach, the data governance and who receives access to the compute, and they capture the compute revenues. Conditions imposed only on the operator therefore have limited effect on the decisions that matter. Energy and water reporting obligations on a landlord do not, of themselves, compel a tenant to change its cooling-intensive workloads or its requirement that the landlord guarantee continuous power through diesel generator backup systems.

Australia already accepts this principle in its resources sector. A mining licence does not confer an unconditional right to exploit a national resource; it is issued subject to conditions, many at ministerial discretion, covering rent, rehabilitation, community consultation and public notification, and it sits alongside a recognised social licence to operate. AI infrastructure that draws on Tasmanian land, energy, water and data should be treated the same.

We recommend that public-interest conditions attached to facilitation, approvals prioritisation, energy or water coordination, public land or procurement be designed to cascade through leases, service agreements and connection conditions to the relevant tenants and compute owners. For major projects this should be supported by direct undertakings from compute tenants to the relevant Tasmanian agency, rather than left to private landlord and tenant arrangements. International precedent shows this is addressable: Ireland requires data-centre tenants to enter demand-flexibility arrangements as a condition of grid connection, and

the EU framework extends reporting obligations to colocation customers who own their own equipment. The planning system should also recognise the impacts specific to AI facilities, including high rack density, distinctive cooling profiles and bursts of power draw, which differ from conventional data centres.

### **3. Provide Parliamentary oversight and accountability for new facility construction and resource allocation**

Compute should be planned as critical infrastructure, in the same way government plans for roads, electricity transmission, water and ports, rather than being left to the timing of foreign investment decisions. Treating it this way keeps the allocation of Tasmania's land, energy and water to these facilities permanently in view, and gives Parliament a standing basis for scrutiny.

Accountability is best secured by attaching binding, transparent and enforceable public-interest conditions to every facilitation decision. As a working principle, a facility should not receive prioritised planning, energy coordination or public-sector support unless its major compute tenants have accepted the relevant obligations, and future tenants are bound to abide by them. For major projects, direct undertakings from tenants to the relevant agency give government, and through it Parliament, a line of sight to the parties that actually control the resource-intensive activity. Reporting against those conditions, tabled and reviewable, would allow the Parliament to hold both government and operators to account for what each facilitation decision delivers in return for the public resources it consumes.

### **4. Ensure transparent public disclosure of resource consumption**

What gets measured gets managed. We recommend transparent, annual disclosure covering, at a minimum, electricity load and profile (including IT load, ramp rates, utilisation, demand flexibility and backup-power arrangements), water consumption and cooling profile including indirect impacts, and workload efficiency. Ireland sets a reporting threshold at 500 kW of installed IT power demand across enterprise, colocation and co-hosting facilities.

Two measurement gaps warrant the Committee's attention. The primary energy metric, Power Usage Effectiveness, was designed for cloud-era workloads and is contested for AI-era facilities where high-density clusters draw power in bursts. NABERS currently rates data centres on energy but not on water, though as noted above a water efficiency framework is due for completion in October 2026. The standards should require both the energy and water ratings as a pair once the water tool is operational, since PUE and WUE can be traded against each other through cooling design. Disclosure should also include public-value outcomes, including compute reserved and aggregated for public-interest users, local jobs created, clean energy underwritten and tax contribution, in addition to the investment in construction and land.

### **5. Provide the Tasmanian community with adequate opportunities for consultation**

The social licence principle familiar in the resources industry, applies to AI infrastructure. Applications for facilities that draw on shared public resources should be advertised and open to public feedback before approval, consistent with the public-notification requirements that already attach to nationally significant resource projects. Communities need to understand the trade-offs involved in decision-making, hence consultation depends on transparency, where energy, water and public-benefit terms are disclosed. The transparent-disclosure measures under Term 4 are therefore a precondition for genuine consultation, which is required to develop social license.

## **6. Ensure the Tasmanian community receives tangible benefits from all AI and data facilities constructed in the state**

Data centres do not, by themselves, build a local AI industry or deliver lasting community benefit. Without deliberate mechanisms, the economic benefit of data centre approval may largely end when construction ends, leaving the land, energy and water commitments behind. The economic value in AI resides in the compute, data, models and skills owned and developed and Tasmanian benefit must be designed into the facilitation decision.

We recommend, as conditions of facilitation:

- Reserved compute for the public interest. Require a defined share of GPU capacity, or favourable long-term access, for Tasmanian researchers, universities, start-ups, SMEs, not-for-profits and approved public-interest users. Free-token offers should not be accepted as a substitute for durable reserved access, since they grant consumption rights to a foreign-governed resource the vendor can reprice, restrict or withdraw.
- A genuine workforce commitment. Require real apprenticeships, TAFE pathways, university partnerships and PhD placements. Vendor-specific training modules, which are designed to deepen platform dependency, should not count toward workforce commitments. The build-out also competes for the same skilled trades as housing and hospital construction, so it is an opportunity to expand and formalise Tasmanian training pathways.
- Local capability participation. Require local engineering teams, supplier and procurement participation, and opportunities for Tasmanian and Australian firms to co-locate or access compute.
- Value capture directed to a lasting fund. Consider a levy on large-scale data-centre operations, with revenue hypothecated to a dedicated long-term fund for AI research, talent and capability, on the model by which Norway captured a share of resource revenue in a permanent national fund, although with a subsection dedicated for building native AI capability.

Facilitation should then be conditioned on transparent, annual disclosure of the Tasmanian value actually delivered against these measures to demonstrate long-term benefit.

## **7. Any other matter incidental**

Tasmania's leverage exists mainly now, during the investment phase. Global AI companies are competing to access Australia for its energy reliability and renewable potential, its political and economic stability, its connectivity and the strategic value of its data, and that competition is leverage to secure binding public-interest commitments. Tasmania will hold the strongest negotiating position before facilities are approved, not after.

Tasmania should not support weakening copyright protection to attract investment that the evidence shows is already arriving, and should hold firm on conditions that prevent nationally or state-significant public datasets from being used to train foreign-owned models without a governed access agreement and an enforceable return to Australia. Protecting this asset base is a precondition for a domestic AI industry rather than an obstacle to one.

The UNSW AI Institute would welcome the opportunity to provide further detail to the Committee, particularly around the mechanism for reserving compute for domestic purposes.