



AI data centres in Tasmania

Submission to the Standing Committee on Government Administration A

October 2026 | Prepared by:

Dr Judith Mutuku
Lachlan Johnson
Dr Robert Hortle

Kimberly Brockman
Prof. Richard Eccleston

UNIVERSITY of
TASMANIA 
— Tasmanian Policy Exchange

Acknowledgment of Country

We acknowledge the Palawa/Pakana of Lutruwita, the traditional owners of the land upon which we live and work. We pay respects to Elders past and present as the knowledge holders and sharers. We honour their strong culture and knowledges as vital to the self-determination, wellbeing and resilience of their communities. We stand for a future that profoundly respects and acknowledges Aboriginal perspectives, culture, language, and history.

The University of Tasmania is no. 1 for climate action

The University of Tasmania is committed to promoting ambitious, evidence-based climate action and has been voted the number one university globally for Climate Action in the Times Higher Education Impact Rankings for five years running (2021 to 2026).

About the Tasmanian Policy Exchange

The Tasmanian Policy Exchange (TPE) was established in 2020 to enhance the University's capacity to work with government and community partners to make timely and informed contributions to policy issues and debates shaping Tasmania's future. It also works with staff from across the University of Tasmania to develop evidence-based policy options and longer-term collaborations.

You can view our work at www.utas.edu.au/tpe.

The TPE is a 2026 Green Gowns Award recipient

The TPE has received international recognition for its work helping turn research into real-world impact, winning the Benefitting Society category at the International [Green Gown Awards](#). The award celebrates projects that demonstrate how universities can make a meaningful contribution to society through leadership, collaboration and practical action. The TPE was recognised for connecting academic expertise with decision-makers, communities and industry to help address some of Tasmania's most significant policy challenges.

Policy In My Backyard

The TPE is proud to present Policy in My Backyard (PIMBY), where we take a closer look at the policy challenges that shape life in Tasmania – from elections to environment, healthcare to housing. Each edition unpacks complex issues with clarity, curiosity, and a deep interest in how policy plays out on the ground.

You can read all our posts at www.policyinmybackyard.org.

Disclaimer

The views expressed herein are those of the authors and not necessarily those of the University of Tasmania.

Contents

Executive summary	4
Recommendations	6
1. Introduction	7
2. The AI data centre boom	7
3. The policy response so far	9
4. Energy	11
4.1 The issues	11
4.2 Policy responses	12
5. Capturing economic value	13
5.1 Public revenue	13
5.2 Jobs and skills.....	15
5.3 Innovation and digital infrastructure.....	15
6. Community impacts and planning	16
6.1 Local impacts and community concerns.....	16
6.2 Sharing benefits with host communities	17
6.3 Planning and assessment.....	17
7. Conclusion	18

Executive summary

This submission to the Standing Committee on Government Administration A's Inquiry into the construction and operation of AI data centres in Tasmania, from the Tasmanian Policy Exchange (TPE) at the University of Tasmania, builds on two recent [Policy in My Backyard](#) papers: "[Here comes the boom: AI data centres in Tasmania](#)" (17 September 2026) and "[Hosting AI: Making data centres work for Tasmania](#)" (1 October 2026).

AI data centres offer Tasmania real opportunities: new investment, better digital infrastructure and potentially more computing capacity for research and innovation. But they also place heavy demands on our electricity system, can have significant local impacts, and deliver fewer local benefits than headline investment figures suggest. The key question is not whether Tasmania hosts AI data centres, but on what terms.

Given the Committee's focus on securing benefits for Tasmania, and on accountability and transparency, this submission concentrates on four issues:

1. **Energy is the central issue.** Tasmania's renewable energy system is an increasingly valuable asset. Firmus alone has requested 450 MW – around 30% of the state's current electricity consumption. Proponents should pay a full commercial price for electricity, meet the full cost of network upgrades and, over time, match their demand with new renewable supply. The biggest challenge is timing: until new generation and Marinus Link come online in the early 2030s, data centre demand is likely to outstrip available supply. Aligning the two will require careful, transparent transition planning to get the best return from our energy assets and to ensure there is no increase in the use of fossil-fuel based energy sources.
2. **Economic value must be deliberately captured for Tasmania and host communities.** Most of the value created by AI data centres flows to developers and investors. Equipment is largely imported, few ongoing jobs are created and the state has limited ways to tax the sector. Tasmania needs deliberate mechanisms to secure a fair return, including energy pricing, infrastructure investment, council rates, community benefit agreements, workforce programs and access to computing capacity for local researchers and businesses.
3. **Planning and assessment must be fit for purpose.** Large AI data centres have impacts well beyond normal land-use planning, including on the energy system, the economy and host communities. Proposals above the 100 MW hyperscale threshold should be assessed through the Major Projects pathway, guided by Tasmania-specific guidelines that inform both planning approvals and power supply agreements.
4. **Public trust is essential.** Community concern about AI data centres is growing, in Tasmania and elsewhere. Clear and transparent processes for

assessing proposals, and for ensuring they deliver lasting community and economic benefits, should be put in place as soon as possible.

Recommendations

1	Require AI data centres to pay a full commercial price for electricity, under long-term supply agreements that reflect the cost of new generation, so they do not crowd out existing industry (Section 4).
2	Require proponents to meet the full cost of the network upgrades needed to supply them (Section 4).
3	Require proponents to match their demand with new renewable generation, and to publish credible plans for how they will operate until that generation is available without relying on stopgaps such as diesel generation (Section 4).
4	Publish the principles of energy supply agreements (and as much of their detail as possible), and clarify Hydro Tasmania's economic development role through a revised Ministerial Charter (Section 4).
5	Develop a consistent statewide approach to council rating of data centres, and reinvest part of any additional revenue in host communities (Section 5).
6	Partner data centre operators with education and training providers to build local skills pathways (Section 5).
7	Seek affordable access to computing capacity for Tasmanian researchers, start-ups and small businesses, and support STEM education programs (Section 5).
8	Assess proposals above 100 MW through the Major Projects pathway, and develop Tasmania-specific guidelines for data centre development to inform planning approvals and power supply agreements (Section 6).
9	Require community impact assessments, including public disclosure of expected energy and water use, and community benefit agreements for large proposals (Section 6).
10	Turn the draft Statement of Expectations into a binding policy framework as soon as possible and, in the meantime, require proponents to show how they will meet it (Sections 3 and 7).

1. Introduction

The Tasmanian Policy Exchange (TPE) welcomes the opportunity to contribute to the Standing Committee on Government Administration A's Inquiry into the construction and operation of AI data centres in Tasmania. This submission draws on our two recent *Policy in My Backyard (PIMBY)* papers. The [first](#) examined the challenges and opportunities of hosting AI data centres in Tasmania; the [second](#) proposed policies to reduce the risks and increase the benefits.

The debate over AI data centres is in full swing. Supporters argue they will boost [economic growth](#) and [productivity](#), speed up AI adoption and build sovereign technological capability. Critics point to environmental and social impacts, heavy infrastructure demands and uncertain long-term value for host communities, as well as wider concerns about the effects of AI on the [nature of work](#) and society.

We do not argue that Tasmania should either go all in on AI data centres or ban them. Our aim is to make sure that *if* we host them, we do so on our terms and in a way that benefits the state.

Section 2 outlines the AI data centre boom and Section 3 the policy response so far. Sections 4 to 6 examine the areas where AI data centres are likely to have the biggest impacts on Tasmania (see figure below), and the policies needed to manage them: energy (Section 4), economic value (Section 5), and community impacts and planning (Section 6). Section 7 concludes.



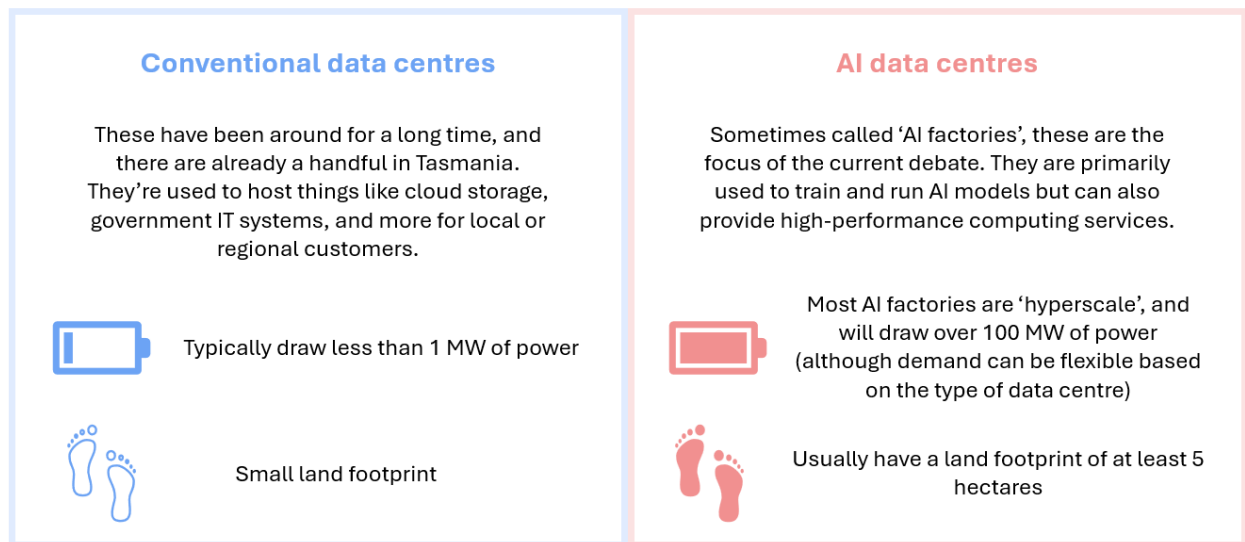
2. The AI data centre boom

AI data centre construction is accelerating around the world, and Australia is no exception. Around 90 data centres are in the national planning pipeline, most of them above the 100 MW hyperscale threshold. The Federal Government wants to

position Australia “[as a leading destination for data centre investment](#)” and has [emphasised the potential benefits](#), from job creation to cutting-edge research.

Not all data centres are the same. The current boom is driven by AI data centres, or ‘AI factories’, which are much larger and more energy-intensive than conventional data centres (see figure below).

Unfortunately, a lot of the stats floating around combine AI factories and conventional data centres – which makes it tricky to compare apples with apples.

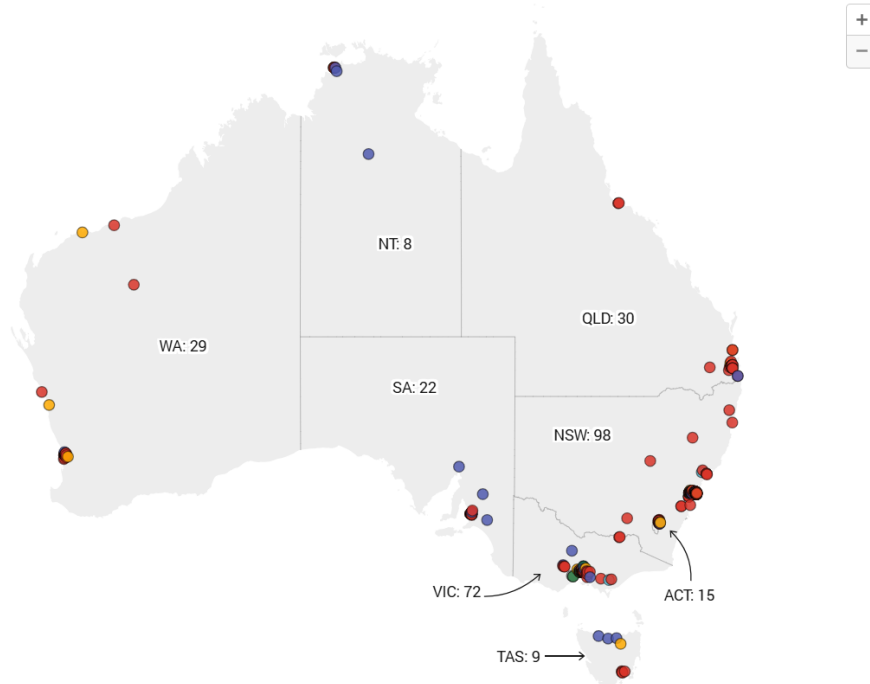


Information source: **Congress** and **EPRI**.

Data centres in Australia

A **non-exhaustive** list of 283 data centres in Australia. Many do not publicly declare their power capacity nor their intended use – not all data centres are used for AI.

Operational Under Construction Approved / permitted Planned Feasibility Application lodged Land Banked



This list is a fact-checked version of [Dr Sarah Barns's map](#) and the [DataCentreMap](#) dataset. Current to August 31, 2026.¹

Tasmania is part of the boom. Developers are attracted by our cool climate, water availability, [improving digital connectivity](#) and [renewable energy](#). The most advanced proposals are from Firmus, which has requested [450 MW of power from Hydro Tasmania](#) to run three 'AI factories' in northern Tasmania. This would make Firmus by far the state's largest electricity user. The Office of the Coordinator-General is also facilitating [six other potential projects](#) totalling 500 MW – more than enough to power every home in Tasmania – although few details are public.

3. The policy response so far

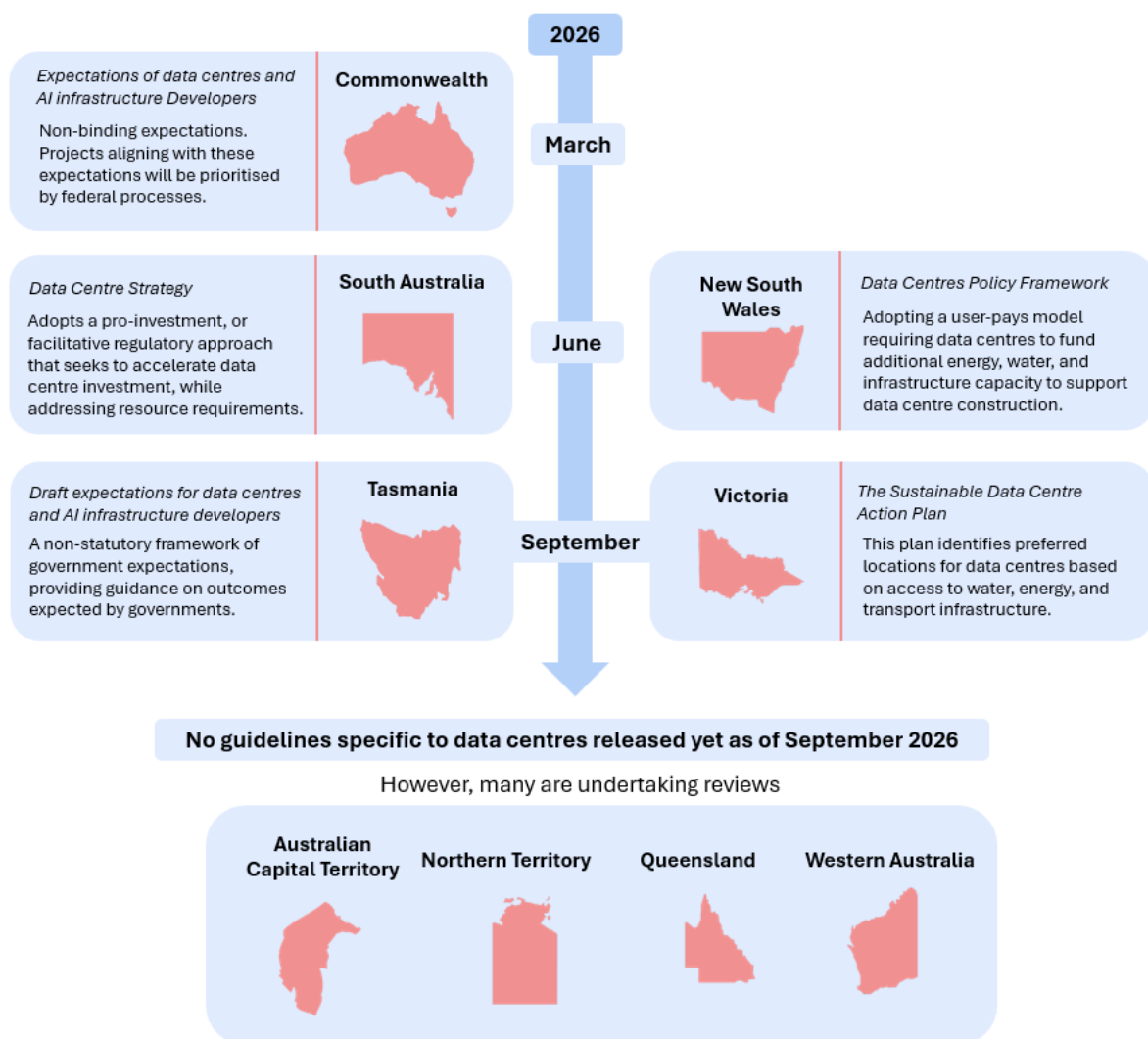
Regulating AI, and AI data centres in particular, has become a global priority. [International standards](#) are being reviewed and new agreements negotiated. In Australia, [national policy](#) will shape key aspects of data centre investment, security and energy system impacts. But state policy and intergovernmental

¹ Note, some data centres are co-located in the same building. For "campus" style data centres, such as those with multiple wings or halls, we've condensed the location to a single marker. Source: Johanna Lim (2026), 'Data centres have existed for decades. So why are they so controversial now?', The Conversation, 14 September 2026, <https://theconversation.com/data-centres-have-existed-for-decades-so-why-are-they-so-controversial-now-290253>.

agreements will also be needed to protect Tasmania's distinctive needs and interests.

Governments across Australia are scrambling to respond. Several, including [Tasmania](#) and the Commonwealth, are developing guidelines, statements of expectations and policy frameworks. There is broad agreement on the issues that need to be addressed, but no single model for addressing them. Governments are using a mix of voluntary expectations, planning frameworks, investment incentives and cost-recovery mechanisms (see figure below). With [fierce debate at National Cabinet](#), regular calls for stricter regulation and several inquiries under way, governments are still on the back foot.

Data centre policy approaches across Australian jurisdictions



Tasmania has moved to attract investment as well as to manage it. In 2025 it established one of the nation's first '[AI Factory Zones](#)' in northern Tasmania, intended to host what was then [Australia's largest data centre](#), proposed by Firmus. Data centre '[hubs](#)' or [clusters](#) like this are common overseas and help

concentrate development where suitable infrastructure exists. Tasmania has now begun to consider the policy settings needed to manage this investment.

Developing Tasmania's Draft Statement of Expectations for Data Centres

In August 2026, Parliament established an inquiry into the economic benefits, resource use, environmental effects and community impacts of AI data centres. On 2 September, the Greens tabled [one of the largest parliamentary petitions in the state's history](#), with more than 10,000 Tasmanians calling for a moratorium on AI data centre construction. On 7 September, the Tasmanian Government released its draft [Statement of Expectations for Data Centres and AI Infrastructure](#) for public consultation. Its [seven expectations](#) constitute guidance, not legally binding requirements.

The draft Statement is an important step. It tells developers and communities what outcomes the Government is seeking. But expectations alone will not ensure that Tasmanians share in the benefits of data centre investment. The next step is to turn these broad principles into practical, binding policy that delivers lasting public value. The rest of this submission sets out how.

4. Energy

Electricity is the biggest and most complex issue raised by AI data centres in Tasmania. Firmus' three proposed facilities would need up to [450 MW](#) – around 30% of Tasmania's current electricity consumption. Tasmanians are rightly asking where this power will come from, what operators will pay for it, and whether they could price existing industries out of the market.

4.1 The issues

Limited supply until the early 2030s. Tasmania has very little surplus electricity to export or to power new industry. Several renewable energy projects have been proposed and some approved, but no major facility has come online since [Cattle Hill](#) in 2020, although the 288 MW [Northern Midlands Solar Farm](#) may not be far away. [Marinus Link](#), expected in the early 2030s, may spur new generation and will increase our capacity to import power from the mainland. Until then, there is unlikely to be enough power for AI data centres to operate at the proposed scale and full capacity.

Network constraints and costs. Parts of the transmission network [could not cope with AI factory loads](#). Infrastructure around George Town and Bell Bay will most likely need upgrading, at an estimated cost of [\\$370 million](#), once committed load reaches about 210 MW. And because Basslink is already constrained, new demand would compete with the interconnector for network capacity.

Stranded asset and concentration risks. Large new loads could drive investment in generation and networks that is later underused if the [AI bubble](#)

bursts. Demand for AI is strong now, but the [long-term outlook is less certain](#), and operators' commercial arrangements are often confidential, making it [hard to assess their resilience](#) [paywalled]. If projects are delayed, scaled back or cancelled, Tasmanians could be left paying for [underused infrastructure](#) – although demand for electricity is likely to keep growing as we electrify the economy to cut emissions and reliance on fossil fuels. Relying heavily on a few customers from a single industry would also create '[concentration risk](#)'.

Opportunities. Growing demand from data centres could support [generation and network investment](#) that would not otherwise proceed. Because most of Tasmania's electricity system is publicly owned, the state is well placed to capture the benefits of higher prices: if operators pay more than existing industrial users, Hydro Tasmania and the Government could receive a significant revenue boost. And the [future of some of our largest electricity users](#) is uncertain. If they close, data centres could absorb the spare power, help underwrite grid costs and stop transmission costs being spread across a shrinking customer base.

Trade-offs with existing industry. Hydro Tasmania may be able to earn more by supplying data centres, or by exporting to the [NEM during price peaks](#), than by supplying its Major Industrial (MI) customers. The MIs argue that they were established on the expectation of affordable power, and that they employ thousands of Tasmanians, underpin regional communities and local supply chains, and support vital infrastructure and services. Higher prices could threaten their survival, and with it regional jobs, industrial capability and supply-chain resilience. The question is not only which user can pay the most, but which use of Tasmania's electricity delivers the greatest public value.

4.2 Policy responses

Three issues are particularly important on the topic of energy:



Full commercial
electricity pricing for
data centres



Full cost recovery for
network infrastructure
upgrades



New demand should be
matched with new
supply

Full commercial pricing. Data centres should not compete with existing businesses for power. They should enter secure, long-term power purchase agreements at prices that reflect the current cost of new generation (around \$150/MWh, firmed).

Full cost recovery for network upgrades. Proponents should meet the full cost of the network upgrades needed to supply them, so that other customers do not pick up the bill. The draft [Statement of Expectations](#) rightly proposes that developers pay their fair share so existing customers are no worse off. National Electricity Market rules for large energy users, including data centres, are also under review.

New demand matched with new supply. In May, the [Energy and Climate Change Ministerial Council](#) agreed that data centres must eventually match or exceed their electricity needs with new renewable generation. The challenge is timing. As the draft Statement notes, new generation “may not align with proposed data centre and AI infrastructure projects becoming operational.” Proponents should show transparently how they will operate until new generation comes online, without relying on high-emitting, short-term measures such as diesel generation.

Transparency and Hydro Tasmania’s role. These issues put Hydro Tasmania at the centre of both enabling AI data centres and ensuring that Tasmanian taxpayers and energy consumers benefit from them. The principles behind energy supply agreements, and as much of their detail as possible, should be public. As we have [argued elsewhere](#), Hydro Tasmania’s role in economic development should be clarified through a revised [Ministerial Charter](#).

5. Capturing economic value

The investment figures are huge. One estimate puts Australia’s current data centre pipeline at [\\$155 billion](#). A [report commissioned by the sector](#) estimates that construction will generate \$19.8 billion in economic activity by 2030, and that operating facilities will then generate [\\$5.6 billion](#) a year. [Reports suggest](#) that Firmus’ proposed Launceston facility alone could earn around A\$1.4 billion a year before interest, tax and depreciation. Its business model will become clearer when more information is released on [8 October](#).

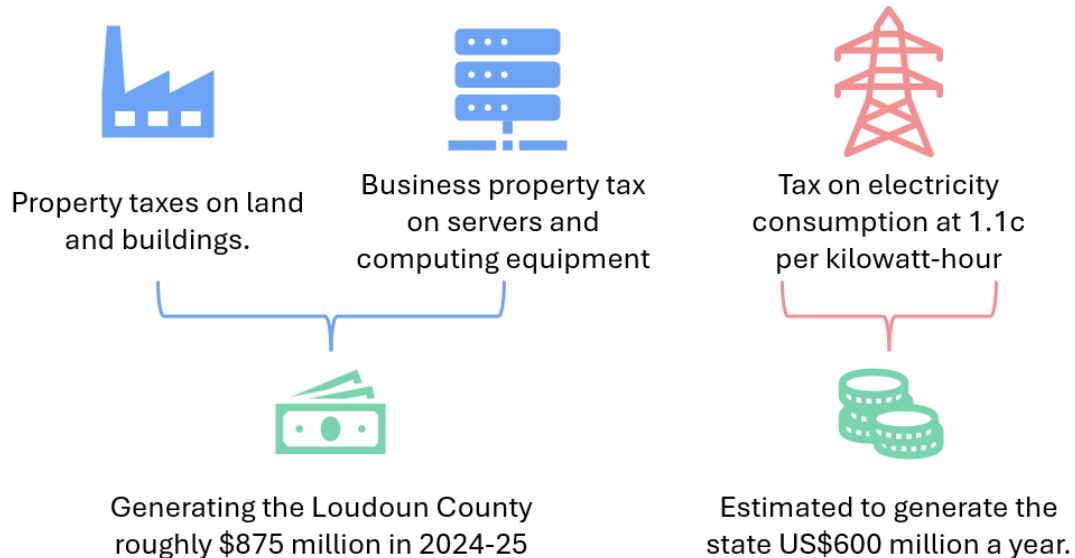
But headline figures do not automatically become local benefits, and [international research](#) suggests they should be treated with caution. The [Australian Financial Review](#) [paywalled] has pointed out that much of the investment is in imported chips and equipment, so the money flows overseas. The challenge for Tasmania is to secure a meaningful return in three areas: public revenue, jobs and skills and innovation.

5.1 Public revenue

Governments have long taxed profitable businesses so that communities share in the value they create. The art is to do this fairly and efficiently without deterring investment. The business model of AI data centres makes many traditional taxes ineffective, so governments elsewhere have introduced targeted taxes and charges on land and property, data centre equipment and electricity use (see example below).

Example: Virginia (USA)

Data centers in Loudoun County, Virginia are charged taxes at the county level as well as the state level, generating revenue and benefits for the community.



Loudoun County, Virginia: Holland & Knight

The State Government appears to have few options. Data centres do not pay royalties like mines, and because they employ few permanent staff they will pay little payroll tax. They will pay land tax, but because it is levied on unimproved land value, the value of the data centre itself is not taxed. And [since 2023](#), a new state tax on data centre equipment, or on data centre electricity or water use, would almost certainly be unconstitutional.

Councils, however, have more scope. The [Local Government Act 1993](#) gives councils broad latitude to vary general rates or service charges according to the use, location or planning zone of land. Several councils already use these powers to raise extra revenue from [wind farms](#), [mines and quarries](#) and [short-stay accommodation](#).

Any revenue mechanism must balance capturing public value with keeping Tasmania attractive to investors. A consistent statewide approach would be better than different arrangements in each council area. Part of any additional revenue from rates or energy sales should be reinvested in host communities and used to help regional economies manage future transitions.

5.2 Jobs and skills

Two things to consider about employment and innovation:



Big construction
workforce, modest
ongoing employment



Spillover benefits
and innovation

Data centres are capital-intensive, not labour-intensive. Construction and fit-out create many jobs, but ongoing operations need relatively few workers. [Industry benchmarks](#) suggest highly automated campuses need about 25 to 40 permanent staff per 100 MW. Firmus estimates that its 52 MW Wesley Vale facility will support [70 construction jobs but only 20 ongoing roles](#), and that its [proposed Tasmanian facilities](#) will have a permanent workforce of around 175. These jobs are highly skilled and well paid, but data centres will never anchor regional employment in the way the MIs have.

Construction and fit-out require electrical, HVAC (heating, ventilation and air conditioning), network and engineering expertise. Data centres are [increasing demand for these skills](#), and [NECA](#) warns that they are adding to national competition for construction workers, electrical trades and network engineers. In Tasmania, these skills are already stretched by the renewable energy transition and other major projects such as the Macquarie Point stadium, so data centre construction could [drive up costs](#) across the sector.

However, if managed well, this demand is an opportunity to expand Tasmania's skilled workforce. The Government could partner data centre operators with education and training providers to create local training pathways. In 2025, for example, [Microsoft and TAFE NSW](#) established a Datacentre Academy at Meadowbank, offering hands-on technical training, mentoring and pathways into data centre jobs.

5.3 Innovation and digital infrastructure

The wider benefits of data centres could extend well beyond their own workforce. [Emerging research](#) shows that hyperscale data centres can create jobs in related sectors through innovation spillovers. Better on-island access to [high-performance computing](#), an increasingly important input to research and innovation, could strengthen R&D in our increasingly data-dependent economy

and support Tasmania's tech sector. Developers could also support local businesses through contracting and procurement.

But these benefits are not automatic, as [Ireland](#) has found. The proposed hyperscale facilities are commercial assets, not shared research infrastructure, so local users will benefit only if they can access them on favourable terms. Other governments have sought to secure this. Finland's LUMI AI Factory, for example, gives eligible researchers, AI start-ups and small and medium-sized businesses [free access to computing resources](#), alongside commercial access for larger companies. Large tech companies, such as [Amazon](#) and Microsoft, also run STEM-in-schools programs that introduce students to technology and infrastructure careers. A well-designed Tasmanian program could help address the significant decline in the number of Tasmanian students studying STEM subjects.

Data centre investment could also improve Tasmania's digital connectivity. Although several fibre links cross Bass Strait, the state has relied on a limited amount of high-capacity ['lit' fibre](#), and on mainland networks to reach Australia's international cable gateways. The risks became clear in 2022, when [damage to a Bass Strait cable caused widespread telecommunications disruptions](#). Firmus is now [underwriting construction of the Bernacchi-1 subsea cable](#), which will connect Tasmania to Melbourne and Sydney and add 60 terabits per second of capacity. This general-purpose infrastructure will benefit businesses, researchers and residents, not just data centre operators.

6. Community impacts and planning

6.1 Local impacts and community concerns

AI data centres are controversial. Community backlash from [Melbourne](#) to [Perth](#) has [delayed projects](#), [increased costs](#) and [stopped some altogether](#). In Tasmania, opposition to the [Bell Bay](#) proposal and others has focused on [energy](#) and [water](#) use, noise and air pollution, bushfire and environmental risks, [inadequate consultation](#), [lack of transparency about potential impacts](#) and [food security](#).

Part of the problem is that costs and benefits fall unevenly. Most of the benefits – investment, innovation spillovers and electricity revenue – are spread across the wider economy. Many of the costs – disruptive construction, noise, visual impacts and pressure on local infrastructure – are concentrated in the host communities.

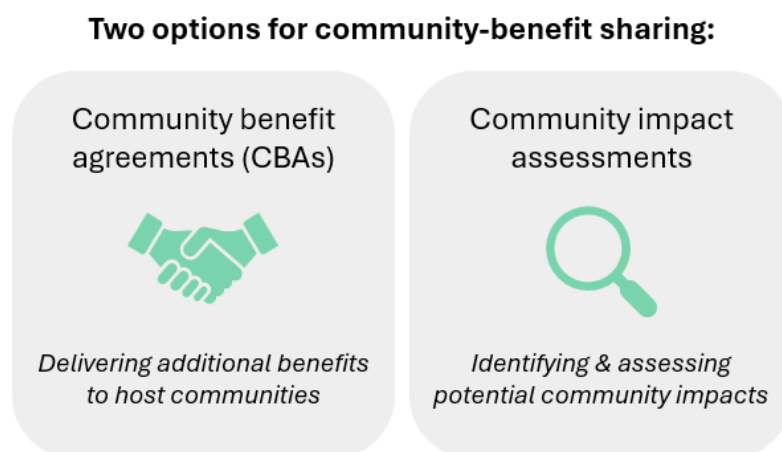
However, there can be local benefits. [Waste heat from Meta's data centre in Odense, Denmark](#), is used to heat water for the city's heating system. In Tasmania, waste heat could be used in industrial processes or to warm greenhouses. Data centres could also support shared infrastructure, such as fibre connections and water supply upgrades.

Despite community concern, current Tasmanian proposals appear to need relatively little water. Firmus says its [Bell Bay facility will use 19.2 million litres a year – about the same as 110 households](#). Water use could become more of an issue in the future, depending on the scale and location of new facilities and their

cooling technology ([which is changing rapidly](#)). Their needs would then have to be balanced against those of households, irrigation, other industries and environmental flows.

6.2 Sharing benefits with host communities

Two mechanisms used elsewhere could help ensure that host communities are well informed and share in the benefits (see figure below).



Community benefit agreements. As part of the planning approval process, developers could be required to negotiate [community benefit agreements](#) (CBAs) that deliver local infrastructure, community facilities and other benefits. Byron, New York, a town of fewer than 3,000 people, secured almost [US\\$25 million over 20 years](#) through a CBA.

Community impact assessments. Developers could also be required to assess and publicly disclose potential impacts – such as impacts on visual amenity, noise, water use and electricity infrastructure – before projects are approved. This is normal practice in the UK and Nordic countries, and helps communities and decision-makers understand the likely benefits and costs. In Tasmania, this is currently required only under particular [planning approval pathways](#).

6.3 Planning and assessment

Most data centre proposals are assessed under Tasmania's [Resource Management and Planning System](#) (RMPS), with development applications generally decided by the [relevant local council](#). The RMPS allows for [community participation](#), but it focuses on land-use and environmental matters, not on energy system and economic impacts or long-term community benefits.

Large AI data centres need broader assessment than the RMPS offers. There is a strong case for proposals above the 100 MW hyperscale threshold to be assessed by the Tasmanian Planning Commission under the Major Projects process. Another option is a new statutory approach like [Queensland's 2025 planning amendments](#), which require proponents to engage directly with communities and specify community benefits.

Tasmania-specific guidelines for data centre development should also be developed as a priority, for example as part of the Tasmanian Planning Commission's *Guidance Resources*. These should inform both planning approvals and power supply agreements, so that proponents, communities and decision-makers are working from the same expectations.

7. Conclusion

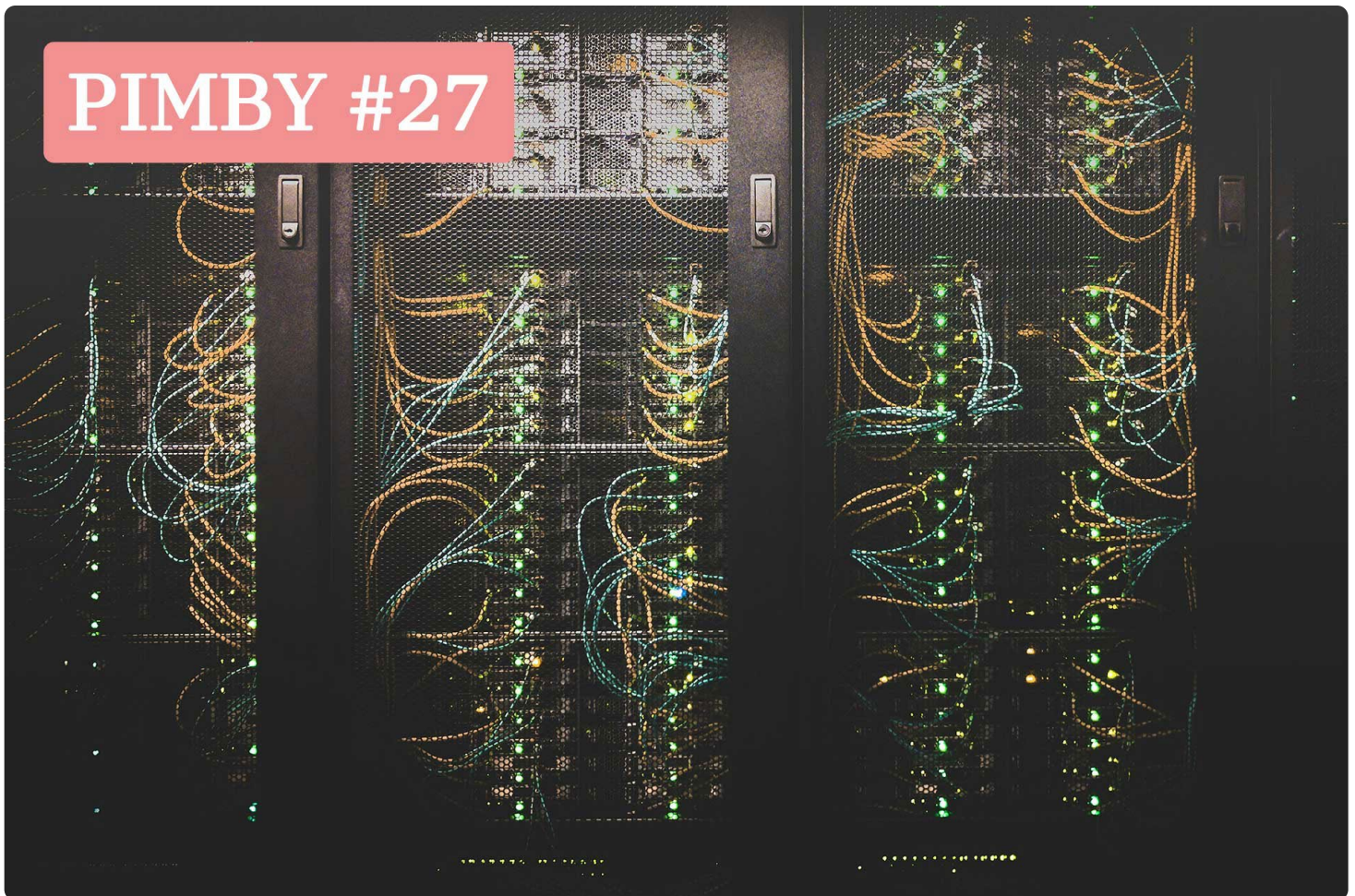
AI data centres bring significant opportunities for Tasmania, but also significant risks. Experience around the world shows that their impacts are not predetermined. They depend on the policies governments put in place to allocate energy, manage infrastructure investment, capture economic and social benefits, and protect the environment.

Getting these settings right means managing pressure on our energy system while building local skills and innovation, securing a fair return and delivering benefits for host communities. The draft Statement of Expectations is a good start, but it should become a binding policy framework as soon as possible. Until then, proponents should explain how they will meet its expectations. Energy supply agreements are another important opportunity to set the terms on which AI data centres are hosted.

Ultimately, the question is not just whether Tasmania hosts AI data centres, but what kind we host and what we gain from them. Getting this right will determine whether they contribute to our long-term prosperity, or simply create infrastructure that mainly serves users elsewhere.



Here comes the boom: AI data centres in Tasmania



17 September 2026

With the global AI debate heating up, we're taking a look at the challenges and opportunities associated with building data centres in Tasmania. Whether Tasmania does or does not build AI data centres, we need to make sure we do it on our terms, and in a way that benefits Tassie.

The debate over AI data centres is in full swing globally. Supporters argue that AI data centres will

boost [economic growth](#), [medical research](#), [productivity](#), and more. Critics point to negative environmental and social impacts, infrastructure demands, and uncertainty about long-term value for host communities – not to mention broader concerns about the impacts of AI on the [nature of work](#), [the arts](#), [the fabric of society](#), and even [the future of our species](#).

Amid all this noise, it can be hard to sort fact from AI slop. So, in this

Authors



[Robert Hortle](#)

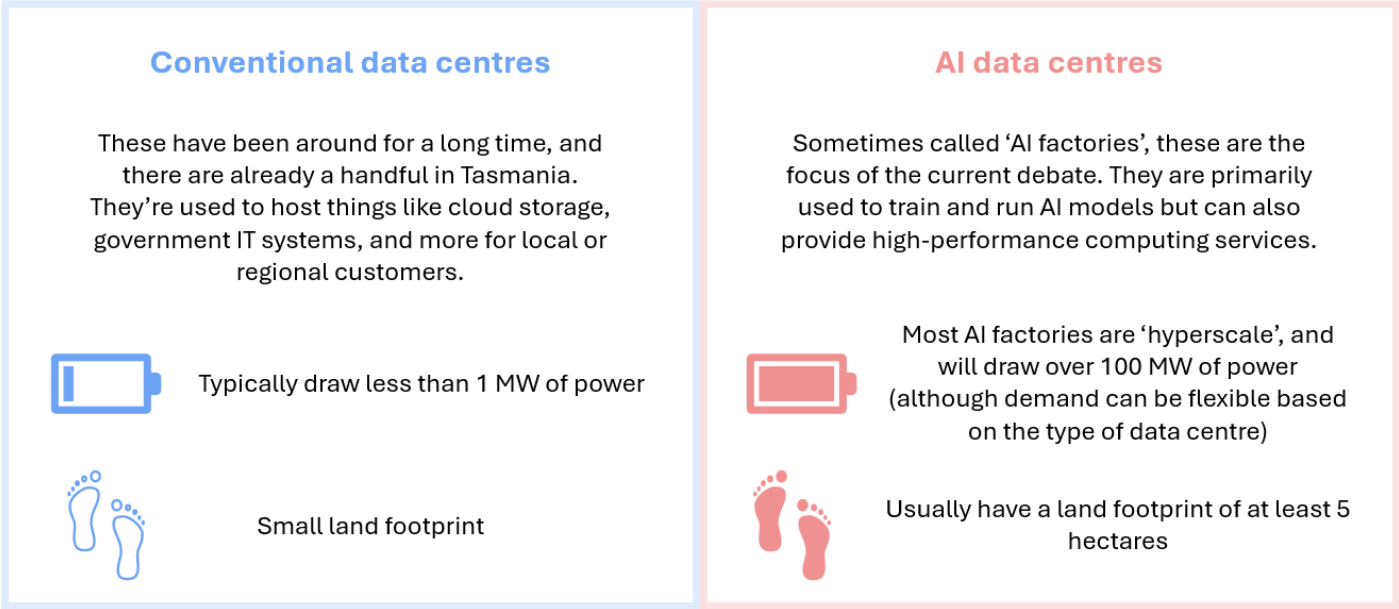


[Judith Mutuku](#)

PIMBY – the first in a two-part series – we dive into the challenges and opportunities associated with building AI data centres in Tasmania. In Part 2, we'll put forward some policy ideas for minimising the risks and maximising the benefits of hosting AI data centres in our state.

Our aim isn't to argue that Tasmania should go all in on AI data centres, or ban them – it's to make sure that if we build them here, we do it on our terms and in a way that benefits our state.

Unfortunately, a lot of the stats floating around combine AI factories and conventional data centres – which makes it tricky to compare apples with apples.



Information source: [Congress](#) and [EPRI](#).

The AI data centre boom

AI data centre construction is accelerating across the globe, and Australia is no exception. There are 90 data centres currently in the planning pipeline nationally – and most are over the 100 MW hyperscale threshold. The Federal Government aims to position Australia “[as a leading destination for data centre investment](#)” and is keen to [emphasise the potential benefits](#), from job creation to enabling cutting-edge research.

Data centres in Australia

A **non-exhaustive** list of 283 data centres in Australia. Many do not publicly declare their power capacity nor their intended use – not all data centres are used for AI.



(Please use a modern browser to see the interactive version of this visualization)

This list is a fact-checked version of [Dr Sarah Barns's map](#) and the [DataCentreMap](#) dataset. Current to August 31, 2026.

Note: Some data centres are co-located in the same building. For "campus" style data centres, such as those with multiple wings or halls, we've condensed the location to a single marker.

Map: The ConversationSource: Dr Sarah Barns, RMIT; DataCenterMap[Embed](#) [Download image](#)Created with [Datawrapper](#)

Source: [The Conversation, Johanna Lim - Data centres have existed for decades. So why are they so controversial now; Dr Sarah Barns, RMIT; DataCentreMap.](#)

Tasmania is also caught up in the boom, with developers attracted by our cool climate, water availability, [improving digital connectivity](#), and [renewable energy](#). The most advanced projects come from Firmus, which has requested [450 MW of power from Hydro Tasmania](#) to run three ‘AI factories’ in Northern Tasmania. This would make Firmus by far the state’s biggest single electricity user. [Six other potential data centre projects](#) totalling 500 MW – enough to power all the homes in Tassie with a bit to spare – are being facilitated by the Office of the Coordinator General, although detail is limited.

The boom has governments across Australia scrambling to get to grips with the question of AI data centres. Several jurisdictions, including [Tasmania](#) and the [Commonwealth](#), have sketched outlines of their policy approaches. But there’s still [fierce national cabinet debate](#), regular calls for stricter regulation, and various ongoing inquiries – it feels like everyone is on the back foot when it comes to developing an effective policy response. That’s why in Part 2, we’ll look at the policies and regulations that could help ensure that building AI data centres contributes to Tasmania's long-term prosperity and resilience.

How could building AI data centres affect Tasmania?

In this PIMBY though, we wanted to lay out the scope of the policy challenge facing Tasmania. So, let’s take a look at six key domains where AI data centres are likely to have significant impacts:



Energy



The distinctive characteristics of Tasmania’s energy system create opportunities and challenges for AI data centre development.

The first issue is energy generation. We currently have very little surplus energy to export or power new industry on-island. Several new renewable energy projects have been proposed and some have been approved, but we haven’t had a major facility come online since [Cattle Hill](#) in 2020 – although the 288 MW [Northern Midlands Solar Farm](#) may not be far away. However, the prospect of [Marinus](#) coming online in the next five years may spark new generation projects, and when the interconnector is operating, it will increase our capacity to import electricity from the mainland.

The energy demand landscape is changing though. The [future of some of our biggest electricity users](#) is uncertain, and each one that shuts down will suddenly mean a lot more electricity to go around. If

this happens, having AI data centres to soak up the load, underwrite grid costs, and pay a full commercial price for power could be very handy – although this could introduce a form of [‘concentration risk’](#) by making the grid heavily reliant on a small number of customers from a single industry.

The second challenge is the capacity of Tasmania’s existing transmission infrastructure. Parts of our network [currently wouldn’t cope with AI factory loads](#): infrastructure around George Town and Bell Bay will probably need to be upgraded at an estimated cost of [\\$370 million](#) once committed load reaches about 210 MW. Additionally, because Basslink is already constrained, extra demand would compete directly with the interconnector for network capacity. It is therefore essential that data centre proponents meet the full cost of network upgrades so that other consumers don’t have to pick up some of the tab.

Linked to this, the prospect of large new AI data centre loads could drive investment in electricity infrastructure that is later underused if the [AI bubble](#) bursts (a form of ‘stranded asset risk’). While demand for AI is currently strong, the [long-term outlook is less certain](#). And, at the local level, operators’ commercial arrangements are often secretive, making it [hard to assess their resilience](#) [paywalled] to changes in the sector. If major network upgrades and new generation capacity occur for projects that are then delayed, scaled back, or cancelled, Tasmania could be left paying for [underutilised](#) infrastructure.

There are also opportunities here. Growing demand from AI data centres could support [generation and network investment](#) that would not otherwise proceed. And, if data centre operators are willing to pay more for electricity than existing industrial users, Hydro Tasmania and the Government could receive a big revenue boost.

But there’s a trade-off here. Some established industries rely on low-cost power to remain competitive, and higher prices could make it harder for them to survive. If they exit the state, we’d lose the benefits they provide including regional employment, industrial capability, and supply-chain resilience. We need to assess not only which user can pay the most, but which use of Tasmania’s electricity delivers the greatest public value.

Community



It’s no secret that AI data centres are controversial, with widespread community backlash from [Melbourne](#) to [Perth](#) [delaying](#) projects, [increasing costs](#), and [stopping them proceeding](#). In Tasmania, community opposition to [Bell Bay](#) and other proposals has centred on [energy](#) and [water](#) use (despite

what appear to be [modest water requirements](#)), noise and air pollution, bushfire and environmental risks, [perceived inadequate consultation](#) and [lack of transparency about potential impacts](#), and [food security](#).

Part of the challenge here is that the costs and benefits of AI data centres are often distributed unevenly. Most of their potential positive impacts (such as increased investment, innovation spillovers, and electricity revenue) happen at the broader economy level. Yet many of the negative impacts, including disruptive construction, noise, visual amenity impacts, and pressure on local infrastructure, are concentrated in the host community.

On the positive side, AI data centres may create benefits for host communities. For example, [waste heat from Meta's data centre in Odense, Denmark](#) is used to heat water that is added to the city's heating system. In Tasmania, uses for waste heat could include industrial processes or keeping greenhouses warm. Other community benefits might include job creation or support for shared infrastructure, such as fibre optic connections and water supply network upgrades.

For Tasmania, the challenge is to ensure that the process for planning and approving AI data centres is transparent, legitimate, and trusted by affected communities.

Public revenue



The figures for investment in AI data centres are staggering (one estimate puts Australia's current pipeline at [\\$155 billion](#)) as are the potential returns for operators. A [report commissioned by the sector](#) found that between now and 2030, data centre construction is expected to generate \$19.8 billion in economic activity, and that when these facilities come online they will create [\\$5.6 billion](#) in economic activity every year. This investment could present a big opportunity to capture significant economic value for Tasmania – although [international research](#) suggests that these predictions should be taken with a grain of salt.

This is partly because headline investment figures don't necessarily translate into local economic benefits. The [Australian Financial Review](#) [paywalled] has argued that much of Australia's projected data-centre investment boom is associated with imported technical equipment, which means the money goes overseas. AI data centres are also unlikely to add much to public coffers via state taxation: they don't generate royalties like mining and, given their low ongoing employment, they're unlikely to be liable for payroll tax. This means the Tasmanian Government needs to think carefully about how to retain economic value in the state – we'll share our research on how governments elsewhere are doing this in our next PIMBY.

Employment and workforce



The workforce benefits of AI data centres are often cited as one of their principal economic advantages. AI data centres could represent an important opportunity to strengthen Tasmania's skills base by [increasing demand for skilled workers](#) across construction, electrical engineering, power systems, network administration, cybersecurity, and digital infrastructure management.

The potential issue here is whether workforce supply can keep up with demand. Nationally, [NECA](#) warns that data centres are adding to existing competition for construction workers, electrical trades, and network engineers. Unfortunately, many of these skills are already in high demand here in Tassie due to the renewable energy transition and other large infrastructure projects such as the Stadium. There is a risk that AI data centre construction demand could [drive up costs](#) across the construction sector.

It's important to note that the employment impacts of data centres differ from many other industries. Data centres are capital-intensive, not labour-intensive: the construction phase creates employment, but their ongoing operations require relatively few workers. [Industry benchmarks](#) suggest that highly automated data centre campuses require about 25 to 40 permanent staff per 100 MW. Firmus estimates its proposed 52 MW Wesley Vale facility will support [70 construction jobs but only 20 ongoing roles](#). However, [emerging research](#) shows that hyperscale data centres can create additional jobs in related sectors through innovation spillovers (see below).

Innovation and sovereignty



A potential benefit of AI data centre investment is the possibility of improved on-island access to [high-performance computing](#), an increasingly important input to research and innovation. Access to this in Tasmania could improve our R&D capability in key sectors of our increasingly data-dependent economy. It may also generate wider 'innovation spillovers' by supporting the development of Tasmania's tech sector – which, as noted above, could create additional jobs in the state. However, these benefits will only materialise if local customers are granted access on favourable terms. The hyperscale facilities currently proposed aren't being developed as shared research

infrastructure or to support the Tasmanian tech sector – they’re commercial assets intended to generate income for their operators. We don’t automatically get R&D benefits just by hosting AI infrastructure here – as [Ireland](#) has found out.

More broadly, AI data centre investment in Tasmania could incentivise improvements in our digital connectivity. While Tasmania is connected to the mainland by multiple Bass Strait fibre links, the state’s digital economy has historically relied on a relatively limited amount of high-capacity [‘lit’ fibre](#) and relies on mainland networks to reach Australia’s international cable gateways. The risks of this were highlighted in 2022, when [damage to a Bass Strait cable caused widespread telecommunications disruptions](#). There is already an example of hyperscale investment supporting broader digital infrastructure: Firmus is [underwriting construction of the Bernacchi-1 subsea cable](#), which will connect to Melbourne and Sydney and add 60 terabits per second of capacity. Importantly, this general-purpose digital infrastructure will benefit businesses, researchers, and residents as well as data centre operators.

Water management

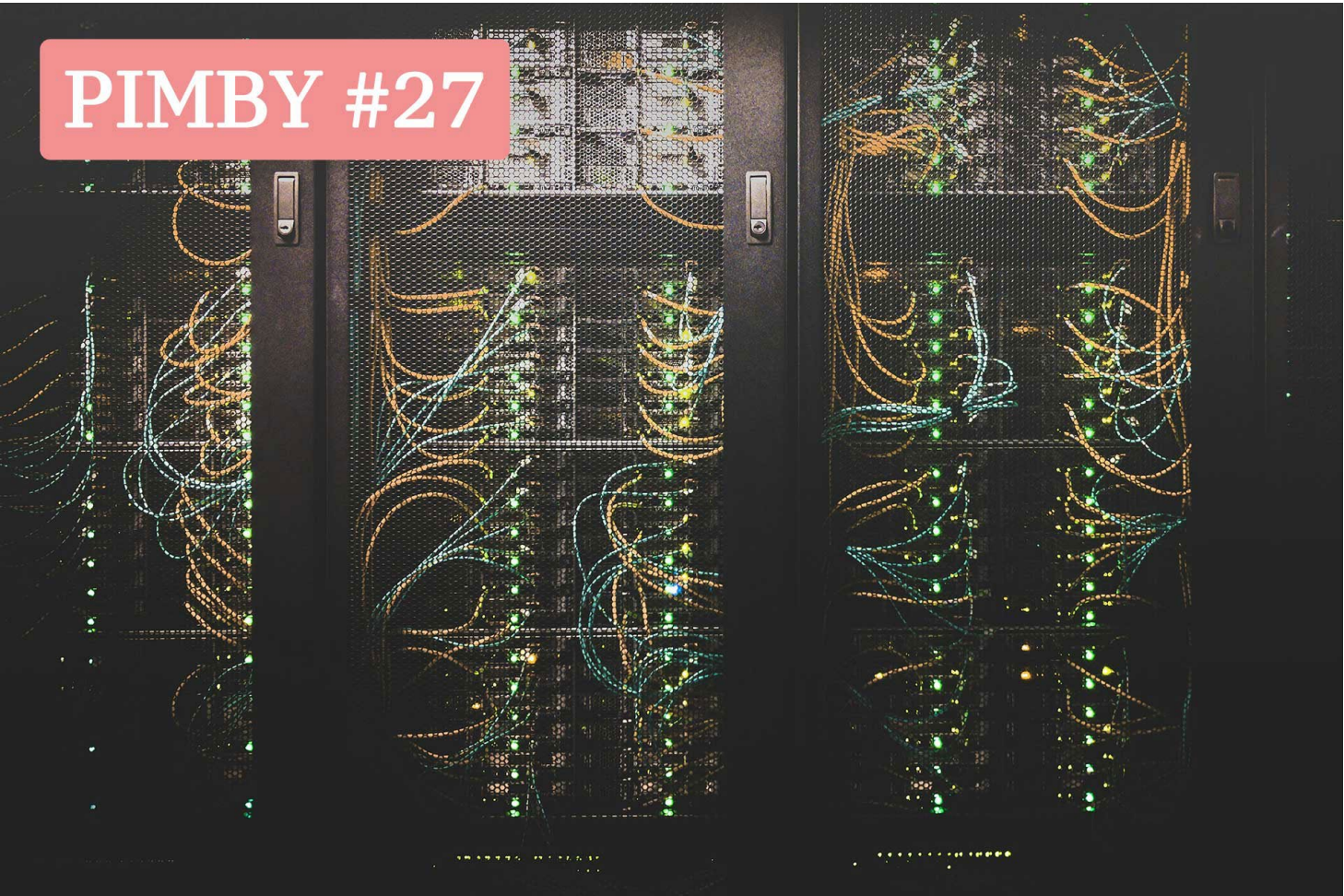


Tasmania’s current AI data centre proposals appear to have relatively modest water requirements. For example, Firmus has claimed that [its Bell Bay facility will use just 19.2 million litres of water per year – equivalent to the annual consumption of 110 households](#). While this volume is unlikely to create difficulties, water usage may become an issue in future depending on the scale, cooling technology ([which is changing rapidly](#)), and location of additional facilities. If this occurs, the challenge will be balancing their usage with that of households, irrigation, other industries, and vital environmental flows.

So, what do we do about all this?

As we’ve tried to show, building AI data centres in Tasmania comes with some big opportunities for the state – but there are also significant challenges and risks that need to be carefully managed. Experience globally has shown that the [impacts of AI data centres are not predetermined](#) – they depend on the policies that governments at all levels put in place to allocate energy resources, manage infrastructure investment, capture social and economic benefits, and protect the environment. So, in Part 2 we’ll take a look at what the Tasmanian Government and others could do to make sure that if we forge ahead with data centres, Tasmania is better off.

Keep reading



Read AI Data Centres in Tasmania



PIMBY #26

[Read Insuring Tasmania's Future](#)



PIMBY #25

Read Speaking of Dialogue

Subscribe to stay in the know

Name *

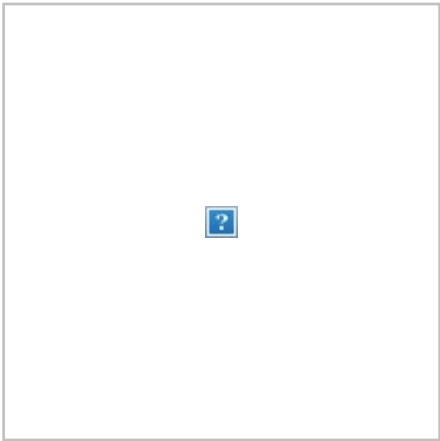
Your name

Email *

Your email

Organisation *

Subscribe



Copyright © 2025, Tasmanian Policy Exchange.

We acknowledge the Palawa/Pakana and Gadigal people, the Traditional Custodians of the land upon which we live and work. We honour their enduring culture and knowledge as vital to the self-determination, wellbeing and resilience of their communities, [find out more](#).

The views expressed in articles on PIMBY are not necessarily the views of the University of Tasmania. All articles are licensed via [CC BY-NC-ND 4.0](#).