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Office of AI

Department of Prime Minister and Cabinet

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CEC Submission to the ‘*Getting it right: Building AI infrastructure that works for Australia*’ Consultation paper

The Clean Energy Council (CEC) welcomes the opportunity to provide feedback on the Building AI infrastructure that works for Australia Consultation Paper, September 2026.

The CEC is the peak body for Australia’s clean energy industry. We represent around 1,000 members and work with organisations across renewable energy generation, energy storage, transmission, distributed energy resources, manufacturing, finance, professional services and the wider clean energy supply chain. Our work focuses on accelerating the transition to a cleaner, more reliable and affordable energy system through policy advocacy, industry standards, collaboration and practical reform.

1. Introduction

Australia is at the intersection of two transitions that should be planned together: the rapid growth of artificial intelligence and the data centres that power it, and the transformation of the electricity system through renewable generation, storage and transmission. These are complementary, not competing, priorities. Data centres need large volumes of reliable, cost-effective electricity, which in Australia is best provided by firmed renewables. In turn, data centres can become a durable source of long-term, bankable demand that underwrites new generation and storage and supports an orderly transition away from ageing coal generation.

Conversely, if these two transitions are not properly coordinated, then significant challenges will emerge. Data centres already consume around 5 TWh of electricity each year, about 3 per cent of National Electricity Market demand, and this share is projected to rise materially¹. Without matching new renewable investment, wholesale electricity prices in 2035 could be 26 per cent higher in New South Wales and 23 per cent higher in

¹ Australian Energy Market Operator (AEMO), [2026-electricity-statement-of-opportunities.pdf](#)

Victoria, and national electricity emissions up to 14 per cent higher than otherwise expected².

This is also an opportunity to build sovereign capability and strengthen national security. Energy and digital infrastructure now underpin banking, communications, health, government, research and the development of AI itself. Australia should build the domestic capability to finance, build, own, operate and maintain more of these critical digital assets, so that a greater share of the value they create stays in Australia and the nation is less exposed to external supply, technology and geopolitical shocks. The clean energy industry provides the foundation for doing this: renewables supplied around 43 per cent of Australia's electricity in 2025 and the industry directly employs around 25,000 people³. Pairing that base with Australian AI capability, including local compute, research and engineering talent, would unlock opportunities for both energy and data centre sectors and the Australian economy more broadly.

Australia has the natural advantages to do this well, abundant wind and solar resources, available land, world-class energy expertise, a skilled workforce, strong institutions and proximity to fast-growing Asian markets. Used well, these resources can underpin a future economy built on modern technology, with low-cost renewable energy powering data centres, and data centres backed by Australian AI capability, delivering investment, skilled jobs and community benefits across Australia.

The central policy objective should be to link electricity demand from new data centres with new firming renewable electricity supply. The manner in which this is achieved should be as simple as possible and should ensure the ongoing bankability of both data centres and the firming renewables. Failure to strike that right balance would see the opportunity lost.

The CEC therefore supports mandatory, nationally consistent and renewable technology-neutral energy requirements for large data centres, delivered through a Flexible Contracting Framework under which new data centre load underwrites additional firming renewable supply, with Renewable Energy Guarantee of Origin (REGO) certificates as the primary compliance and audit mechanism and a glide path that reflects realistic renewable project delivery timelines. In putting this into practice, it is important to consider the cumulative impact of Commonwealth and state requirements with the goal of avoiding material gaps and overlaps.

² Baringa, Getting the balance right: Data centre growth and the energy transition, <https://www.baringa.com/globalassets/insights/low-carbon-futures/australia-data-centre-growth-report/getting-the-balance-right-data-centres-and-the-energy-transition-full-report.pdf>

³ Clean Energy Council, Clean Energy Australia 2026 report, <https://cleanenergycouncil.org.au/news-resources/clean-energy-australia-report-2026>; Clean Energy Council, Industry snapshot, <https://cleanenergycouncil.org.au/advocacy/industry-snapshot>

2. Overarching approach to the AI standards

The CEC supports a national framework that provides certainty for communities, governments and investors while preserving the role of state and territory planning and approval systems and recognising the need for State and Commonwealth frameworks on data centres to work as a cohesive overall package.

With this in mind, national standards should set clear outcomes, based on common compliance rules, while avoiding duplication or conflict with jurisdictional requirements. Nationally consistent settings that are neutral regarding the different types of renewable energy will also reduce compliance complexity and (to the extent possible) minimise the risk of jurisdictional arbitrage.

The framework should be mandatory for facilities whose scale and electricity demand are material to the power system, as identified by objective and measurable definitions.

While we acknowledge the breadth of the current consultation, we note there will nonetheless be many more details that need to be worked through to finalise and implement the standards and suggest these would be best settled through genuine co-design, involving members of both data centre and renewable sectors. Government should set firm objectives, clear accountability and a timetable for implementation, while industry input should shape the practical details (e.g. workable definitions, evidence requirements, transitional rules and review mechanisms).

3. Responses to energy-related consultation questions

3.1 How should large data centres make a positive contribution to Australia's energy transition?

Large data centres should be required to match their grid electricity consumption with investment in new firm renewable supply. Purchasing electricity from existing generators may change the contractual allocation of existing output, but it does not increase the amount of electricity available to the market. The standard must therefore focus on additionality.

The CEC continues to advocate for a Flexible Contracting Framework with two complementary components:

- **Additional Firmed Renewables:** the principal obligation should be met through long-term arrangements that support new renewable generation together with the firming needed to provide a reliable supply profile. Eligible arrangements may

include power purchase agreements, retail contracts or direct investment. Contract duration should be long enough to support project finance.

- **Renewable Energy Guarantee of Origin certificates:** REGO certificates should be the primary compliance and audit mechanism, surrendered against the data centre's annual electricity consumption. Certificates can also cover residual demand and bridge the period between data centre commissioning and delivery of contracted new supply (see section 3.4).

This approach provides a strongly bankable signal for new investment, while preserving flexibility for data centres by resolving the timing gap and enabling a straightforward compliance regime during data centre operations.

An important nuance is the question of how State and Cth requirements interact to collectively provide a framework of this kind, without material gaps or overlaps. In particular, we note imposing such a framework in full at Cth level would, in the case of NSW, duplicate state-level PPA requirements under the NSW Data Centre Guidelines.⁴

One solution would be to focus the Cth requirements specifically on the certificate component, leaving contracting/PPA requirements to the jurisdictions. This is consistent with the AEMC's advice to ECMC.⁵ Another would be an adaptation of the Flexible Contracting Framework in which a specific exemption is included for states with PPA/contracting requirements to avoid duplication.

The first option provides greater flexibility, albeit based on a REGO market that is still building maturity and liquidity. The second provides stronger investment signals, but with lower flexibility for data centres. On balance, the CEC proposes the second scenario as the starting point, with a review after 2 years to determine whether the REGO market is suitably liquid and mature that a complementary PPA/contracting requirement is no longer needed. In any case, further consultation is recommended in order to ensure the ultimate position on this point is workable for all parties.

3.2 How should additionality be defined?

Ensuring data centre load supports new (additional) renewable generation, rather than relying on existing capacity is key to matching new demand with new supply and hence mitigating electricity price impacts across the market.

⁴ NSW Government, [NSW Data Centre Guidelines](#)

⁵ AEMC, [AEMC advice on data centre regulatory pathways - Detailed Policy assessment](#)

In terms of what should be considered ‘new supply’, the AEMC suggested financial close in its advice to the ECMC, while the NSW Guidelines refer to FID.^{6,7} CEC members have indicated that both may be challenging to reliably observe in practice, particularly in scenarios in which data centres are being financed on-balance sheet by investors that are not publicly listed. On balance, members view AEMO’s Generation Information Status as a more reliable and transparent measure, with a project achieving ‘Committed’ status on AEMO’s Generation Information page on or after the data centre being judged to be ‘additional’ with regard to the load for that data centre.

In addition to being transparent and objective, it is also important that the definition of additionality be nationally consistent and sufficiently robust to prevent existing output being rebadged as new supply. The treatment of capacity expansions and major refurbishments is also an important consideration, and the CEC supports the inclusion of these within the definition of ‘additional’. Finally, further consideration should be given to the treatment of renewable projects that choose to invest at-risk, to avoid punishing renewables investments that deliberately seek to lead rather than lag data centre investments.

3.3 What should the compliance period and matching method be?

Annual matching should be the basis for certificate surrender. It is transparent, auditable and compatible with current contracting and certificate markets, while also minimising the complexity of compliance. The CEC does not support a standalone granular (for example, monthly or hourly) time-matching requirement for REGO surrender. If a data centre must already hold sufficient firm contracted capacity to cover its load profile (see section 3.8), a separate time-matching test would duplicate that obligation and add cost without improving system outcomes.

3.4 How should the framework address different project timelines?

A calibrated transition or “glide path” is essential. Data centres can move from planning approval to operation within 18 to 24 months⁸, while new renewable projects often require three years or more to secure approvals, connect and commence generation. As such, a standard that requires full physical matching from the first day of operation could be impossible to satisfy. On this basis, compliance obligations should be sequenced to reflect realistic renewable project procurement and development timelines, not data centre construction timelines alone.

⁶ AEMC, [AEMC advice on data centre regulatory pathways - Detailed Policy assessment](#)

⁷ NSW Government, [NSW Data Centre Guidelines](#)

⁸ J Lim, "Powering the cloud: Data centres and the future of Australia's grid", United States Studies Centre, 8 April 2026, <https://www.ussc.edu.au/powering-the-cloud-data-centres-and-the-future-of-australias-grid>

While the ‘timing gap’ in construction times for data centres vs renewables needs to be acknowledged, it should also be minimised to the extent practical. As such the CEC supports the principle of aligning additionality requirements as closely as possible with data centre achievement of ‘Committed’ status (or equivalent) as per section 3.2 above. Pushing the requirements out until data centre commissioning or operations risks exacerbating the timing gap by postponing the investment signal for additional renewables by the construction period of the data centre. At the same time, bringing them further forward would be unworkable.

In terms of how data centre load during the timing gap period is treated, one option would be to leverage REGOs from existing assets, noting this opens questions on whether any restrictions on asset vintage, jurisdiction, etc should be imposed. An alternative would be to allow data centres to carry forward a certificate obligation that is subsequently met with REGOs from additional capacity once that capacity enters operation.

Overall this could fit together as follows during the initial 2-year period:

1. At point of Committed status being achieved, data centre provides evidence of contracted position with additional renewable capacity equivalent to 100% of expected future load (with data centres in states with PPA requirements exempt from Cth requirements to avoid duplication)
2. At commencement of operations, data centre starts drawing electricity from the grid and either carries forward a REGO obligation or discharges that obligation against existing assets, per above
3. Once both data centre and additional renewable capacity are operational, energy consumption should be 100% offset and REGOs surrendered as proof of compliance

As noted above, we propose this combined contract + certificate approach for an initial period of 2 years while the REGO market improves in maturity and liquidity, with a review undertaken at that point to establish whether a certificate-only approach would be sufficient moving forward.

In that scenario, Step 1 above would be removed, Step 2 would be unchanged and Step 3 would be replaced by an obligation to surrender REGOs equivalent to 100% of data centre load from assets that achieved ‘Committed’ status on or after the date at which the data centre achieved ‘Committed’ status.

Regarding the duration of the glide path, we note the NSW Guidelines propose 4 years from operational start date for data centres, while the Consultation Paper mentions the Irish example of 6 years. CEC members have expressed support for both these numbers, with a strong consensus that whatever is chosen, there should be a review after 2 years to ensure data centre and renewables investment are both proceeding as expected, with

adjustments made at that point if necessary to correct any imbalance in investment and build rates.

Regarding obligations associated with step 1 above, data centres should have access to relief for compliance breaches outside their reasonable control, such as the delay or cancellation of a contracted renewable project, consistent with the approach in the NSW Data Centre Guidelines. The triggers for relief must be well defined, and operators should be required to demonstrate efforts to secure replacement supply.

3.5 Which facilities should be covered?

Coverage should be based primarily on electricity demand and system impact, rather than labels or ownership structures. The framework should capture new large data centres, major expansions and campuses that are developed in stages or through related entities. Anti-avoidance provisions should prevent projects being divided into smaller components to remain below a threshold, while ensuring requirements are proportionate and workable

Government should consult further on aggregation rules and scaled obligations, while retaining a clear minimum standard for all facilities with material demand. Compliance pathways should recognise the different capabilities of hyperscale, enterprise and colocation facilities as well as the different contractual rights and responsibilities of different data centre ownership models, noting for instance that colocation operators may not have the right or responsibility to procure electricity on behalf of tenants.

3.6 How should existing and committed projects be treated?

Obligations should apply prospectively, not retrospectively, using a clear and objective cut-off test. The test should ideally be linked to an objective milestone such as a specific public announcement or policy release. The Prime Minister's speech of 15 July 2026, which announced that the expectations for large AI data centres released in March 2026 will be brought into one regulatory framework that is "clear, consistent and mandatory", is one such public milestone that could be used as a reference point⁹.

Transition settings must not become a broad exemption, dilute additionality, add avoidable complexity or undermine investment signals for new projects. Major expansions and new stages that materially increase electricity demand after the cut-off should be captured. Existing facilities should be encouraged to adopt the framework voluntarily and should face mandatory requirements when undertaking material expansion.

⁹ The Hon Anthony Albanese MP, Prime Minister of Australia, "AI in Australia's interests", speech at the University of Sydney, 15 July 2026: <https://www.pm.gov.au/media/ai-australias-interests-0>

3.7 How can standards ensure no net energy costs are imposed on consumers and communities?

The most effective protection is to require new demand to bring forward new supply. Without additional generation, data centres may compete with households and businesses for existing electricity and contribute to higher wholesale prices. Modelling by Baringa for the Clean Energy Finance Corporation indicates that in 2035, absent matching renewable investment, wholesale prices could be 26 per cent higher in New South Wales and 23 per cent higher in Victoria, and electricity-sector emissions could be up to 14 per cent higher nationally.

Long-term contracts with new renewable and storage projects can reduce this risk by expanding supply. Data centres should also bear the efficient costs caused by their connection and operation under existing network and market frameworks. The national AI standards should not duplicate current processes for transmission and distribution cost recovery, which are being considered separately, but they should require transparent evidence that energy obligations are being met.

3.8 How should firming and system reliability be addressed?

Firming obligations should be portfolio-based, drawing on the approach used in the Retailer Reliability Obligation. Data centres should be able to use a mix of physical assets and financial contracts (e.g. cap contracts) to demonstrate they are covering their share of peak demand. As cap contracts are not linked to project vintage, the link to additionality would be harder to demonstrate for the firming component of the standards. As such, the CEC again recommends a review after 2 years to ensure the data centre standards are driving sufficient investment in additional firming capacity.

In addition, data centres should be encouraged to provide demand response and to invest in storage where it improves resilience and system security. Behind-the-meter batteries can reduce peaks, support ride-through capability and participate in energy and essential system services markets. Regulatory settings should permit those assets to earn market revenue where they meet the relevant technical requirements.

Any restrictions on non-renewable back-up generation should recognise the role of on-site diesel generation as a back-up of last resort. Its use in specific exceptional circumstances is typically a benefit to the broader network and should not be precluded, while also being limited to last resort scenarios and subject to emissions offsetting requirements.

3.9 How should data centre demand flexibility be supported?

Where practical and beneficial to other consumers, data centres should be encouraged to reduce, shift or otherwise manage their grid-facing demand. Demand response requirements should apply prospectively rather than retrospectively and be flexible enough to accommodate a range of arrangements. Where requirements are applied broadly across network areas, they should be linked to objective system-security triggers, such as Lack of Reserve 3 (LOR3) conditions declared by the Australian Energy Market Operator under the National Electricity Rules.

International experience supports linking mandatory flexibility to defined system-security events. In Texas, Senate Bill 6 (2025) makes the installation of curtailment equipment a condition of connection for new large loads of 75 MW or more in the ERCOT system, so they can be disconnected during firm load-shed events, while separately establishing a competitively procured, voluntary demand response service for large loads¹⁰. ERCOT's experience also shows that large flexible loads can respond at scale during system stress. During the August 2023 heatwave, one large flexible load operator, Riot Platforms, reduced consumption at its Texas facility and received around US\$31.7 million in power and demand response credits¹¹.

Flexibility will vary between hyperscale, enterprise and colocation facilities, and may change as a campus develops. The CEC favours a site-specific arrangement through the connection process that sets out the MW reduction available, notice period, duration, maximum activation frequency and recovery requirements. These commitments could be documented in a standard schedule to the connection agreement, with clear performance and monitoring requirements and a process for updating them. In return, dependable flexibility should bring a tangible connection benefit, such as earlier or staged access to capacity, faster assessment or recognition of reduced augmentation requirements.

This approach is broadly consistent with the direction taken in New South Wales. The NSW Data Centre Guidelines offer an assessment timeframe of no more than 75 days in state government hands for proposals that meet a set of performance measures, including the ability to reduce grid-supplied demand by 25 per cent of forecast average

¹⁰ Texas Legislature, Senate Bill 6, 89th Legislature (2025), enrolled text: <https://legiscan.com/TX/text/SB6/id/3248460>; B Martucci, 'Texas law gives grid operator power to disconnect data centres during crisis', Utility Dive, 25 June 2025: <https://www.utilitydive.com/news/texas-law-gives-grid-operator-power-to-disconnect-data-centers-during-crisi/751587/>.

¹¹ CNBC, 'Texas paid bitcoin miner Riot \$31.7 million to shut down during heat wave in August', 6 September 2023: <https://www.cnbc.com/2023/09/06/texas-paid-bitcoin-miner-riot-31point7-million-to-shut-down-in-august.html>.

load for up to two hours, using load shifting first and then on-site or proximate renewable generation and storage¹². The NSW Government has also proposed that network connection agreements require data centres to reduce load in this way during grid stress events, and that demand flexibility be one of the criteria for allocating scarce network capacity under a potential data centre access scheme¹³.

Evidence from the United States indicates that dependable flexibility can materially accelerate connection. Analysis by Duke University's Nicholas Institute found that the 22 largest US balancing authorities could integrate around 76 GW of new load using existing system headroom if that load could be curtailed for just 0.25 per cent of its annual operating time (around 85 hours a year), rising to 126 GW at 1 per cent¹⁴. Google has since entered agreements with Indiana Michigan Power and the Tennessee Valley Authority to shift non-urgent machine-learning workloads during peak periods, building on a successful pilot with Omaha Public Power District, and has noted that this flexibility allows data centres to be connected to the grid more quickly¹⁵. Ireland has also tied new data centre connections to flexibility. The Commission for Regulation of Utilities' December 2025 decision requires new data centres to provide on-site or proximate generation or storage matching their maximum import capacity, which must participate in the wholesale electricity market¹⁶. The Irish approach shows the value of linking flexibility to connection, although the CEC considers that an outcomes-based arrangement, as proposed above, would be more efficient than prescribing on-site capacity.

Requirements should be defined by outcomes rather than the means of delivery. The relevant outcome is a measurable and dependable reduction in net grid demand at the

¹² NSW Government, *NSW Data Centre Guidelines*, August 2026, p. 5 (assessment timeframe) and Table 3 (demand flexibility performance measure):

https://www.infrastructure.nsw.gov.au/media/4jlictae/id0073_nsw-data-centre_guidelines.pdf

¹³ NSW DCCEEW, *Reforming electricity network connection and cost recovery arrangements for data centres in NSW: Consultation paper*, August 2026 (access scheme options and Proposal 10):

<https://www.energy.nsw.gov.au/sites/default/files/2026-08/202608-consultation-paper-reforming-electricity-network-data-centres.pdf>

¹⁴ T Norris et al., *Rethinking Load Growth: Assessing the Potential for Integration of Large Flexible Loads in US Power Systems*, Nicholas Institute for Energy, Environment & Sustainability, Duke University, February 2025: <https://nicholasinstitute.duke.edu/sites/default/files/publications/rethinking-load-growth.pdf>.

¹⁵ American Public Power Association, 'Google, TVA enter agreement tied to data centre demand response', 4 August 2025: <https://www.publicpower.org/periodical/article/google-tva-enter-agreement-tied-data-center-demand-response>; DatacenterDynamics, 'Google partners with I&M and TVA to expand use of demand response at its AI data centers', August 2025: <https://www.datacenterdynamics.com/en/news/google-partners-with-im-and-tva-to-expand-use-of-demand-response-at-its-ai-data-centers/>.

¹⁶ Commission for Regulation of Utilities (Ireland), *Large Energy Users Connection Policy: Decision Paper*, CRU/2025/236, 12 December 2025: <https://www.cru.ie/about-us/news/the-cru-publishes-its-decision-on-new-electricity-connection-policy-for-data-centres/>.

connection point while maintaining continuity of critical digital services, which is not the same as curtailing critical IT load. The response could come from load shifting, batteries, thermal storage, behind-the-meter or co-located generation, or contracted front-of-meter flexibility services, which may be more efficient from a whole-of-system perspective than mandating on-site solutions.

Recognition should be based on committed performance under relevant network conditions, not the technology used or its nameplate capacity. Overly prescriptive rules, such as narrow proximity requirements for batteries, risk creating compliance challenges given planning constraints on battery siting. Further work is needed on how demand flexibility should be credited against firming or certificate obligations, and how compliance would be verified and enforced.

Overseas case studies show that this range of delivery options already works in practice. At its Dublin data centre, Microsoft has used existing uninterruptible power supply (UPS) batteries, aggregated through Enel X, to provide fast frequency response in EirGrid's DS3 system services market, with backup functionality fully preserved¹⁷. In Phoenix, Arizona, a trial involving Oracle, Nvidia, Emerald AI, the Salt River Project and the Electric Power Research Institute's DCFlex initiative reduced the power use of an AI computing cluster by 25 per cent for three hours during an evening peak while maintaining compute quality, by reprioritising less time-sensitive workloads¹⁸. These examples demonstrate that measurable reductions in grid demand can be delivered without curtailing critical IT services, provided the rules recognise performance rather than prescribe technology.

3.10 What reporting, assurance and enforcement arrangements are appropriate?

Covered operators should provide an annual statement to the Clean Energy Regulator (CER), consistent with the consultation paper's proposal that it administer the renewable electricity obligation, setting out electricity consumption, contracted additional supply, certificate acquisition and surrender, progress against project milestones, and any use of transitional arrangements. The CER already administers the Renewable Energy Target, the Guarantee of Origin scheme and national greenhouse and energy reporting, making it well placed to act as the single national compliance body and avoid duplicated

¹⁷ Eurelectric, 'Microsoft and EirGrid show how data centre assets can support grid flexibility where market frameworks enable participation, without compromising operational resilience', 3 June 2026: <https://www.eurelectric.org/stories/microsoft-and-eirgrid-show-how-data-centre-assets-can-support-grid-flexibility-where-market-frameworks-enable-participation-without-compromising-operational-resilience/>.

¹⁸ Latitude Media, 'Nvidia and Oracle tapped this startup to flex a Phoenix data center', 1 July 2025: <https://www.latitudemedia.com/news/nvidia-and-oracle-tapped-this-startup-to-flex-a-phoenix-data-center/>.

reporting. Reporting should use common definitions and templates so performance can be compared across jurisdictions and to minimise complexity.

Assurance should be proportionate to facility size and risk. Large operators should obtain independent assurance of key data and claims. The CER should have access to contracts and supporting evidence on a confidential basis, while public reporting should protect commercially sensitive information.

Enforcement should be graduated but credible. It should include rectification plans and make-good requirements, with financial penalties for material or repeated non-compliance. Penalties should not be treated as an alternative means of meeting the substantive obligation.

3.11 How should national standards interact with state and territory requirements?

National consistency is critical in a market where electricity, investment and digital services cross borders. Divergent requirements, particularly different definitions of additionality, eligible certificates, matching periods or project thresholds, would increase compliance costs and create inconsistent investment signals.

The Commonwealth should develop a single national baseline with mutual recognition and clear rules for how equivalent state obligations are credited. The framework should complement state planning and approvals and should align with energy market reforms, including the Electricity Services Entry Mechanism (ESEM). It should avoid double counting, duplicated reporting and conflicting contracting requirements.

3.12 How should electricity purchased from state-owned operators be treated?

State-owned operators should be able to contract to provide power to data centres under equivalent terms and subject to equivalent requirements (e.g. on additionality) to private sector players, to ensure competitive neutrality.

4. Responses to other consultation questions

4.1 How can data centres engage communities and deliver lasting benefits?

The renewable energy industry's experience is that social licence is earned through early, genuine and ongoing engagement, and that community benefits work best when they are designed with host communities rather than for them. The CEC's Best Practice Charter

for Renewable Energy Developments sets out ten commitments that signatories agree to uphold across the life of their projects, and signatories report publicly on their performance against them¹⁹. Best practice for data centres could draw on those commitments, including:

- engaging respectfully with local communities, including Traditional Owners, councils and local businesses, to seek their views before a development application is lodged and the design is finalised;
- providing timely, clear and accessible information on energy and water use, construction impacts, traffic, noise and visual amenity, and consulting on mitigation options;
- being accessible and responsive to community feedback and concerns, including through accessible complaints mechanisms, throughout construction and operation, not only during approvals;
- supporting the local economy through local employment and procurement; and
- offering communities the opportunity to share in the benefits of the project, and consulting them on the options available and the governance arrangements.

Engagement with First Nations communities should go beyond cultural heritage assessment to genuine partnership, consent and economic participation, consistent with the CEC's Leading Practice Principles: First Nations and Renewable Energy Projects, developed with KPMG in partnership with the First Nations Clean Energy Network²⁰.

The renewable energy industry's experience shows what this approach can deliver. Signatories' 2025 reports under the Charter show that many projects began engaging communities up to 24 months before formal approvals, almost all made design changes in response to community feedback, and several sourced 50–70 per cent of their construction workforce and 60–80 per cent of procurement spend from the surrounding region²¹.

The Commonwealth's mandatory requirements should set national baseline expectations for engagement and transparency, including publishing where large data centres are proposed, their expected energy and water demand, and the proponent's engagement and community benefit plans. Delivery should remain with states, territories

¹⁹ Clean Energy Council, *Best Practice Charter for Renewable Energy Developments*: <https://cleanenergycouncil.org.au/advocacy/best-practice-charter>.

²⁰ Clean Energy Council and KPMG, in partnership with the First Nations Clean Energy Network, *Leading Practice Principles: First Nations and Renewable Energy Projects*, February 2024: <https://cleanenergycouncil.org.au/getmedia/70a99026-8b0f-45d0-b987-be4e7f8d2d5f/leading-practice-principles-first-nations-and-renewable-energy-projects.pdf>.

²¹ Clean Energy Council, *Best Practice Charter 2025: A summary of best practice social performance*: https://cleanenergycouncil.org.au/getmedia/38729138-a3dd-4fc2-b761-73c31ab55ba3/best-practice-charter_summary-report_2025.pdf.

and local government through existing planning processes, so that the standards set the outcome without creating a parallel approvals regime. This is consistent with the CEC's submission to the Australian Energy Infrastructure Commissioner's Community Engagement Review, which called for governments to set minimum expectations for engagement and for mechanisms that require industry to meet engagement standards²².

Where data centres underwrite new renewable projects, there is also an opportunity to coordinate benefit-sharing across the energy and digital infrastructure in a region, so that host communities see the combined value of the investment. The CEC would welcome the opportunity to share its experience in community engagement and benefit-sharing with government and the data centre sector, including whether an industry-led charter with public reporting, modelled on the Best Practice Charter, could support social licence for data centre development.

4.2 How can AI and data centre investment build Australian capability?

The contributions that would add most value are those that build enduring Australian capability rather than one-off payments. These include:

- locally based engineering, operations and research staff;
- partnerships with universities, public research organisations and the VET system;
- access to compute capacity for Australian researchers, start-ups and public-interest uses; and
- sourcing Australian solutions and services where competitive.

For the energy system, the most valuable contributions are long-term commitments to Australian renewable generation and storage, investment in grid-supporting flexibility, and collaboration on AI applications that improve how the electricity system is planned and operated, such as forecasting, network planning and asset management.

5. Implementation pathway

The CEC recommends that government proceed in four stages:

1. **Set the national outcome and coverage:** legislate the requirement that covered new data centre demand make a positive contribution to the energy transition by supporting additional firmed renewable supply.

²² Clean Energy Council, 'Submission on community engagement review by Australian Energy Infrastructure Commissioner (AEIC)', 2 October 2023: <https://cleanenergycouncil.org.au/news-resources/submission-on-community-engagement-review-australian-energy-infrastructure-commissioner-aeic>.

2. **Co-design detailed rules:** establish a time-limited working group involving data centre operators, renewable developers, storage providers, financiers, retailers, market bodies, jurisdictions and consumer representatives.
3. **Phase commencement:** introduce long-term contracting and interim certificate requirements first, with clear transitional arrangements.
4. **Review and refine:** review the framework after an initial implementation period (the CEC has proposed 2 years) and at regular intervals, focusing on investment outcomes, consumer impacts, emissions, reliability, compliance costs and consistency across jurisdictions.

Implementation should proceed quickly enough to shape the next wave of investment. At the same time, final rules must allow sufficient lead time for procurement, contracting and financing. Early publication of draft eligibility and transition rules will reduce uncertainty and allow data centre and renewable energy projects to develop in parallel.

Done well, this framework would deliver for consumers, communities, data centres and renewables and success should be tracked in terms of measurable outcomes for the different stakeholder groups. In the case of the data centre and renewable industries, success should be visible in project pipelines, investment commitments and completions.

6. Conclusion

Australia does not need to choose between powering households and businesses and building a competitive digital economy. It can do both by using its natural advantages in wind, sun, land and resources, together with its skilled workforce and strong institutions, to build a more resilient energy and AI economy.

A mandatory, flexible and nationally consistent framework will give communities confidence that data centre growth will not come at their expense. It will also give investors a clear pathway to connect data centre demand with new clean energy supply. Done well, the standards can accelerate both transitions, support greater Australian participation in the ownership and operation of critical assets, strengthen productivity and sovereign capability, and deliver investment, skilled jobs and community benefits across Australia.

The CEC's approach aims to deliver this by striking the balance between:

- preserving flexibility and investability for data centre developers through portfolio-based compliance and realistic glide paths;
- protecting bankability for renewable developers by anchoring additionality to a clear, demonstrable milestone and long-term contracting; and

- ensuring electricity consumers are not negatively affected, by underwriting investment in both renewable and firming capacity to match additional data centre demand.

To conclude, the CEC commends the Office of AI for its engagement on these important matters and welcomes further discussion on any of the matters raised.

Further queries can be directed to Martin Kennedy at the following email address: mkennedy@cleanenergycouncil.org.au.

Kind regards,

Will Churchill

Chief Policy & Impact Officer

Con Hristodoulidis

Executive General Manager – Policy