

## Item 3.2

### Progress Towards the Development of Sustainable Data Centres

File No: S051491

#### Minute by the Lord Mayor

To Council:

Data centres are necessary to store, process, and manage digital information. They are also critical to our financial, professional, education and technology sectors.

By next year, global investment in data centres is expected to reach \$1.5 trillion Australian dollars. Goldman Sachs estimates that over the next 5 years, investment will total \$7.6 trillion US dollars.

All this investment is being used to build between 3,000 and 5,000 times the current amount of computing power globally to meet growing demand.

Right now, there are 16 data centres in our area, and about [60 operating in NSW](#), with another 19 in the pipeline.

However, data centres require a huge amount of electricity and water. The Energy Regulator and Sydney Water project that by 2030, data centres in Sydney will consume 11% of our grid-electricity and 20% of our drinking water.

We can't allow the rapid, uncoordinated growth to continue, without standards, regulations and a planning framework to stop data centres placing increasing strain on our electricity grid, water supply and scarce inner-city land needed for housing and jobs.

I thank Deputy Lord Mayor Councillor Jess Miller for bringing this matter to Council's attention through her [December 2025](#) motion. Since then, I have been advocating on this issue in state, federal and international forums over the past 8 months calling for a nationally consistent approach, a statewide framework and international cooperation.

We must safeguard communities and our environment while we reap the benefits of this booming industry.

#### A nationally consistent approach

In February 2026, I joined other Capital City Lord Mayors in Canberra to push the case for coordinated national planning and enforceable sustainability requirements, ensuring data centre growth in our cities is considered alongside pressure on water security, electricity prices, grid reliability, renewable energy availability, and local amenity.

Just one month later, in March 2026 the Australian Government responded and released its [Expectations of Data Centres and AI Infrastructure Developers](#). Building on these expectations, in July 2026 the Australian Government announced it will introduce a set of [Australian Standards for AI](#). The new mandatory standards will set out clear rules for large data centres - including a legal obligation to underwrite their own new power supply, pay their full share of connection costs so energy bills are not impacted, reduce power when needed to strengthen the grid, and be as water efficient as possible.

The Australian Government will also work with States and Territories to ensure large data centres are built in the most appropriate locations, and with input from local communities, and expect to legislate changes by the end of 2026.

We welcome a nationally coordinated approach, which will hopefully prevent an all-out race-to-the-bottom where other states lower standards to attract investment.

### **A statewide framework**

In March 2026, the City of Sydney's [submission](#) to the NSW Parliamentary inquiry into data centres called on the NSW Government to develop a statewide planning framework to guide data centre development.

The City's submission noted that once functional, data centres employ few, and the streets surrounding them become devoid of activity. It does not make sense to sacrifice scarce inner-city land, better allocated to housing or job-rich businesses whose workers contribute economically and socially, if areas outside the Central Sydney can accommodate these facilities just as effectively.

With data centres expecting to make up almost a fifth of Sydney's energy use by 2050, contributing to e-waste and being highly water-intensive, the submission also called the NSW Government to demand the industry finds ways to be sustainable, ensuring we can hit our net zero targets and so that community resilience and neighbourhood amenity is not compromised.

In August 2026, the NSW Government also acted and introduced the [NSW Data Centre Guidelines](#), which outline a 75-day fast track assessment process for new data centre applications as an incentive for applications that comply with energy and water targets. However, the targets in the guidelines are not mandatory.

This incentive encourages data centre developers to do the right thing while the NSW Government [consults](#) on regulatory changes to make sure that data centres pay for the electricity network upgrades they require, and that the Independent Pricing and Regulatory Tribunal (IPART) conduct a review to consider the full recovery of costs of water provision to data centre customers.

It will be essential that as part of these new regulations and IPART review that the cumulative impacts on the energy network and water supply are considered.

We also need the NSW Government to update the classification of data centres in the standard planning instrument, so they are no longer classified as "light industry" as this automatically allows them in many zones.

### **C40 Global Urban Data Centres Pact**

Cities around the world are concerned about the impacts of data centres. In April 2026, I joined Lord Mayors from around the world to endorse the C40 [Global Urban Data Centre Pact](#).

The pact sets a clear vision and expectations for sustainable urban data centres, grounded in equity and community benefits that meet the local community's needs. When data centres are delivered in ways that meet these principles, development will then not come at the expense of natural resources, energy prices, or climate targets, but instead drive resource efficiency, equitable access to affordable, clean sources of energy, local development, and better city services.

The pact centres on 4 key pillars:

- Strategically Integrated into Cities: Prioritising brownfield regeneration and adaptive reuse, respecting local communities by avoiding displacement, they are sited in collaboration with local governments to minimise public health burdens (air quality, noise, temperature) and they align with city planning and climate targets.
- Sustainable and Resource-Efficient: Meeting energy demand - for both primary and backup power - without building, extending, or reopening decommissioned fossil fuel plants. Committing to not using fossil fuels for on-site power and securing new and additional renewable energy generation and storage to meet, at a minimum, equivalent power demand and consumption. Reducing the environmental impact and reliance on shared resources by achieving best-in-class sustainability standards for emissions and water use (avoiding reliance on non-renewable water resources, including potable water) and actively capturing and using waste heat for community benefits.
- Accountable and Community-Focused: Publishing measurable benchmark data on sustainability and public health metrics, engaging directly with the local community, and delivering tangible local economic benefits by prioritising procurement from local businesses and supporting the creation of good, green jobs through investment in local programmes.
- An Engine for Cost-Security and Shared Prosperity: Ensuring fair cost coverage by directly funding any necessary infrastructure upgrades (energy, water and network), utilising fair share pricing tied to sustainability performance, and actively investing in local communities by directing the surplus revenue generated said pricing into dedicated revolving funds to support local sustainability and social infrastructure.

The Australian Government should apply these principles in their upcoming mandatory standards.

## Recommendation

It is resolved that:

(A) Council note:

- (i) data centres are necessary to store, process, and manage digital information, and are critical to our financial, professional, education and technology sectors
- (ii) Goldman Sachs estimates that over the next 5 years, investment in data centres will total \$7.6 trillion US dollars
- (iii) the City of Sydney's March 2026 [submission](#) to the NSW Parliamentary inquiry into data centres and the C40 [Global Urban Data Centre Pact](#) which was endorsed by the Lord Mayor in April 2026, both argue that we must safeguard communities and our environment while we reap the benefits of this booming industry

(B) the Chief Executive Officer be requested to prepare submissions from the City of Sydney:

- (i) on the proposed reforms to electricity network connection and cost recovery arrangements for data centres in NSW

- (ii) the future Independent Pricing and Regulatory Tribunal (IPART) review that considers the full recovery of costs of water provision to data centre customers in NSW
- (C) the Lord Mayor be requested to write to:
  - (i) the Prime Minister calling for the Australian Government to adopt the principles of the C40 Urban Data Centre Pact into the Australian Government's mandatory standards for AI and data centres
  - (ii) the NSW Premier welcoming recent incentives sustainable energy and water use in new data centres in the short term and calling on the NSW Government to update the classification of data centres in the standard planning instrument so they are no longer classified as "light industry" so they are not automatically allowed in zones that may be inappropriate.

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Lord Mayor of Sydney