50 Camberwell Road Hawthorn East VIC 3123

26 June 2026

Committee Secretary
Senate Standing Committees on Environment and Communications
PO Box 6100
Parliament House
Canberra ACT 2600

Lodged online

Dear Committee Secretary,

Response to the inquiry into Artificial Intelligence and Data Centres

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback on the Senate Environment and Communications References Committee inquiry into Artificial Intelligence and Data Centres which was referred in May 2026.

CEIG represents domestic and global renewable energy developers and investors, with approximately 18GW of renewable energy capacity in the NEM across 139 power stations and a combined portfolio value of more than $41 billion. CEIG members' project pipeline is estimated to be more than 150GW across Australia. CEIG strongly advocates for an efficient transition to a clean energy future on behalf of the investors who will provide the low-cost capital required for this transition.

Key Points

GENERAL COMMENTS

- Data centre growth presents both opportunities and risks for Australia's energy transition. The central policy challenge is not whether Australia should support data centre investment, but how that investment is integrated into the energy system.

Data centres as strategic load

- CEIG supports data centres being treated as strategic load that can unlock renewable investment, deepen power purchase agreement markets and improve the efficiency of the broader energy system.

- The key risk is not load growth itself, but demand growth that outpaces investment in new supply and network capacity, increases reliance on legacy generation and weakens the pace and credibility of the transition.

Additionality, contracting and investment signals

- Large data centres should be encouraged to enter into long-term power purchase agreements and other bankable procurement arrangements that help support new renewable generation, firming and related infrastructure.
- Government should embed additionality as a core principle, so material new data centre demand is matched by new clean energy supply, firming and network capacity.
- Government should urgently define additionality so data centres, renewable developers and financiers have a clear and consistent basis for contracting and investment decisions.
- That definition should clarify whether a data centre's underwriting must enable FID, how this is measured or proven, how multi-buyer PPAs are treated, whether uncontracted output from existing assets qualifies, and how any CEFC, LGC or REGO requirements align.

Cost allocation and investor certainty

- Data centres should fund infrastructure they directly cause or require, but should not be required to underwrite broader shared network augmentations that deliver system-wide benefits.

Location, storage and social licence

- Stronger locational signals are needed to encourage data centres to locate in Renewable Energy Zones, unconstrained network areas, or locations where load can unlock new renewable generation and storage.
- Data centres, particularly in regional areas, must earn community trust by managing water, energy, land-use and local infrastructure impacts responsibly.

Reliable data and planning transparency

- Reliable information on electricity demand, water use, ramp-up profiles, offtake strategy, storage, backup generation and locational rationale is essential for effective infrastructure planning.
- Governments, market bodies, network businesses and utilities need credible information to plan efficiently, avoid stranded assets and ensure energy infrastructure can keep pace with demand.

GENERAL COMMENTS

The growth of artificial intelligence and data centres presents both opportunities and risks for Australia's energy transition. Data centres can support digital industries, attract investment and create wider economic value. However, rapid demand growth also raises important questions for electricity prices, emissions outcomes, infrastructure planning, water use and community impacts.

From a clean energy investor perspective, the core policy challenge is not whether Australia should support data centre investment, but how that investment is integrated into the energy system.

CEIG's view is that data centres should be treated as strategic load. If properly integrated, they can become anchor customers for new renewable generation and firming, deepen long-term contract markets, reduce revenue uncertainty for projects, and help unlock renewable investments that might not otherwise proceed. This can create a positive investment cycle in which stronger demand improves power purchase agreement liquidity, reduces financing risk, lowers the cost of capital and brings more supply to market.

However, these benefits are not automatic. Without coordination, there is a risk that data centres concentrate in already constrained parts of the network, compete with existing loads for limited renewable offtake, increase congestion and curtailment, and drive inefficient network augmentation.

CEIG therefore considers it essential that policy settings ensure data centre demand supports continued investment in renewable generation, firming and related infrastructure. The focus should be on enabling new supply to keep pace with demand growth, including through timely planning approvals, transmission and connection delivery, and efficient contracting pathways.

Additionality, contracting and investment signals

CEIG recommends that governments encourage long-term power purchase agreements and other bankable procurement arrangements that help large data centres support renewable generation, firming and related infrastructure.

Long-term power purchase agreements can help underwrite investment and support renewable and firming projects to reach financial close. This is particularly important where projects are being delayed by revenue uncertainty, grid constraints, connection delays and unclear long-term demand signals.

However, government should urgently define what additionality means in practice. Customers are already approaching renewable developers, but there is insufficient clarity on which projects or products will qualify. This uncertainty risks delaying contracting decisions, weakening investment signals and creating inconsistent expectations across government, financiers and market participants.

A workable definition of additionality should clarify how a data centre's role in enabling FID will be measured and evidenced, who will assess this, and at what point in the development or financing process. It should also address projects with multiple offtakers, where it may be difficult to prove that one data centre customer is the decisive counterparty that tips a project into FID.

The definition should also clarify whether uncontracted output from existing renewable assets, such as later-year output from an operating wind farm, can qualify as additional; whether CEFC financing for data centre-related infrastructure applies the same additionality test; and whether LGCs, REGOs or other green products must also demonstrate additionality. The objective should be to provide a clear, nationally consistent framework that supports genuine new clean energy investment without prescribing a single contracting model.

Furthermore, government should avoid prescribing a single contracting model. Contract structure, tenor and counterparty arrangements should remain flexible and commercially negotiated between data centre operators, renewable energy developers, storage providers, retailers and financiers.

The policy objective should be to ensure large data centre growth is accompanied by strong renewable procurement expectations and timely investment in firming and network capacity. This would reduce the risk of incremental demand being met by prolonged coal-fired generation and strengthen the role of data centres as a demand-side catalyst for the energy transition.

CEIG also emphasises that the most important role for government is to ensure renewable investment can respond to demand growth in a timely way. This includes faster planning and environmental approvals, improved connection processes, accelerated transmission delivery, and reducing other barriers that prevent well-progressed renewable and storage projects from reaching financial close.

Cost allocation and investor certainty

CEIG supports the principle that data centres should fund infrastructure they directly cause or require. This is consistent with cost causation principles and is important to ensure households and businesses are not required to bear costs that are properly attributable to large new loads.

However, governments should avoid requiring data centres to underwrite broader shared network or transmission augmentations that deliver system-wide benefits and would ordinarily be progressed through regulated planning and investment processes.

Clear boundaries are needed between direct connection assets, directly attributable augmentations and shared network investment. Uncertainty in cost allocation is a material investment risk. It can increase the cost of capital, delay project development and reduce Australia's competitiveness for globally mobile capital. It also sets an important precedent for future large industrial loads, including green metals, hydrogen, chemicals and electrified manufacturing.

Cost allocation frameworks should therefore be transparent, prospective and predictable, with early clarity for proponents on likely cost exposure. The same principles should apply

to water infrastructure, where proponents should fund infrastructure directly required for their development while avoiding ad hoc or unclear cost shifting.

Location, storage and social licence

Location is critical to whether data centre growth supports or undermines efficient energy system development.

CEIG recommends stronger locational signals to encourage data centres to locate in Renewable Energy Zones, unconstrained network areas or locations where data centre load can be integrated with new renewable generation and storage. This is particularly relevant for workloads that are less latency-sensitive, such as some AI training and batch processing, which may have greater flexibility to locate near renewable generation and storage than traditional low-latency cloud services.

There is an opportunity for governments to play a stronger coordinating role in co-locating data centres with renewable generation and storage. This could help unlock otherwise stalled projects, reduce pressure on metropolitan infrastructure, reduce congestion and curtailment, and improve overall system efficiency.

CEIG also supports a flexible, performance-based approach to managing system impacts. Data centres should be expected to demonstrate how they will manage impacts on the grid, peak demand, power quality and reliability. Developments that incorporate or are co-located with battery energy storage systems should be prioritised where they can smooth demand, reduce peak load and support system reliability.

Policy should also support a transition away from emissions-intensive backup generation and toward cleaner alternatives, while preserving reliability and system security for critical services.

Social licence should also be a core consideration. Data centres locating in regional areas need to earn the trust of communities, particularly where they place additional pressure on water, land, local infrastructure or energy supply. Poorly designed projects that are seen to buy out scarce water resources or impose local costs could damage community confidence not only in data centres, but also in the broader clean energy transition. Policy settings should require transparent engagement, responsible water and infrastructure management, and clear local benefits.

Reliable data and planning transparency

Reliable information on electricity demand, water use, ramp-up profiles and system impacts is essential for effective infrastructure planning.

CEIG supports earlier provision of planning-relevant data by data centre proponents, provided appropriate confidentiality protections are in place for commercially sensitive information. This should include expected load profile, ramp-up assumptions, offtake

strategy, storage and demand management measures, water use, backup generation arrangements and locational rationale.

Governments, market bodies, network businesses and utilities need credible information to plan efficiently, avoid stranded assets and ensure energy infrastructure can keep pace with demand.

CEIG supports a policy framework that enables Australia to capture the economic benefits of AI and data centre investment while protecting households, communities and the broader energy system.

CEIG's central message is that data centres should be integrated as strategic load that helps bring forward new renewable generation, storage and related infrastructure. To do that, governments should embed additionality into the framework, encourage bankable long-term contracting, provide clear and predictable cost allocation, strengthen locational signals, and maintain a flexible but accountable planning approach.

Done well, data centre demand can become a catalyst for clean energy investment and more efficient system development. Done poorly, it risks adding pressure to already constrained parts of the grid, increasing costs, worsening emissions outcomes and undermining the credibility of the energy transition.

CEIG thanks the NSW Government for the opportunity to provide feedback on its NSW Data Centre Consultation Paper and looks forward to continued engagement on those issues. Our Chief Executive Officer, Richie Merzian, can be contacted at richie.merzian@ceig.org.au if you would like to further discuss any elements of this submission.

Yours sincerely,

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