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AI Infrastructure Consultation
Office of Artificial Intelligence
Department of the Prime Minister & Cabinet
Lodged online at: Submission portal

To the Office of Artificial Intelligence,

Response to Commonwealth Government's consultation paper *Getting it right: Building AI infrastructure that works for Australia*

The Clean Energy Investor Group (CEIG) welcomes the opportunity to provide feedback on the Commonwealth Government's consultation paper on AI infrastructure standards published in September 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

- The on-going energy procurement arrangements for data centres should be entering into contracts with new, additional renewable generation capacity, verified by a REGO. We prefer this to a REGO-only mechanism that is intended to provide both verification and the investment signal. In our view, requiring data centres to procure clean energy via contracting will provide a more bankable framework compared to a less predictable REGO market.

- New generation must be clean. The Australian people have enough concerns about artificial intelligence. We suggest that driving climate change should be taken off that list of concerns.

- For the purpose of contracting with new generation, we submit that any renewable energy project that has not reached financial close, or in the case of balance sheet funded projects notice to proceed, should count as "new".

- We submit that the bridging requirement for data centres to cover the period from their own commencement of operations to the moment when their main contracted supply commences generation, is limited to three- to five-years, and energy use is matched by REGOs or LGCs from existing renewable energy projects.

- CEIG welcomes further consultation on the details of the compliance mechanisms for data centre energy requirements, to ensure they don't adversely affect renewable energy investment.

- Given the importance of ensuring that this framework operates effectively and successfully, we recommend a review of any legislation within 2 years.

PART A: Questions from the consultation paper

Supporting investment in renewable energy

1. *How could obligations be phased in to account for the time needed to build data centres and new renewable projects?*

Data centres should be incentivised to be powered from new, additional renewable energy as early as possible. However, noting that the build time for a data centre is typically shorter than the build time for a wind farm, yet is similar to the build time for utility solar or BESS, it may not be possible for new, additional renewable energy projects to be powering data centres from day one. However, the objectives must be to:

1. Maximise the share of renewables in the electricity consumed by data centres (ideally 100% renewables), for two key reasons. Firstly, renewables are consistently identified by the GenCost report to be the lowest cost new electricity supply, thus keeping costs lowest for data centres and minimising any flow-on cost effect on other consumers. Secondly, the growth in data centres should not be allowed to compound climate challenges by relying on new or existing thermal generation.
2. Minimise the window of time between the commencement of operations of a data centre and the commencement of operations of the renewable energy it has contracted. The longer a large new load is operating before new generation capacity has connected to the grid, the greater the effect on power prices, caused by a tightening supply/demand balance. The December 2025 CEFC and Baringa report *Getting the balance right* (source) found that a lack of generation and firming added to match the new demand from data centres potentially increases wholesale electricity prices by 26% in NSW and 23% in Victoria by 2035.
3. Design a bridging mechanism that minimises price impacts to other consumers and supports the broader investment environment around the renewable energy that is needed for longer-term powering of data centres.

While the development pipeline for renewable energy projects (wind in particular) can be significantly longer than the development timeline for a data centre, there is a significant capacity of renewable energy projects that have development approval, and most elements required for a project to reach final investment decision, except for a bankable revenue stream – often in the form of a power purchase agreement (PPA). These advanced but not yet committed projects mean that data centres do not have to wait for the 5+ years of front-end renewable energy project development to occur, there is already ample capacity that has already gone through that process.

Technology	Capacity of projects in NEM states, with development approval
Onshore wind	24,719 MW
Solar PV	29,456 MW
BESS	51,412 MW | 164,193 MWh
Pumped Hydro	300 MW | 3,600 MWh
Data centres	2,340 MW

**Data taken from RenewMap on 2/10/2026. While only 2.3 GW of data centres have development approval, there is a much larger pipeline of projects in development. This is also the case for renewable energy projects.*

Data from the Clean Energy Council (source) shows that average times for wind, solar and BESS projects to go from financial close to commissioning are 30, 21 and 23 months respectively. If the data centre and renewable energy project reach financial close in quick succession, and if the average build time for a data centre is around 12 months, this potentially reduces the time-gap between commencement down to 18 months for wind projects and just 9 months for solar farms. These averages are since 2017 and may not accurately reflect construction times for new projects, however these still suggest that a maximum period of 5 years should be more than sufficient.

For the bridging mechanism itself, CEIG supports a model requiring data centres to surrender/retire LGCs or REGOs that have been acquired from an existing renewable energy project (excluding below-baseline REGO generators), to fill the time gap until their contracted new, additional generation has been connected. This has the advantage of providing existing assets with a boost, which can help investors recycle capital into new generation projects.

This should be limited to a three- to five-year window, after which data centre demand must be met by long-term contracting from new, additional generation as described in Question 2.

To ensure that data centres comply with the government's proposed position of bringing forward 'new renewable generation to fully offset their energy demand', there should be a compliance mechanism that will sufficiently incentivise data centres to be supplied by new renewable generation and firming within the specified timeframe, rather than continuing with bridging arrangements in perpetuity. This mechanism should be carefully designed with additional consultation from renewable energy companies to avoid unworkable delay penalties being passed-on and creating risky contracts.

2. *How should 'new' renewable capacity be defined in relation to data centre investments?*

New (and importantly, additional) renewable capacity, in reference to renewable capacity powering data centres, should be as any project that not yet reached financial close (FC) or in the case of balance sheet funded projects, notice to proceed (NTP) and allocated across buyers.

In other words, 'new' should include any project that has not reached, or would not at that time have reached, financial close or notice to proceed *but for* the data centre offtake agreement. As noted in above in Q1, there is a large pipeline of projects holding development approvals that have been stalled for want of a bankable PPA that meets revenue requirements. These projects should be considered as new if they would not be progressing without the offtake with a data centre. Any contract with a project that has already reached FC/NTP should not be considered as new and additional.

The effectiveness of a REGO-only mechanism relies on REGO prices getting high enough to create a strong enough investment signal for new projects to reach FID. This aligns the model with that of the Renewable Energy Target (RET), which successfully used certificates alone to create enough of a demand pull to incentivise new renewable energy generation.

However, CEIG's current position is that new renewable generation projects will be more likely to reach FC/NTP by requiring data centres to engage in contracts, with REGOs chiefly providing the verification step rather than the financial incentive itself. At this stage, there is less longer-term confidence that REGO prices can sustainably set a predictable, bankable investment signal, therefore contracts are CEIG's preferred mechanism.

CEIG has recommends the federal standards require data centres to prove some form of contracting with new renewable generation and firming, beyond just an obligation to surrender REGOs. This contracting requirement should remain flexible to allow for data centres to have direct investment, power purchase agreements (PPAs), retailing or any other contracts with their new generation and firming that will supply their data centres.

The flexibility of the enforcement of a contracting requirement is important, to remove friction from the contracting process, and to avoid these requirements resulting in PPAs that push too much risk onto renewable developers.

An important consideration is where renewable energy projects reach FC or NTP without contracting all its output to a single data centre. Multi-buyer PPAs are a common contracting arrangement for new renewable projects, with either one PPA being contracted by an intermediary or retailer, who in turn contracts this power to multiple buyers; or when multiple distinct PPAs are signed between a generator and multiple offtakers. This gives generators a more diverse customer base. Large customers will also often sign contracts with a portfolio of generators, to diversify their supply. This should be considered in the design of the compliance mechanism for data centres to have contracted supply.

CEIG recommends that when the data centres should be required to contract from a renewable energy project should be open, noting that the three- to five-year bridging period limit should incentivise projects to be contracted soon rather than later, while still allowing for flexibility in contracting practices between organisations.

In the instances where states or territories have imposed equivalent or higher requirements for renewable energy contracting on data centres, the state-based requirement should take precedent, but duplicative contracting arrangements should be avoided. These should not be stackable, nor increase the burden for compliance on data centres.

In the instance that the federal government proceeds with a REGO-only compliance mechanism with no contracting requirements, CEIG recommends that eligible renewables projects are limited to those that reached FC or NTP at or before the point of commissioning the data centre that is retiring their REGOs.

3. *At what capacity threshold should an obligation to retire or surrender renewable energy certificates apply?*

The proposed thresholds of 30 MW for baseline requirements to retire or surrender energy certificates is suitable, as well as the higher-level requirements for either 100 MW for single data centres or 150 MW for a cumulative portfolio.

According to RenewMap data taken on 1/10/2026, there are only 9 data centre projects in development under 30 MW, 16 between 30 MW and 100 MW, and 50 projects 100 MW or bigger. Of the 16 data centres in the 30-100 MW range, most are being developed by companies with a portfolio that is or will be over the 150 MW threshold. While this is only a moment in time snapshot, it is important that the majority of data centre capacity is covered by these requirements.

The AEMC's process to change the threshold for large inverter-based loads from 15 MW to 30 MW also indicates that this threshold is suitable as a baseline for the surrender of REGOs to match their energy use.

Data centres that are larger than 100 MW, or part of a portfolio of above 150 MW, should be required to sign contracts with new, additional renewable energy projects and then retire the associated REGOs to match their energy use, rather than just purchase REGOs in the market. This should take effect after the short-term bridging mechanism outlined above.

The expansion of data centres should be taken into consideration in the definition of this threshold to avoid a single project being split up in stages as a way to avoid requirements.

Similarly, the portfolio trigger of 150 MW should include a defined aggregation rule to ensure there are no loopholes to avoid the additional requirements incurred at the 150 MW mark – this could be related to the ultimate controlling entity, a related parties test, and aggregation by connection point for co-located facilities under different corporate names.

4. *Should the information on REGO certificates be used to time-match electricity use in certain periods? If so, what should these periods be?*

While detailed time-matching of generation and data centre consumption may be a valuable outcome, doing so at a scale of minutes or hours (such as the model proposed for Spain) will create far more cost and complexity disproportionate to the system benefit and is not recommended as a starting position.

However, not having any time-matching requirements for data centres and their REGOs raises the potential that lower-cost and faster solar will be disproportionately built, which risks creating an energy mix that has less overall benefit to the electricity system.

A more reasonable consideration for time matching is to split the timing into peak, off-peak and shoulder timeframes, as was suggested in the AEMC's recommendations to the ECMC in July 2026. Either this, or another model of two or three time periods is likely to create demand for a broader suite of renewable energy generation and firming assets. The upside of this model would be to provide greater overall benefit to the electricity system than a simple matching of annual GWh with certificates.

One issue this may create is multiple markets, where there are wider spreads, more volatile prices and worse hedging. For investors, merchant certificate revenue becomes two or three separate prices instead of one.

Another point for consideration is seasonal time-matching. The electricity system's ebb and flow throughout the year, and increasing risk of minimum or maximum system load events during certain seasons prices a premium on certain periods. One option for consideration is to require quarterly certificate surrender from data centres to the energy regulator responsible for compliance (either AER or CER). A more regular timeframe exposure will create a more difficult operational environment for energy providers, increasing the risk and cost of renewables.

The concept of time-matching and the design of the compliance mechanism chosen requires further consultation with renewable energy investors and developers to ensure it is design in a way that leads to a successful outcome for all parties involved.

5. *Are there any complexities in how data centres could acquire certificates to meet a renewable electricity obligation?*

Where an intermediary retailer or trader is used by a data centre to meet their energy requirements, the obligations need to pass through, with the intermediary demonstrating backing contracts attributable to that load. In retail co-location, lease terms of 3-5 years don't support 10+ year contracts, so unless the obligation attaches to the data centre operator, the contracting requirement cannot be met in that segment.

6. *What incentives or obligations would encourage data centres to invest in on-site generation batteries or other flexible demand measures, to minimise energy usage during peak pricing?*

Where a facility installs storage behind the meter, it should count toward the firming obligation to the extent it is grid-connected and genuinely available to dispatch during called periods, not while reserved for outage cover.

Back-up generation should be regulated separately. Combustion back-up should be confined to commissioning, mandated testing and genuine supply interruptions under an annual runtime cap, with hours beyond the cap counted as unmatched consumption under the renewable electricity obligation, and its use for commercial arbitrage or peak charge avoidance expressly prohibited. New data centre developments should be required to provide a defined initial duration of non-combustion back-up, which drives storage investment directly and will help reduce the data centre's contribution to peak demand.

7. *Where electricity is being purchased from a state-owned operator, what should the AER consider when assessing whether to modify a data centre's renewable electricity obligation?*

CEIG holds the position that data centre renewable electricity obligations should remain the same, regardless of the ownership structure of the electricity supplier or the provider of firming/shaping services.

8. *What unintended consequences or implementation challenges should the government consider in designing a renewable electricity framework for data centres?*

- An additionality definition built for single-buyer agreements risks failing for the multi-buyer structures that finance many large projects, and pushing buyers toward smaller, less efficient projects.
- Threshold structuring: facilities designed to sit just below thirty megawatts, or portfolios split across entities to avoid the cumulative trigger.
- A behind-the-meter loophole. Because the threshold is expressed as network connection capacity, a substantially self-supplied facility may fall outside the standards entirely. That may be a defensible outcome, but it should be a deliberate one with its own conditions.

How data centres can impose no net costs on consumers and communities:

1. *What gaps (if any) exist in electricity and water infrastructure charging and cost allocation arrangements that could result in consumers bearing costs associated with data centre-driven network or infrastructure augmentation?*

No comment.

2. *What are the barriers to data centres investing in sufficient new renewable energy and storage capacity to mitigate impacts to wholesale electricity costs?*

If any eligible certificate is accepted as compliance with a renewable energy matching, it opens the scheme to below-baseline REGOs and a flooded certificate market. Compliance will be cheap but it will do little to incentivise new investment in the new generation needed to meet new demand. This would drive wholesale power prices up, due to an increased demand that hasn't been matched by an increased supply.

3. *What requirements should be placed on data centres to operate flexibly to support the operation of the electricity grid and improve system efficiency while protecting consumers from increased energy costs? This could include restrictions on the use of non-renewable back-up generation, and scenarios under which flexibility should be required, for example during specified system stress events and scarcity events?*

As per our response to a previous question:

Combustion back-up should be confined to commissioning, mandated testing and genuine supply interruptions under an annual runtime cap, with hours beyond the cap counted as unmatched consumption under the renewable electricity obligation, and its use for commercial arbitrage or peak charge avoidance expressly prohibited. New data centre developments should be required to provide a defined initial duration of non-combustion back-up, which drives storage investment directly and will help reduce the data centre's contribution to peak demand.

PART B: Additional points not covered by the questions in the consultation:

1. Location and grid

Jurisdictional sourcing of power

Generation and firming should be contracted in the same jurisdiction as the data centre. This same-jurisdiction matching keeps the investment signal where the load is. It also avoids a facility being matched against generation that cannot physically serve it or relieve the price region it affects due to interconnector constraints.

REZs, colocation and curtailment absorption

CEIG recommends stronger locational signals to encourage data centres to be in unconstrained network areas or locations where data centre load can be integrated with new renewable generation and storage. This should not just be limited to Renewable Energy Zones or Hubs (REZs), but any areas where renewable generation and storage is or will be located. This will allow more data centres to be hosted in the network without hitting transmission limits, which may be the case if urban or outer-urban data centres are the dominant approach.

If data centres become located within REZs the access arrangement could provide a gap in costs. Situations where data centres that would be competing with renewable projects for the same transmission capacity that generators have paid to access, should be taken into consideration.

2. Enforcement and legislation

Enforcement and application

CEIG supports a national baseline approach, with jurisdictions able to set further requirements.

The federal standards should be implemented with back-dating to include any data centres that have been financially committed to since 23 March 2026, when the Government released its *Expectations of data centres in AI infrastructure developers*.

No moratorium on data centre development is warranted on energy grounds. If these mechanisms are set correctly, data centre growth can support rather than impede the energy transition.

The CEIG recommends that the design of the energy mechanism should involve further consultation with renewable energy investors and developers beyond this submission period. We welcome the upcoming roundtable with the Australian Data Centre Energy Taskforce as the start of this process.

This legislation should include the reviewed within 2 years to allow for corrections where the intended outcomes are not being met.

Interaction with other reform processes

The standards should be made with consideration of the various parallel processes in-train that will overlap. These include AEMC's rule changes on connection and cost recovery and its advice to the Energy and Climate Change Ministerial Council (ECMC), the NEM Review including the Electricity Services Entry Mechanism (ESEM), and the end of the Renewable Energy Target (RET) in 2030.

Where the same subject is dealt within two processes, such as cost allocation, flexibility, connection standards, these standards should defer to the energy market process rather than create a second, differently worded obligation.

CEIG thanks the Commonwealth Government for the opportunity to provide feedback on AI infrastructure standards and looks forward to continued engagement on these issues. Our Director of Policy & Advocacy can be contacted at Nicholas.Aberle@ceig.org.au if you would like to further discuss any elements of this submission.

Yours sincerely,

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