

Artificial intelligence and data centres | Consultation

Australian Energy Producers | 1 September 2026

Australian Energy Producers welcomes the opportunity to provide input into the Senate Standing Environment and Communications References Committee Inquiry into artificial intelligence and data centres.

“Data centres are a genuinely enormous opportunity for Australia”: Assistant Minister for Science, Technology and the Digital Economy Dr Andrew Charlton.¹ Global investment in AI and data centres is growing rapidly. Developing data centres in Australia presents an opportunity to attract investment and create jobs, while realising the productivity and broader economic benefits enabled by AI and digital infrastructure.

Data centre development must deliver for Australian communities and the economy. The Australian Government has recognised that *“Global investment in data centres is accelerating – and Australia is well-placed to lead – but this must happen on terms that benefit the community and deliver for the national interest.”*² Consistent with this objective, the Government has outlined five expectations for data centre development:

1. Prioritise Australia’s national interest
2. Support Australia’s energy transition
3. Use water sustainably and responsibly
4. Invest in Australian skills and jobs
5. Strengthen research, innovation and local capability

Investment in new energy supply and infrastructure to meet rapidly growing data centre demand can support a stronger Australian electricity system. The Australian Energy Market Operator (AEMO) identifies data centres as one of the most significant sources of forecast electricity demand growth, with their electricity consumption expected to triple by 2029–30 and increase nearly seven-fold by 2035–36.³ Meeting this demand will require a range of investments, including in additional gas-powered generation, renewable energy and new network infrastructure. A well-designed, holistic energy policy can enable this investment and ensure developers deliver energy solutions that support reliability, affordability and emissions reduction without shifting costs to households or other businesses.

Australia’s AI and data centre policy must prioritise outcomes, rather than prescribe technologies or development approaches. Policy should allow developers flexibility to meet these expectations in the most efficient and cost-effective way. Prescribing how outcomes must be achieved, such as through renewable energy mandates, unnecessarily constrains development options and risks increasing costs, deterring investment and ultimately delivering poorer outcomes for Australian communities and the economy.

¹ Assistant Minister for Science, Technology and the Digital Economy Dr Andrew Charlton, [Speech to AFR AI Summit](#), 2 June 2026

² Minister for Industry and Innovation and Minister for Science Tim Ayres and Minister for Climate Change and Energy Chris Bowen, [An Australian approach to AI: Expectations for data centres that deliver for Australians](#), 23 March 2026

³ Australian Energy Market Operator, [2026 Electricity Statement of Opportunities for the National Electricity Market](#), August 2026

Australia's world-class natural gas resources and global leadership in carbon capture, utilisation and storage (CCUS) can play a critical role in supporting data centre development.

Natural gas power generation is being used globally to provide the reliable power needed to support data centres and reduce reliance on diesel generators for backup power. Google is supporting the development of natural gas power generation with CCUS to provide reliable, low-emissions power for its data centres in the United States.⁴ Australia's natural gas resources, CO₂ storage potential and CCUS expertise provide similar opportunities to support data centre development in Australia.

Recommendations:

- **Focus AI and data centre policy on outcomes for Australian communities and the national interest, not technology-specific requirements.** Policy should maximise the benefits of data centre investment, including productivity, jobs, energy costs and reliability and community benefits. Prescribing particular technologies, such as through renewable energy mandates, risks increasing development costs, deterring investment and reducing the benefits for Australian communities and the economy. It also excludes innovative energy solutions that could deliver better outcomes.
- **Recognise local and state-specific circumstances in data centre policy.** AI and data centre policy should reflect differences in energy availability, infrastructure, reliability, costs and emissions across jurisdictions, rather than imposing a one-size-fits-all approach. A nationally consistent framework should preserve state flexibility and allow developers to adopt solutions that add the necessary system capability in ways that reflect local conditions. Such an approach can also support effective coexistence between data centres and existing resource and energy developments, including by avoiding unnecessary resource sterilisation and appropriately managing local operational, engineering and safety interactions.
- **Ensure natural gas can be used by data centre developers to provide reliable, lower-emissions energy.** Gas-powered generation can provide the flexible, dispatchable electricity needed by data centre developers, while CCUS can further reduce associated emissions. Excluding natural gas from AI and data centre policy risks increasing costs, constraining investment and limiting the range of reliable, lower-emissions energy solutions available to data centre developers.

Australian Energy Producers welcomes the opportunity to provide further input to the inquiry.

⁴ Google, [Our first carbon capture and storage project](#), 23 October 2025