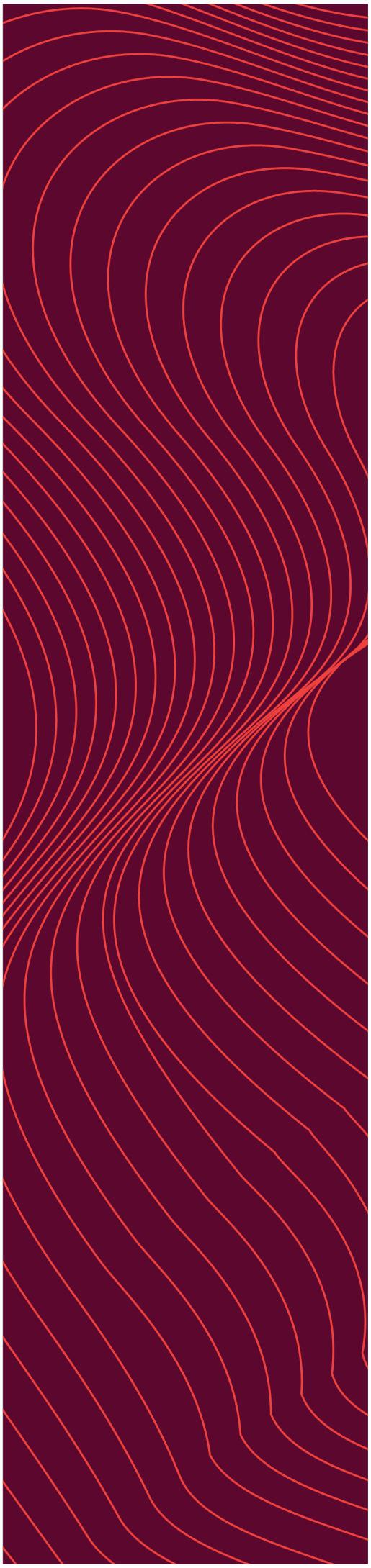
LATROBE CITY COUNCIL

Latrobe City Council's Submission to:

Parliament of Australia Inquiry into Artificial Intelligence and Data Centres

October 2026



Introduction

Latrobe City Council (Council) welcomes the opportunity to make a submission to the Senate Environment and Communications References Committee's Inquiry into Artificial Intelligence (AI) and Data Centres.

Council supports investment in future industries that can enable the growth and diversification of our region, create new economic opportunities and new jobs for the future. This is critical for Latrobe City that is experiencing a significant economic transformation due to the closure of coal fired power stations. Data Centre and AI business investment in Latrobe City can both support our City's industry diversification needs and Australia's sovereign AI infrastructure ambitions.

Large data centres however can also place significant demands on electricity, water and infrastructure often competing with existing households, businesses and industries for finite capacity and resources. It is therefore necessary to consider the required planning controls to address known amenity impacts, that communities are appropriately engaged to gain social license and a there is a National policy to ensure that the communities hosting data centres receive a direct and lasting benefit.

Latrobe City is well placed to provide a regional perspective on these issues. The municipality has approximately 80,000 residents, supports around 38,950 jobs and generates more than $8 billion in Gross Regional Product each year. At the same time, Latrobe City is undergoing major economic change, with all of Victoria's coal-fired power stations and their associated mines located within the municipality scheduled to close or have closed. Council's analysis indicates more than 5,000 direct, indirect and supply-chain jobs will be lost by the closure of the coal-fired power stations and mines. Attracting new industries and creating replacement employment is therefore one of Council's highest priorities. In Council's view, data centres can form an important part of this economic diversification.

Additionally, Latrobe City has many characteristics that make it a suitable location for data centre infrastructure development including power connectivity, water resources, strong digital connectivity, appropriately zoned and investment ready land, a cool climate and a specialised workforce with transferrable skills.

In January 2026, a proposed $10 billion Keppel data centre development in Morwell was announced. The proposed 123-hectare site near the former Hazelwood Power Station has access to appropriately zoned industrial land, the electricity grid and an existing non-potable water source. Latrobe City also has access to major transmission infrastructure and dark fibre connectivity to Melbourne. Council is aware of several other potential projects within the municipality.

The significant interest in Latrobe City demonstrates both the opportunity presented by data centres and the importance of having clear national rules governing their development and operation as well as the necessary planning controls to deal with amenity impacts.

Council's recommendations

Council recommends that the Australian Government:

1. **Establish national standards for large data centres**, covering energy, water, local amenity and whole-of-life environmental performance, community benefit and minimum expectations for engagement with host communities.

2. **Require major data-centre proponents to prepare and implement a Community Engagement Plan**, ensuring early, ongoing and meaningful engagement with host communities throughout project planning, development and operation.
3. **Require data centre proponents to manage their energy and grid impacts**, including meeting their share connection costs rather than transferring these costs to other consumers.
4. **Require data-centre proponents to responsibly manage water use**, including transparent water planning, prioritising non-potable or recycled water where available, and meeting infrastructure costs created by their development.
5. **Require an independent rating and public reporting system** for the ongoing energy, water performance and environmental impacts of large data centres.
6. **Require a Community Benefit Agreement or equivalent scheme for large data centres**, with benefits directed to the communities that host the infrastructure.
7. **Develop a long-term National Energy Strategy** that accounts for the cumulative electricity demand arising from artificial intelligence, data centres, electrification, population growth and industrial transformation and evaluates all viable energy generation technologies on a consistent whole-of-life environmental, economic and reliability basis.
8. **Use major data centres investment to support regional industry clusters**, through place-based investment incentives, local procurement and employment requirements, Australian supply-chain development, streamlined approvals and coordinated Commonwealth and state policies that encourage associated businesses to establish in the communities hosting large-scale data-centre infrastructure.

Recommendation 1: Establish national standards for large data centres

Council supports nationally consistent rules rather than different requirements applying depending on where a data centre is built.

The Australian Government has already established national Data Centre Expectations covering energy, water, employment, local capability and engagement with host communities. The Government has also announced its intention to establish Australian Standards for AI, including requirements relating to new power supply, grid connection costs, water efficiency and community input.

Council supports this direction but considers the key requirements should be measurable for large new and expanded data centres, rather than relying only on voluntary commitments.

The same requirements should apply where the Commonwealth enters agreements with, provides support to, or facilitates investment by global AI and technology companies. Government support should not allow projects to avoid obligations that would otherwise apply to Australian developments.

A consistent national framework would also provide greater certainty for investors and create a more level playing field between states. Without consistent national requirements, different state energy policies could influence where data centres choose to invest. For example, Queensland's current energy policy allows its state-owned coal-fired power stations to operate for as long as they are needed and economically viable, while other jurisdictions are progressing towards earlier coal closures. National standards would help ensure investment decisions are not driven by different regulatory or energy requirements between states, and that all jurisdictions compete on consistent terms.

National standards should also require proponents to identify and manage local amenity and environmental impacts, including noise, waste heat and impacts on neighbouring land uses. These requirements should consider the full lifecycle of a data centre, including construction, operation, decommissioning and opportunities to reuse, repurpose or recycle infrastructure and equipment at the end of its useful life.

Recommendation 2: Require major data-centre proponents to prepare and implement a Community Engagement Plan

Council recommends that major data-centre proponents be required to prepare and implement a Community Engagement Plan for the communities in which they propose to operate.

Engagement should commence as early as practicable, before key site, planning and infrastructure decisions are finalised, and continue throughout planning, construction and operation. The plan should require proponents to:

- provide regular and accessible updates on the project and key milestones;
- explain expected impacts, including energy and water use, amenity, infrastructure, employment and community benefits;
- provide clear opportunities for community feedback while decisions can still be influenced;
- demonstrate how community feedback has been considered in project planning; and
- for major projects, provide a dedicated local contact, liaison officer or community information point.

The Commonwealth should establish minimum requirements for these plans and work with states and territories to incorporate them into relevant approval processes.

Recommendation 3: Require data centre proponents to manage their energy and grid impacts

Large data centres should not increase electricity costs for households or existing businesses.

Council supports requirements for proponents to:

- comply with national standards and requirements;
- pay their share of connection infrastructure;
- participate in demand-management arrangements where practical; and
- publicly report annual electricity consumption and peak demand.

These principles are consistent with the Commonwealth's current Data Centre Expectations, which state that new data centres should not place upward pressure on energy prices and should secure additional clean energy and meet their share of network infrastructure costs.

This is particularly important in regions such as Latrobe City, where existing electricity infrastructure can make locations attractive to data-centre investors. Existing infrastructure should be used to support new investment, but the cost of upgrades required by an individual development should not be transferred to the surrounding community.

Recommendation 4: Require data-centre proponents to responsibly manage water use

Water requirements must be considered at the beginning of the approval process.

Large data-centre proposals should be required to provide a clear water plan identifying expected annual demand, how the type of water that will be required to operate and opportunities to use recycled or other lower-quality water.

Where suitable alternatives exist, data centres should prioritise non-potable or recycled water rather than drinking water.

The proposed Morwell development demonstrates how appropriate site selection can assist. The site was identified partly because it has access to an existing non-drinkable water source as well as major electricity infrastructure.

Proponents should also meet the cost of water infrastructure required specifically for their development and publicly report their ongoing water consumption.

Recommendation 5: Require an independent rating and public reporting system

Council supports an appropriate national rating and reporting system for large data centres that provides transparency on their energy and water performance and environmental impacts.

NABERS already provides a one-to-six-star Energy rating for data centres based on their actual operating performance and Power Usage Effectiveness.

Council recommends that a NABERS Energy rating, or an equivalent nationally recognised standard, be mandatory for large data centres, supported by consistent national reporting requirements for water use and other environmental impacts. This should be supplemented by reporting of:

- total annual electricity consumption;
- peak electricity demand;
- renewable and other electricity sources;
- total annual water consumption;
- potable and non-potable water use; and
- progress against energy and water efficiency commitments made during project approval;
- relevant environmental impacts, including waste generation, waste heat, noise and measures taken to avoid or mitigate these impacts.

Reporting total consumption and environmental impacts is important. An efficient data centre can still consume very large amounts of electricity and water because of its overall size and can create impacts for surrounding areas. Communities and decision-makers therefore need to understand both efficiency and total resource use, and relevant environmental impacts.

Recommendation 6: Require a Community Benefit Agreement or equivalent scheme for large data centres

Council recommends that large data centres be required to establish a Community Benefit Agreement or equivalent scheme with their host community.

A framework should be established nationally so that community benefit is a normal cost of developing major resources intensive industries including data-centre infrastructure rather than negotiated inconsistently from project to project.

Contributions could support measures such as:

- local workforce training and apprenticeships;
- transition pathways for workers moving from closing industries;
- local infrastructure directly affected by the development;
- community facilities and social or well-being services;
- digital skills and inclusion programs; and
- initiatives that strengthen local businesses and supply chains.

The level of contribution should reflect the scale of the development and its use of local infrastructure and resources. Importantly, these benefits should flow to the community that hosts the data centre and experiences its impacts. They should not be diluted across a much broader region where the demand on land, water, energy and infrastructure is concentrated within one municipality.

Latrobe City Council is also considering a pooled community benefit model, where contributions from major projects are invested on behalf of the community rather than distributed through one-off grants. This could include establishing a Latrobe City community trust or fund, drawing on models such as the Gippsland Emergency Relief Fund or Bass Coast Community Fund, to provide an enduring source of funding for community priorities and ensure benefits from major infrastructure investment continue well beyond individual project construction periods.

This is particularly relevant to Latrobe City. Our community has hosted nationally and state-significant energy infrastructure for generations and will continue living with the economic, environmental and physical legacy of that infrastructure for decades. New nationally significant infrastructure should leave a lasting benefit for the communities that accommodate it.

Recommendation 7: Develop a National Energy Strategy

While this inquiry focuses on artificial intelligence and data centres, Council considers that the issue extends beyond these industries alone. The rapid growth in electricity demand associated with AI and data-centre infrastructure highlights a broader national challenge regarding Australia's future energy requirements.

Energy demand is expected to increase significantly over coming decades as a result of growing digital infrastructure requirements, increasing electrification of homes and businesses, the transition of transport and industry away from fossil fuels, population growth and the emergence of new energy-intensive industries. Collectively, these changes will place increasing demands on Australia's electricity system at the same time as major changes occur within the nation's existing generation fleet.

Council considers that the Australian Government should undertake realistic long-term energy planning that accurately assesses future electricity demand and identifies the generation, storage and network infrastructure required to maintain reliable, affordable and sustainable energy supply.

In undertaking this work, policy settings should remain technology-neutral and informed by evidence-based assessment of all viable energy generation options. While renewable energy will play a critical role in Australia's future energy mix, it is important that governments continue to assess all technologies capable of contributing to long-term energy security, reliability, affordability and emissions reduction objectives.

Such assessments should consider whole-of-life environmental impacts rather than focusing solely on operational emissions. This includes consideration of resource extraction, manufacturing requirements, land use, transmission infrastructure, asset replacement cycles, waste management and end-of-life disposal, alongside broader economic and reliability considerations.

As Australia seeks to attract investment in emerging industries such as AI and advanced digital infrastructure, an energy policy framework that is realistic, technology-neutral and focused on long-term system outcomes will be essential to ensuring future demand can be met without adversely impacting households, businesses or regional communities.

Recommendation 8: Use data centres to build regional industry clusters

Large-scale data centres should be treated as an opportunity to attract broader investment into the regions that host them, rather than as isolated developments.

Where significant data-centre investment occurs, governments should deliberately create the conditions for associated businesses, suppliers and industries to locate nearby. This would increase the number and diversity of local jobs created from the initial investment and strengthen regional supply chains.

Council recommends that the Australian Government work with state and local governments to develop place-based investment settings around major data-centre precincts. Measures could include:

- Commonwealth investment and tax incentives for eligible businesses locating or expanding within designated data-centre and digital industry precincts;
- minimum local procurement and local employment requirements for government-supported projects, including measures that maximise the use of Australian-manufactured equipment, components and materials where technically and commercially feasible;
- requirements for data-centre operators and associated businesses to use local suppliers and establish permanent operations within host regions; and
- faster and more coordinated regulatory and approval processes for strategically important regional investment such as investment needed to support areas most impacted by Australia's shift to net zero emissions economy.

This approach is particularly relevant to Latrobe City. Council is separately advocating for a time-limited, ring-fenced Economic Support Package to attract investment, diversify the local economy and create secure jobs as the municipality responds to the closure of Victoria's coal-fired power stations and mines. Proposed measures include temporary tax relief, local procurement and employment requirements, reinvestment of windfall gains tax locally generated into economic development of host communities, and practical reforms to streamline investment approvals.

Similar place-based principles could be applied nationally around major data-centre investments. A $10 billion data centre should not be viewed only as one project. With the right policy settings, it can become an anchor for a broader cluster of digital, technology, energy, advanced manufacturing, Australian supply-chain and service businesses.

For regional communities, the measure of success should therefore be not only the value of the data centre investment itself, but how much additional private investment, local employment and economic activity it attracts to the community hosting it.

Conclusion

Latrobe City Council supports Australia attracting investment in AI and data-centre infrastructure, with appropriate safeguards, benefits and protections in place for host communities.

Latrobe City is particularly well placed to support this industry because of its industrial land, existing electricity and transmission infrastructure, access to water and digital connectivity. Investment such as the proposed Morwell data centre could make an important contribution to economic diversification as the Latrobe Valley moves away from coal-fired power generation.

In Council's view, this type of investment should proceed within a clear national framework that protects water and energy resources, prevents costs being transferred to other

consumers, requires transparent performance reporting and guarantees a direct benefit for the communities that host this nationally significant infrastructure.

Getting these settings right will support investment while also building the community confidence and social licence required for the long-term growth of Australia's data-centre industry.

Please contact Latrobe City Council's Senior Strategy and Advocacy Advisor Kate Cumming on Kate.Cumming@latrobe.vic.gov.au or 0409 327 314, should you wish to discuss any of the content outlined in this submission in greater detail.

Yours Sincerely



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