AUSTRALIAN DEMOCRATS VIC

POLICY PAPER

OUR PLATFORM · VICTORIAN DIVISION

Data Centres – Building Victoria's Digital Future

Digital infrastructure in the right places — strong community and environmental standards for data centres near homes, and a Regional-First strategy for future large-scale investment.



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The Issue

Data centres are critical infrastructure that underpin Victoria's digital economy, supporting cloud computing, artificial intelligence, telecommunications, government services, business operations and research. As demand for digital services continues to grow, so do the scale, energy consumption, and physical footprint of data-centre developments[1][2].

While data centres provide important economic and technological benefits, they can also significantly affect local communities, energy networks, water resources, and the environment[3].

Concerns are increasingly being raised about locating large-scale facilities near residential areas, their demand for electricity and water, and whether communities receive an appropriate share of the benefits of hosting this infrastructure[4][5][6].

The Australian Democrats - Victoria (AD-VIC) recognise that data centres are essential to Australia's digital future. However, their development must be guided by three core principles:

- **Social Responsibility:** Protecting community amenity through appropriate planning, consultation, transparency and community benefit.
- **Environmental Sustainability:** Ensuring data centres minimise their impact on energy systems, water resources, biodiversity and greenhouse gas emissions.
- **Economic Development:** Leveraging digital infrastructure to support regional growth, skilled employment, innovation and investment across Victoria.

Victoria's challenge is not whether to build data centres, but how to develop them in a way that balances community expectations, environmental stewardship, and economic opportunity.

> ***"The Australian Democrats Victoria support the growth of digital infrastructure. However, we believe large-scale data centres must earn a social licence to operate. Where facilities are located near communities, strong protections should apply.***

> ***Where future growth is needed, Victoria should prioritise planned regional digital infrastructure precincts supported by fibre connectivity, renewable energy, recycled water and modern transport and utility infrastructure."***

Our Plan

The AD-VIC believe that there are two clear positions required:

1. Strong community and environmental standards for data centres located near existing urban and residential areas; and
2. A Regional-First strategy that promotes future large-scale data-centre investment in designated regional digital infrastructure precincts supported by renewable energy, water recycling and high-speed fibre connectivity.

Community Protection Standards

Data centres are essential infrastructure that support Victoria's digital economy, government services, cloud computing and emerging technologies such as artificial intelligence.

However, their development can also significantly affect neighbouring communities and the environment, particularly when large-scale facilities are proposed close to existing or future residential areas.

AD-VIC believe that data centres developed near urban communities must operate under strong community protection and environmental standards. These standards are intended to protect local amenity, minimise environmental impacts, manage infrastructure demands responsibly, and ensure communities receive a fair share of the benefits of hosting critical digital infrastructure. The following measures establish the minimum expectations for data centres proposed within metropolitan and outer urban areas.

- **Minimum 1,000m from residential housing** (Social): Protect residents from noise, visual impacts, industrial encroachment and future land-use conflicts. (Includes soon-to-be re-zoned 'old industrial' to new residential.)
- **Data Centre Zoning** (Social): Establish specific Data Centre zones to ensure locations are fit for purpose, considering the social, environmental, and economic impacts.
- **150 Days of Mandatory Community Consultation** (Social): Ensure local residents and councils have meaningful input before planning decisions are made.
- **Responsible Power Infrastructure** (Social): Utility companies to maintain the existing 'standard' of power distribution, preserving the amenity of the local community, rather than establishing industrial-level power infrastructure in a residential-adjacent community.
- **Utilities Providers to Endorse Data Centre Plans** (Social): Utilities providers must publicly endorse the plans during the planning of the connections to the Data Centres.
- **Independent noise, traffic and environmental assessments** (Social): Provide objective evidence of community impacts and inform planning decisions.
- **Bring Your Own Power (BYOP)** (Environmental): Require data centres to fund or develop additional renewable generation and storage rather than increasing demand on existing energy supplies.
- **Non-potable water requirement** (Environmental): Prioritise recycled water, stormwater harvesting and alternative water sources to preserve drinking water supplies.
- **Biodiversity-positive landscaping** (Environmental): Require developments to improve habitat value and environmental outcomes beyond the site footprint.
- **Mandatory tree canopy buffer around the full perimeter** (Environmental): Screen facilities from surrounding communities, reduce urban heat impacts, and improve local biodiversity.
- **Waste heat recovery assessment** (Environmental): Investigate opportunities to supply excess heat to public pools, social housing or nearby industry.
- **Annual public reporting on energy, water and emissions** (Environmental): Increase transparency and encourage continuous improvement in environmental performance.
- **Community Benefit Agreements** (Social / Economic): Require contributions towards local parks, community batteries, STEM education, urban greening or community infrastructure.

> ***"Critical infrastructure must earn a social licence to operate. The Australian Democrats Victoria believe that communities hosting data centres should be respected, consulted, protected and fairly share in the benefits they help create."***

Future Ready Digital Infrastructure Strategy

While community protection measures are essential for data centres proposed in metropolitan and urban areas, Victoria also requires a long-term strategy for the sustainable growth of digital infrastructure. As demand for cloud computing, artificial intelligence, data storage and digital services continues to expand, planning decisions should consider not only where data centres can be accommodated, but where they can deliver the greatest benefit.

Outer metropolitan and Regional Victoria offers a significant opportunity to support future data-centre development through lower-cost land, proximity to renewable energy generation, reduced land-use conflicts, and the potential to stimulate regional investment and employment. With targeted investment in fibre connectivity, electricity transmission, renewable energy and recycled-water infrastructure, regional centres can become attractive locations for next-generation digital infrastructure while reducing development pressure on metropolitan communities.

- **Digital Infrastructure Zones (fit-for-purpose)** (Economic): Create dedicated precincts in outer metropolitan areas and regional centres with the infrastructure needed to support growth through a planned approach, not as a retrospective afterthought.
- **Government investment in fibre backbone infrastructure** (Economic): Improve connectivity and minimise latency between regional centres and Melbourne, Sydney and national networks.
- **Strategic transmission investment** (Economic): Ensure regional locations have sufficient electricity capacity to support large-scale digital infrastructure.
- **Fast-tracked approvals in designated zones** (Economic): Encourage industry investment in preferred locations through reduced planning uncertainty.
- **University and TAFE partnerships** (Economic): Build regional digital, engineering and technology workforces.
- **Technology ecosystem development** (Economic): Encourage clustering of AI, cloud computing, research and digital industries around regional precincts.
- **Regional economic development outcomes** (Economic): Generate long-term employment, investment and economic diversification in regional communities.
- **Regional-First Planning Principle** (Economic): Encourage major new data centres to locate in regional Victoria unless there is a compelling operational reason otherwise.
- **Regional Digital Infrastructure Zones** (Economic): Create dedicated precincts in locations such as Geelong, Ballarat, Bendigo, Latrobe Valley and Shepparton.
- **Regional recycled-water infrastructure** (Environmental): Support sustainable cooling systems while reducing demand on potable water resources.
- **Dedicated renewable energy precincts** (Environmental): Co-locate data centres with solar, wind, and battery projects to support reliable, low-emission operations.

> ***"Victoria's digital future should be planned, not piecemeal.***

> ***"By investing in regional digital infrastructure, Victoria can support economic growth, accelerate the clean-energy transition, and create new opportunities for regional communities while meeting the demands of an increasingly digital economy."***

The Evidence

The AD-VIC approach is based on three well-established trends in data-centre development:

- increasing community impacts,
- growing environmental demands; and
- emerging opportunities for regional economic development.

Research in Australia and internationally shows that while data centres are critical to the digital economy, their rapid expansion can place significant pressure on local communities, electricity networks, water resources, and planning systems.

Community Impacts

Recent examples show that data centres can affect local communities through noise, visual amenity, and traffic during and after construction. These concerns are underpinned by the overarching issue of encroachment into existing and future residential areas.

Research has highlighted growing community concern and disquiet about the concentration of data centre developments near residential communities, along with the broader issue of being 'left out' of the consultation process.

These community impacts are driving the push for a "social licence to operate" as a precondition for securing community acceptance of major infrastructure projects, like the proliferation of data centres[7].

Energy and Environmental Sustainability

Beyond community amenity issues lie concerns about the energy required, raising questions about the longer-term sustainability impacts data centres will have on Victoria, given their energy demands.

Research has identified the need for additional renewable energy generation and storage, and for local communities to be informed about 'how much' energy is being consumed, including how much the data centre generates. These concerns stretch to include concerns as to water consumption and biodiversity impacts, leading to a need to determine the 'actual' footprint of the data centre[8].

Appropriate Development Opportunities

Many emerging data-centre developments are increasingly being located in areas with access to affordable land, renewable energy generation and supporting infrastructure. Outer metropolitan areas of Melbourne and

Regional Victoria offer significant advantages, including lower land costs, proximity to renewable energy zones, opportunities for economic diversification, and reduced land-use conflicts.

While opportunities exist in Melbourne's outer regions and regional Victoria, investment in fibre connectivity, electricity transmission, and recycled-water infrastructure must be considered and targeted. The Government must provide local assurance that data centres are built sustainably and appropriately, and provide the critical infrastructure. The aim is to position digital infrastructure while creating skilled employment and attracting technology investment[9].

Planning for Victoria's Digital Future

The planning for Victoria's Digital Future needs to be considered and well conceived – not a hasty assessment process to fill a gap in the state. International experience shows that the most successful data centre infrastructure strategies reflect strong community protections with long-term planning for infrastructure, energy and regional development.

Victoria can be a digital infrastructure leader in Australia if it has a considered plan that balances economic growth, protects communities, minimises environmental impacts, and distributes the benefits of digital infrastructure more equitably across the state[10].

> ***"The evidence suggests that data centres should not be viewed solely as technology infrastructure. They are significant land-use, energy and economic developments that require strategic planning, environmental responsibility and meaningful community engagement."***

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