



CLASSIFICATION

Memorandum

To: Ruth Fairhall, Executive Leader – Policy Group
From: David Mead, Chief Advisor – Climate Change and Resource Efficiency
Copies to: Becky Prebble, Deputy Executive Leader – Climate Change and Resource Efficiency
Date: 23 July 2026
Subject: Data centres in NZ

1. This memo responds to your request for a summary of the state of play regarding data centres. It:
 - a. Summarises the main claims and counterclaims about data centres
 - b. Assesses the available evidence, particularly for New Zealand
 - c. Highlights international policy developments
 - d. Summarises recent Fast-track applications
2. No decisions are required from you at this stage.

Key implications of data centres

3. Data centres present an economic opportunity, but this can be overstated. Treasury and MBIE have advised that simply hosting data/applications (including AI) owned by other countries is unlikely to deliver large economic or productivity gains. In this scenario, most of the value will accrue to international investors.
4. Stronger economic gains for NZ arise where data centre investment is linked to eg, skills, research, development of domestic digital and data (inc AI) capability/services.
5. Data centres do create jobs, but most employment occurs during construction. Ongoing workforces are typically modest relative to the scale of investment and electricity demand, although operational jobs are generally higher skilled and better paid.
6. Data centres are highly electricity-intensive. In NZ, the main challenge is the impact on generation, transmission and distribution infrastructure, rather than direct emissions. While this may place pressure on the energy system in the short term, data-centre investment can also help underpin new generation, transmission and storage infrastructure. This can be leveraged where government sets expectations or requirements around data centre investment.
7. The most significant environmental and community issues are likely to be water use, local environmental effects and opportunity costs associated with land use, and infrastructure impacts.
8. Noise is a common concern, though manageable through location, design and mitigation choices. E-waste is an emerging issue, but the evidence base remains limited.
9. A key feature of these implications is that impacts are localised, while much of the benefit may occur regionally or nationally. This speaks to the social license challenge.
10. Table 1 summarises the main claims, counterclaims and evidence relevant to the New Zealand context.



International approaches

11. Governments are moving from encouraging investment to actively managing impacts, in the face of growing social license concerns. NZ is, at present, somewhat behind this curve.
12. The Australian Government recently announced a set of national expectations (ie, supporting Australia's energy transition, sustainable and efficient water usage) and indicated that future Commonwealth support and prioritisation will depend on how closely projects align with them. The Government explicitly states that meeting these expectations will be the foundation of a data centre's "social licence to operate".¹
13. Ireland has gone further, and introduced a new electricity connection policy specifically because data centres had grown from approximately 5% of national electricity demand in 2015 to 22% in 2024, with projections rising to 31% by 2034. This policy requires new datacentres to source their own generation and storage capacity, rather than rely on the existing grid, and must source at least 80% of electricity from additional renewable generation.²
14. The Netherlands introduced restrictions on new hyperscale datacentres. Since 1 January 2024, new hyperscale facilities have generally been restricted to specified locations, reflecting concerns about electricity consumption, grid connection, land use, and wider environmental impacts.³

Fast-track applications

15. MCERT (formerly MfE) has only provided advice on one fast-track application for a data centre; that advice was procedural rather than substantive. The relevant application, for the Auckland Surf Park Community Stage 2 proposal, has been referred, a substantive application has been accepted as complete (9 July 2026), and is proceeding through the expert panel assessment process.
16. The Datagrid project in Southland is not proceeding via the fast-track process.

Next steps

17. 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED].
18. *Examples* of questions we could consider, to shape our input, could be:
 - a. What is the role and necessary design of the planning system in mediating between national interest and largely localised environmental and other externalities?
 - b. Should data centres be treated as an industrial/economic activity with localised impacts which need to be managed (akin to forestry, manufacturing) or as nationally significant infrastructure assets which require greater support and direction from central government (akin to energy infrastructure)? If the latter, what role could MCERT play in helping to set expectations/standards/requirements around elements like environmental/carbon offsetting?
 - c. What are the risks associated with rapid build-out of data centre/AI infrastructure? Examples include stranded assets, especially for associated energy infrastructure, capital withdrawal, half-completed projects etc.
 - d. What implications can data centres have for MCERT's productive places objectives, and how can trade-offs (eg, crowding out of other land uses such as housing) be managed?
 - e. How can data centres' operations support other MCERT objectives, for example through smart use of waste heat for housing, industrial activity etc?

¹ <https://www.industry.gov.au/publications/expectations-data-centres-and-ai-infrastructure-developers>

² [CRU2025236 Large Energy User connection policy decision paper.pdf](#)

³ <https://www.gtlaw.com/en/insights/2024/3/challenges-in-the-dutch-data-center-market>

Table 1: summary of evidence of impacts

Issue	Claim	Counterclaim	What the evidence suggests	Key gaps	Facts and figures
Economic benefits	Data centres attract foreign investment, strengthen digital capability and support AI industries.	Benefits may accrue primarily to overseas technology firms unless data centres support domestic economic activity.	Data centres involve very large capital investments and can improve digital infrastructure and resilience.	Evidence for broader productivity, innovation and spillover benefits is less clear and appears highly dependent on local conditions and complementary investment. Future demand is also uncertain – oversupply could lead to stranded assets depending on how AI’s real economic impact actually develops/eventuates.	Datagrid’s project is estimated to bring \$3.4bn of investment. ⁴
Employment	Data centres create significant employment and regional development.	Most employment occurs during construction; operational employment is relatively modest compared with capital investment and electricity demand.	Employment impacts are concentrated in construction, which are not durable and may simply displace other construction activity. Ongoing operational workforces are typically small because facilities are highly automated.		Industry estimates suggest New Zealand's existing sector (56 sites) directly employs just over 1,000 people and supports additional employment across associated services. ⁵ Proposed Datagrid AI Factory in Southland is expected to create more than 1,200 construction jobs during development, ⁶ according to project proponents, but it has been suggested by commentators that it will only around 50 ongoing jobs. ⁷
Energy system	Large electricity users can support investment in new renewable generation through long-term contracts and improve utilisation of electricity infrastructure.	Data centres place significant pressure on electricity supply, increase electricity prices and require major transmission upgrades.	Large-scale facilities will become among the country's largest individual electricity users. Internationally, electricity system impacts have become the primary policy concern associated with data centre growth.	The central issue is one of timing – whether demand growth will outpace necessary investment in generation, transmission and distribution infrastructure.	Current datacentre energy use has been estimated at 104MW ⁸ Datacentre projects in Transpower’s grid connection pipeline estimated at 1,140MW ⁹ Approx 19,000MW of generation capacity currently in Transpower's connection request pipeline, almost all of it intermittent sources (eg, wind, solar) ¹⁰
GHG emissions	Data centres are inconsistent with climate objectives because they consume large amounts of electricity.	New Zealand offers one of the lowest-emissions locations globally because of its renewable electricity system.	Operational emissions depend primarily on the marginal electricity supply. New Zealand's high renewable share substantially reduces emissions compared with many overseas jurisdictions. However, emissions could increase if additional demand results in greater thermal generation. There are also opportunities for the use of waste heat as an input to other processes, which can have positive emissions effects.		The proposed Datagrid development has publicly indicated an electricity demand of up to 280 MW at full operation.
Water use	Data centres consume excessive volumes of freshwater.	Water use depends heavily on climate and cooling technology; cooler climates (such as NZ’s) can substantially reduce water requirements.	Water consumption can be substantial, particularly for evaporative cooling systems. Risks are greatest in water-constrained catchments and lower where alternative cooling technologies are available.	Actual water use varies significantly between facilities, based on cooling approach. Consented water take is also not the same as actual water take, so headline figures can be misleading.	Datagrid’s consents allow the facility to draw up to 220 million litres of groundwater per year (though actual take may be lower). ¹¹ This is roughly equivalent to seven Southland dairy farms. This is considerably lower than some overseas examples, which may reflect New Zealand’s cooler climate.

⁴ [Datagrid secures full resource consent for a 280 MW 'AI Factory' in NZ, doubling the nation's data capacity. | Venture Insights](#)

⁵ [nztech-data-centres-report.pdf](#)

⁶ [Datagrid New Zealand receives resource consent to establish the nation’s first AI factory — Datagrid](#)

⁷ [NZ data centres: Amazon, Microsoft, Datagrid deliver 82 jobs](#)

⁸ [nztech-data-centres-report.pdf](#)

⁹ [Transpower New Connection Enquiries](#)

¹⁰ [Transpower New Connection Enquiries](#)

¹¹ [Water Permit Groundwater take AUTH-20252550-03.pdf](#)

Issue	Claim	Counterclaim	What the evidence suggests	Key gaps	Facts and figures
Opportunity cost of land use	Data centres help justify investment in new infrastructure and make productive use of strategically located land.	Electricity capacity, network capacity and development land may be diverted from alternative eg, residential, industrial, agricultural uses.	Data centres require large, serviced sites near electricity and fibre infrastructure, and may compete with other users of strategically located land, including industrial development, urban expansion and, in some locations, highly productive land. In some overseas jurisdictions, governments and regulators are increasingly considering trade-offs between data centres and other potential users of electricity, network capacity and strategically located land.	This can only be assessed on a site by site basis, rather than nationally.	-
Environmental effects of land use	Data centres can adversely affect highly productive land, biodiversity, landscape values and natural character.	Impacts can often be avoided or mitigated through siting and design, particularly within existing industrial areas.	Environmental effects are highly site-specific. Potential issues include loss of highly productive land, effects on wetlands or indigenous biodiversity, landscape and visual impacts, natural hazards and stormwater management. Effects are generally similar to those associated with other large industrial developments.	This can only be assessed on a site by site basis, rather than nationally.	-
Noise	Continuous operation creates noise impacts for nearby communities.	Noise can generally be managed through acoustic design, setbacks and operational controls.	Noise is primarily generated by cooling and electrical equipment rather than servers. The principal concern is continuous 24/7 operation rather than unusually high noise levels. Impacts are highly dependent on location and design.	This can only be assessed on a site by site basis, rather than nationally.	-
E-waste	Data centres generate significant electronic waste through regular equipment replacement.	Equipment is increasingly recycled, refurbished or reused through specialist supply chains.	Server refresh cycles generate e-waste. The issue is receiving increasing attention internationally as AI-related demand grows.	Further assessment would need to be done to understand the scale of this challenge for NZ. E-waste is already one of six priority products for regulated product stewardship (RPS) under the Waste Minimisation Act 2008.	-
Social license	Communities increasingly oppose data centres because of their energy, water and land use demands, as well as due to more fundamental concerns about AI.	Impacts can be managed through siting, mitigation and demonstrating local benefits.	Overseas experience shows growing opposition in some jurisdictions where data centres compete for scarce electricity, water or other resources. Most concerns relate to perceived trade-offs rather than direct environmental effects. There is currently limited evidence of widespread social licence concerns in New Zealand.	There are several recent surveys about NZers attitudes towards AI, but less specific information about data centers.	66% of NZers report that AI makes them nervous, placing us as the second highest country (of 31 monitored) in terms of nervousness, just behind Australia at 67%. ¹²

¹² [Understanding Aotearoa New Zealand: The Ipsos AI Monitor 2025 | Ipsos](#)