

MAV Sector Submission: Senate Inquiry into Artificial Intelligence and Data Centres

September 2026



The voice for
local government

Climate volatility, social fragmentation, digital disruption and rising costs are reshaping the way we live, work, and connect. Local government is where these global challenges turn into local responses – strengthening trust and resilience through the places, services and experiences people rely on every day.

The Municipal Association of Victoria (MAV) is the legislated peak body for local government in Victoria, advocating for all 79 councils across the state.

MAV works closely with councils, state and federal governments and global experts across industry and academia to deliver services and solutions grounded in local knowledge and community needs across metropolitan, rural and regional Victoria.

MAV offers sector-specific, not-for-profit procurement and insurance services, a local government innovation lab and statewide annual learning, convening programs designed to support Victorian local government to meet the challenges of a fast-changing future.



ACKNOWLEDGEMENT OF COUNTRY

We acknowledge the traditional custodians of the land on which we live. We recognise their continuing connection to land, waters and culture and pay our respects to their Elders past, present and emerging.

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1 Executive Summary

This is a joint submission between the Municipal Association of Victoria (MAV), its MAVlab division and the Council Alliance for a Sustainable Built Environment (CASBE). We welcome this opportunity to provide a submission to the Senate Inquiry into Artificial Intelligence and Data Centres.

MAV, MAVlab and CASBE would be pleased to provide further information or appear before the Committee to elaborate on any aspect of this submission.

Together, we support a coordinated national approach to AI and digital infrastructure that enables Australia to realise the economic and technological benefits of AI while ensuring that environmental sustainability, infrastructure resilience, community trust, and long-term public value remain central to decision-making frameworks.

This submission draws on our collective sector-wide engagement with Victorian councils on the use and evolution of AI in local government, as well planning and environment matters of most importance to the sector and community in relation to data centre development. We provide case studies, apply CASBEs expertise in environmentally sustainable development and the planning system, practitioner discussions, and MAVlab's research on AI governance and AIs potential for local government.

This submission was also prepared at a time of significant change and policy announcements from local governments, and the federal government launching the Office of AI and a National Cabinet coordination of new data centre developments across Australia. We welcome the Federal Government's leadership, and we await further announcements. We are expecting further announcements from the Victorian Government in relation to land use planning and data centre development, however MAV and councils have little to no insight into the state's approach,

Victoria's local government sector recognises that data centres and AI-related infrastructure are critical digital infrastructure. Unfortunately, the rapid acceleration of Data Centre infrastructure development, and lack of transparency on processes and impacts, risks undermining public confidence where communities perceive decisions are occurring too quickly, impacts are poorly explained, benefits are unevenly distributed, and meaningful engagement is absent. This challenge is particularly acute where infrastructure projects involve substantial environmental footprints, unclear local benefit, opaque commercial arrangements, or limited public understanding of AI systems and infrastructure impacts.

Notably, the cities of Maribyrnong, Brimbank, Melton and Hume have separately called for an immediate moratorium on new or expanded data centre approvals pending development of a proper framework. These four councils are in the western metropolitan region of Melbourne, have fast growing populations, and have a significant number of data centre applications and developments within their municipality. MAV expects the number of councils calling for a moratorium to increase.

Victoria's local governments are operating at the intersection of AI expansion, energy transition, climate adaptation, infrastructure strain, and changing community expectations. The scale and speed of proposed AI and data centre infrastructure development present both significant opportunities and substantial governance challenges.

As one council planning officer summarised in a recent MAVlab Data Centre Talk: *“Data centres are really flash points that make those intersections visible: water and energy, land and infrastructure, global benefit and local impact.”*

We note also, the MAV is convening the National AI Working Group on behalf of the local government sector.

This working group engages all state and territory Local Government Associations and the Australian Local Government Association. It reflects the sectors recognition that artificial intelligence is no longer simply a technology issue for local government. Rather, it is an emerging strategic capability that will influence how councils deliver services, make decisions, engage communities, manage risk and build organisational capability over the coming decade. It also recognises the value of a coordinated national approach that enables the sector to learn together, share practical experience and engage constructively and strategically with governments and industry.

The *National AI Working Group for Local Government* has been established to support the above objective. The AI Working Group is intended to build on the significant work already underway across state and territory local government associations and councils. Every jurisdiction is developing valuable experience, resources and expertise. By bringing these together, we have an opportunity to accelerate learning, reduce duplication of effort, identify common challenges and strengthen the sector’s collective capability.

In many ways, this reflects the approach of the recently established Office of AI in the Prime Ministers Office – a coordinating function to draw together the critical work around AI that has emerged across a variety of domains.

MAV is pleased to lead the convening of the local government sector in AI, building on the nationally recognised achievements of MAVlab, whose practical AI initiatives, procurement and governance work have supported councils across Victoria to adopt AI responsibly and effectively. Through this experience, we have seen the value of creating spaces for collaboration that build relationships and enable councils to learn from one another while navigating rapidly evolving technologies.

AI and Data Centres in local government

This joint submission posits that AI and data centre infrastructure should not be understood solely as a technology or an economic development issue.

AI and cloud capabilities are enabled by very tangible physical infrastructure that carries considerable energy and water demands. Critical to Australia’s modern digital economy, AI and data centres are now seen as essential, along with telecommunications, energy and water and the infrastructure that supports them.

Local government sits at the frontline of the social, environmental and infrastructure impacts associated with the rapid expansion of AI and AI-enabled infrastructure. Public debate on the social licence and environmental and amenity impacts of data centres have come under increased, and intense, community scrutiny. The increasing number and increasing scale of applications for data centres and their associated infrastructure are being felt across metropolitan and regional areas as their development out-paces long-understood planning and environment regulations.

Councils are increasingly being asked to assess and manage the impacts of data centres, while simultaneously balancing housing growth, infrastructure strain, climate adaptation pressures, energy transition and community expectations for how these assessments should be done. They are doing this work without support from the State Government, clear strategic direction or strong regulatory guidance or visibility into the compounding impact of applications. Meanwhile, most data centre applications in Victoria are decided through the Victorian Government's Development Facilitation Program, which bypasses council decision making to the Victorian Planning Minister.

Such is the significant and growing concern on data centre development, the October 2025 State Council of the MAV called for a state strategy to locate data centres within circular economy precincts. The motion specifically asked MAV to call on the Victorian Government to develop a state-wide strategy to guide the location and development of data centres within designated circular economy precincts, including:

1. *Strategic land use planning to co-locate data centres with recycling, energy recovery, and advanced manufacturing facilities*
2. *Infrastructure investment to support energy efficiency, renewable energy integration, and heat recovery systems in data centre design*
3. *Policy and regulatory frameworks that incentivise circular practices in data centre operations, including e-waste management and resource reuse*
4. *Collaboration with local government to identify suitable precincts and align with regional circular economy plans*
5. *Funding and innovation support for councils and industry to pilot circular data centre models and share best practices.*

Since the 2025 meeting of all local governments in Victoria, these matters have only compounded in urgency and increased in importance to them and their communities. In addition to some councils calling for moratoriums, councils are calling for stronger measures and as AI infrastructure planning has fast become a priority area for MAV planning and sustainable development advocacy. While framed differently across councils, we have heard converging themes:

- Community Benefit Frameworks/Agreements tied to major developments;
- exclusion of data centres from fast-track approval pathways;
- the need for a dedicated statewide planning and sustainability framework with clear siting criteria and land use definitions; mandatory, meaningful consultation with host and neighbouring councils;
- assessment of cumulative impacts on energy, water, transport and community infrastructure;
- minimum sustainability and resource-efficiency standards with public reporting;
- explicit prohibition on data centres in Green Wedge zones.

Many of these matters, including MAV to formally call for a statewide moratorium, will be debated at the forthcoming MAV State Council meeting in October. These matters will also be covered by this submission.

At the June 2026 Australian Local Government Association (ALGA) National General Assembly in Canberra, the following motions from local government were carried by the assembly of councils from across Australia:

#	Councils:	Title & motion
125	Hume City Council, Victoria and Bega Valley Shire Council, NSW	<i>The National General Assembly calls on the Australian Government and pending outcomes of the currently open federal inquiries into data centres to report by end 2026, and other state or territory expectations papers, to establish a nationally consistent, performance-based policy and regulatory framework</i>

		<i>for data centres that recognises the national importance of artificial intelligence and digital infrastructure, promotes best-practice siting, design and operation, ensures efficient and transparent management of energy and water use including renewable energy integration and low-water cooling technologies, safeguards and enhances human oversight and jobs, including local government jobs, and formally recognises local government as a key partner in planning, sustainability and community impact management.</i>
142	City of Melbourne, Victoria	<i>That the National General Assembly calls on the Australian Government to:</i> <i>1. Recognise that artificial intelligence and digital infrastructure are critical to Australia's future productivity, research excellence, sovereign capability and global competitiveness, and that local government is a key partner in delivering sustainable digital infrastructure.</i> <i>2. Establish a nationally consistent, performance-based policy and regulatory framework for data centres that supports best-practice siting and design, mandatory renewable energy integration, fit-for-purpose water use, innovation in low-water and non-water cooling technologies, measurable community benefits, and transparent reporting of energy, water and emissions.</i>
237	Penrith City Council, NSW	<i>The National General Assembly calls on the Australian Government, in their development of national data centre principles & approval processes to include:</i> <i>1. Strategic assessment of:</i> <i>a. Suitability of location, ideally where services are available and where other important land uses are not compromised as a result</i> <i>b. Local place-based impacts—e.g. potential strain on energy grids, water supply and ecosystems effects, land use trade-offs, clustering issues, impacts on local jobs</i> <i>2. Meaningful community engagement</i> <i>3. Transparent public reporting</i> <i>4. That councils have a central role in decision-making</i> <i>5. Engaging with councils for feedback into the preparation and finalisation of these documents.</i>

Recommendations to the Inquiry

The recommendations we put forward to the inquiry are informed by resolutions of the MAV State Council, the ALGA National General Assembly, and our research and engagement with local government and evidence from case studies.

Recommendations on AI in local government:	
No.	Recommendation
1	Connect directly with the National Local Government AI Working Group convened by the MAV on behalf of ALGA.
2	Formally recognise local government as a key partner in national AI policy, and include local government within AI workforce safeguards.
3	Invest in shared, sector wide, civic resilience capability, including shared threat detection, coordinated response protocols and frontline staff protection, treating information integrity as a democratic resilience function analogous to cybersecurity.
4	Fund a coordinated sector-wide capability program covering shared standards, procurement and common governance frameworks to reduce risk and support sector wide standardisation for local government.
5	Adopt tiered, risk-proportionate AI governance distinguishing low-risk service applications from systems informing statutory decisions, with mandatory human oversight for the latter.
6	Require explainability and transparency standards in government AI procurement, distinguishing process transparency from decision transparency, and preventing planning rules from being privatised behind proprietary systems.
7	Establish data sovereignty and stewardship requirements for AI systems processing council-held personal, spatial and planning information.
Recommendations on Decision Making Fragmentation and Planning Approvals:	
8	Establish a nationally consistent, performance-based policy and regulatory framework for data centres, developed with local government as a formal partner in its design.
9	Establish transparency of grid and water connection queues, published at municipal level, so that genuine proposals can be distinguished from speculative ones and non-genuine applications cease congesting approval pathways.
10	Require cumulative and place-based strategic assessment of siting, addressing grid capacity, water supply and catchment health, ecosystem effects, land-use trade-offs, clustering and local employment.

11	Mandate transparent public reporting of energy, water and emissions performance for all facilities above a defined capacity threshold, through a national database with jurisdictional and municipal-level disaggregation.
12	Victorian Government to provide dedicated funding and access to specialist expertise for councils assessing data centre proposals, recognising the technical demands of energy, water, thermal and network infrastructure assessment.
13	Victorian Government to require disclosure of forecast aggregate electricity and water demand for proposed data centre developments to the relevant council and water corporation at the pre-application stage.
14	Direct data centres to well-serviced industrial land with appropriate buffers from sensitive uses, exclude them from agricultural land, green wedge land and land identified for future housing, and require strategic assessment of employment land opportunity cost.
15	Introduce a land use definition for data centres in the Victoria Planning Provisions, with scale thresholds that escalate assessment requirements in proportion to energy and water demand, and restrict their use in rural, green wedge and residential zones.
16	Introduce a particular provision for data centres setting mandatory ESD requirements, application requirements and decision guidelines.
17	Require that sustainability assessments address the whole facility including data halls, and ensure Stage Two of the ESD Roadmap applies expressly to utility installations and sets a floor rather than displacing higher standards councils have adopted.
18	Develop a state-wide strategy to guide the location and development of data centres within designated circular economy precincts, applying the spatial method already used for renewable energy: assess candidate areas in advance against environmental, cultural, land use, servicing and engineering criteria, and identify preferred locations before applications are lodged.
19	Provide model municipal planning strategy and local policy content, developed with the sector, so councils can act consistently.
20	Require meaningful community engagement and disclosure before approval pathways are locked in, and measurable community benefit commitments proportionate to local impact.
21	Restore councils to a central role in decision-making, including determining referral status, retention of application fees where councils undertake the assessment, and resourcing for enforcement of conditions on permits issued by others.
22	Establish a mandatory mechanism for recovery of local infrastructure costs generated by data centre development, covering road pavement and haulage route

	damage, drainage augmentation and open space provision, with contribution rates set by the State rather than negotiated project by project.
23	Establish defined community benefit contributions for data centre developments, with minimum thresholds, governance arrangements, indexing and compliance mechanisms specified at the outset and a defined role for local government in design and governance.
24	Fund independent readiness and impact studies for municipalities hosting or proposed to host significant data centre capacity, covering workforce, housing, local infrastructure and aggregate demand for water and energy.
Recommendations on environmental impacts:	
25	Investigate appropriate methods to mandate renewable generation commensurate with each facility's load.
26	Require fit-for-purpose water use, prohibiting potable water for cooling where recycled water or closed-loop and non-water technologies are available, with catchment management oversight of demand.
27	Introduce waste heat controls and set air quality conditions governing generators with legislated limits on off-site heat exhaust, and investigate incentives for beneficial heat reuse.
28	Clarify referral triggers under the Environment Effects Act 1978 as they apply to data centres, and test at least one representative Victorian proposal against the existing greenhouse gas and pollution criteria.

2 Introduction

This is a joint submission from the Municipal Association of Victoria (MAV), its innovation lab - MAVlab, and the Council Alliance for a Sustainable Built Environment (CASBE). Through case studies and discussion based on our engagement with Victoria's councils, our submission responds to the inquiry's terms of reference, addressing:

- a) *the effectiveness of existing regulatory frameworks in managing the growth of data centres in Australia, including in relation to existing and future deals between the Government and global AI companies;*
- b) *the potential impacts of AI and data centres on Australian communities, industries and the environment, water and energy; and*
- c) *any other related matters.*

The submission draws on sector-wide engagement conducted by MAV, MAVlab and CASBE networks (such as the CASBE Data Centre Working Group), including workshops, practitioner discussions and interviews with planners and infrastructure stakeholders. It also references MAVlab's direct work on AI governance for local government and community connections.

About MAV

The Municipal Association of Victoria (MAV) is the statutory peak body for local government in Victoria, representing all 79 municipalities.

We undertake specialist policy and advocacy, governance and legislative advice to Victorian local government, and provide sector development, insurance and procurement services to all Victorian councils.

MAV's vision is to be a nation-leading thought leader, partner and resource hub for the Victorian local government sector in strategic foresight, policy and research, leadership and governance, service design and advocacy impact.

MAV is overseen by the MAV President and a board of elected councillors. Twice a year, the Victorian local government sector meets at the MAV State Council to decide upon motions that set the strategic policy and advocacy agenda for the MAV.

Our policy and advocacy work is informed by councils working together, drawing on research and thought leadership from across the sector, academia and civil society.

About MAVlab

MAVlab is the innovation lab for the MAV. The team works collaboratively with the network of 79 Victorian local governments and the broader sector to prepare for and respond to the increasingly complex challenges that our communities are facing. In the face of rapid change, a resilient local government sector must develop an "anticipatory muscle" to flex into new challenges, cultivating the imagination, determination, and foresight to deliberately adapt to radically different contexts.

Given the rising demand for services, growing external pressures and resourcing constraints that the local government sector faces, it is increasingly critical that we step up to these challenges together, coordinating effort, distributing risk and cost and addressing our shared challenges. We need to do this not as 79 individual municipal

governments in Victoria (or 538 individual governments in Australia), but as a connected network of civic infrastructure that touches the lives of every Australian every day.

We believe that more can be achieved when our councils collaborate on shared challenges. MAVlab is committed to convening and walking with local government on this journey as we aim to develop the capabilities needed to shape 'what's now' and 'what's next' with passion, purpose, and optimism.

A primary MAVlab workstream focuses on the role of [Artificial Intelligence and automation](#) to support enhanced service delivery and operational efficiency for local government in service of community outcomes. This sector leading work has delivered both significant impact within local councils and received a wide range of awards and commendations in state and national forums for its efforts to engage the sector in an open conversation about the use and impact of these technologies and alongside developing shared governance support, capability uplift, procurement reform, and guidance around the use of AI in statutory planning.

MAVlab also leads a program of work related to [Active Democracy and Engagement](#). This work is observing the emerging effects of AI in the interactions and relationships between communities and local government and the impacts on trust and democratic resilience. This intersects with MAVs broader program of work in dis and mis-information and harassment of elected officials. Together, this body of work points to growing socio-technical risks to local democracy related to the growing capabilities and applications of AI.

These emerging opportunities and threats require strategic guidance, practical tools and dynamic and collaborative ways of working that can support a joined up approach from the sector as councils navigate emerging technology and their growing impacts at a rapid and accelerating pace.

About CASBE

The Council Alliance for a Sustainable Built Environment (CASBE) is an association of Victorian councils committed to ensuring future generations can enjoy a sustainable built environment. CASBE enables broad-scale positive change to Victoria's built environment through collaborative, local government led action. CASBE is a collaboration of Victorian councils advancing a sustainable built environment through local government leadership.

CASBE represents 84% of the state's population through our 43 member councils and provides a forum for sharing Environmentally Sustainable Development (ESD) best practice and drives stronger sustainability outcomes by embedding ESD assessment in the planning permit process.

In the area of interest of this inquiry, CASBE hosts a Data Centre working group of Victorian councils seeing data centre developments in their areas. The group works to coordinate consistent approaches to data centre assessment across local governments, working with industry and other levels of government.

CASBE is auspiced by the MAV.

3 Artificial Intelligence, transformation and local government

“Councils aren’t just implementing software - they’re custodians of community values, cultural knowledge, and public accountability.” – quote from a council planning officer, MAVlab Innovation talk on Data Centres, 2026

Artificial intelligence is reshaping how public institutions operate. This is now happening at a pace that shows no sign of slowing down. For local governments, this presents opportunities, risks and responsibilities in equal measure.

Distinguishing AI from automation

References throughout this submission to AI technologies require a distinction between automation and AI, as they offer different capabilities and carry different limitations. Automation refers to predefined, rule-based systems that perform repetitive tasks with minimal variation. AI, by contrast, can respond to complexity, nuance and uncertainty:

- **Artificial intelligence** encompasses technologies that enable machines to perform tasks typically requiring human intelligence — learning from data, recognising patterns, making predictions and adapting over time. Common forms include machine learning, natural language processing and computer vision.
- **Large language models (LLMs)** such as ChatGPT (OpenAI), Copilot (Microsoft), Claude (Anthropic) and Gemini (Google) sit within natural language processing. They generalise across a wide range of text-based tasks, making them versatile tools for knowledge work and customer service.

Different technologies suit different workflows. Automation excels at high-volume, standardised processes such as document management or task routing. AI is better suited to tasks involving judgment, interpretation or decision support, such as assessing planning applications or extracting insight from complex datasets.

Choosing the right tool for the task is the foundation of designing systems that augment human capability rather than replace it.

AI can streamline services, automate repetitive tasks and improve sense-making. However, when deployed without due care or process, the same tools can entrench bias, erode public trust and undermine accountability.

A consistent theme across MAVlab’s recent Community Connections research - developed in collaboration with the Australian Resilience Democracy Research Network at the Australian National University - is that trust in institutions is increasingly shaped through everyday experiences of responsiveness, transparency and perceived competence. As AI becomes increasingly embedded in these experiences, how councils, and state and federal government, choose to adopt and govern AI will be one of the defining administrative challenges of in the coming years.

Local government’s operating environment: civic pressures and systems strain

Councils work in increasingly complex and volatile environments, that are now shaped by misinformation and rising community expectations. While these have been long-term

challenges for councils working on the front line of delivering for communities, these issues are being compounded through a more adversarial and hostile civic life.

Councils are now operating in conditions where legitimate digital behaviour is competing with synthetic demand (artificially generated data that mimics genuine customer demand), cyber risk, online harassment and ongoing and increasing abuse of frontline staff. These conditions are placing significant strain on civic participation systems and exposing vulnerabilities across fragmented organisational structures, data systems and communications.

Communities experience councils through hundreds of interactions - customer service, libraries, planning, waste services, maternal and child health, community engagement, emergency response and digital platforms. While all this is community and local democracy in action, Councils are increasingly judged not only on the decisions they make, but on how coherent and navigable their systems feel to the people using them. Where these systems are disconnected, people experience government as fragmented and difficult to navigate.

Local governments are now managing constant, high-volume pressure through every civic channel: inboxes, customer service centres, public meetings and planning processes, to name just a few.

This increasing community demand incubates in a degrading information environment where algorithms amplify emotions and accelerate outrage. This meets a local government system already under workforce and service delivery strain. Most of this demand reflects genuine community need, but it now sits alongside misinformation, coordinated campaigns, online abuse and algorithmic amplification.

MAVlab describes this condition as Civic DDoS. Borrowing from the cyber security term for a distributed denial of service attack, in which a system is overwhelmed by a flood of requests. Local government is experiencing something similar: not a single crisis, but a constant state of overload in which routine civic processes are pushed beyond their design limits. Councils report:

- increasingly abrasive customer service calls
- sophisticated AI-generated correspondence
- growth in the volume and complexity of FOI requests, disruptive behaviour in council meetings
- abuse directed at councillors and staff
- coordinated responses to consultation
- amplified outrage online.

Recent MAV work on disinformation found that nearly four in five councillors report experiencing abuse, bullying or intimidation. AI is acting as a force multiplier on these trends, while simultaneously offering new capacity for sense-making across large and unstructured datasets, and with it, renewed potential for civic sense-making and data-informed governance. Participation processes designed for in-person deliberation are being forced to operate at the speed of online attention and generative AI tools.

From reactive to anticipatory capability

We want to be clear that the aforementioned issues are not symptoms of councils and communities disengaging from each other, but rather hyper-engagement that is unevenly distributed and frequently weaponised. These pressures are accumulating, but targeted investment and intervention can counteract that momentum.

Where councils use administrative and community data together, they can act before issues escalate. Our research finds that councils can run structured, deliberative engagement, and communities can then better understand trade-offs. Further to this, where government invests in trusted local civic spaces such as libraries and service offices, people have a clear front door into government and frontline workers are equipped to navigate social fragmentation and polarisation. It is in these spaces that institutions become more adaptive, more relational and better able to respond under pressure.

MAVs work on mis- and dis- information and MAVlab's Community Connections research seek to help move local government:

- from reactive to anticipatory capability
- from transactional community engagement to sustained relationships
- from individual council responses to coordinated and, ideally, interjurisdictional shared infrastructure and information

Our research in Community Connections shows that if rising civic pressure – accelerated by the use of AI – is treated as a system-level issue, the sector can build shared capability to detect risks earlier, respond consistently, protect frontline workers, and keep participation open, safe and trusted. Councils are already learning to identify harmful narratives early, understand how they spread, and respond in coordinated, evidence-informed ways. The foundation exists in local government; it does not need to be built from scratch.

Opportunities in the planning system

Integrating automation and AI into government workflows offers significant potential benefits. For example, in the planning system large volumes of data and complex decision-making are common and can benefit from AI automation, for example:

- Rules-based systems, workflow engines and process automation can handle application triaging, document routing and notification generation with speed and consistency, reducing error and improving compliance
- AI can streamline administrative functions, reduce processing times and free staff capacity for higher-value, human-centred and human-in-the-loop work
- Decision support can be strengthened by analysing patterns in data, flagging inconsistencies and surfacing insights that might otherwise go unnoticed
- Chatbots and LLMs can improve customer service through faster, more consistent responses to enquiries, and assist in drafting correspondence or summarising application material

As demands on the planning system grow, particularly under pressure to deliver higher volumes of quality housing, automation can ensure foundational tasks are performed reliably at scale while AI offers adaptability and deeper analysis. When integrated thoughtfully and with human oversight and community input, AI may help councils manage workloads more efficiently, improve responsiveness, and generate insights that inform policy development, service design and community engagement on a stronger evidence base.

Risks requiring governance

The benefits described above, however, come with real and present risks. These risks are subject to ongoing research and public policy responses. MAVlab has identified the following in its nation-leading work:

- Uneven digital capability across councils risks inconsistent implementation and outcomes, widening the gap between well-resourced and less-resourced councils
- Complex models can lack transparency, making it difficult to explain how decisions are reached, eroding public trust
- Professional judgment can be diminished where AI tools are treated as replacements for, rather than supports to, skilled practitioners
- Privacy and data security exposure increases as systems rely on sensitive personal, spatial and planning information
- AI systems can reinforce historical biases embedded in data, producing unfair or discriminatory outcomes, particularly for vulnerable or marginalised communities
- LLMs have an infamous tendency to hallucinate - generating fluent, confident text that is actually factually incorrect, fabricated or misleading - because they predict the most likely sequence of words rather than verifying information against a source of truth

Reducing hallucination requires combining LLMs with verified data sources, human oversight and well-defined boundaries for their use. In high-stakes domains such as planning and governance, where accuracy, accountability and legal precision are critical, outputs must be carefully reviewed.

Thoughtful integration, anchored in strong governance, inclusive design and continuous evaluation, is essential if AI is to deliver value without undermining trust or equity.

Sector capability and coordination

MAV's broader AI research - including the AI Roadmap for Local Government, AI procurement guidance, and the Advancing AI Innovation in Local Government project - identified strong demand across the sector for shared standards, collaborative procurement models, coordinated governance frameworks and state-enabled infrastructure support.

MAVlab has been leading a strategic, sector-wide approach to coordinating AI delivery in Victorian local government, and now nationally. This program of work began with the Advancing AI Innovation in Local Government project, a collaboration between MAVlab, MAV Procurement and the City of Greater Dandenong, funded by the Commonwealth Housing Support Program to enhance councils' ability to address housing supply issues. It examined opportunities for integrating AI and automation into the statutory planning process, with a first phase focused on procurement. Outputs included:

- **Adopting AI for Planning in Victoria's Councils** — a comprehensive account of the design research process and insights on AI use in councils, in statutory planning and beyond
- **AI and Planning Use Cases** — a detailed set of use cases for the application of AI in the statutory planning process
- **AI in Planning Procurement Register** — a register supporting councils to access vendors evaluated against those criteria
- **AI Procurement Support** — procurement guidance documents and new assessment criteria to evaluate AI vendors

More than 250 participants contributed to shaping this work. A core theme throughout consultation was the significant opportunity for enhanced collaboration across the sector, and a strong expectation that MAVlab continue to lead coordination as councils move from experimental testing and piloting into adoption and regular use.

The resulting report, [Adopting AI for Planning in Victoria's Councils: A Moment of Readiness, A Moment of Caution](#), has received state and national awards and is referenced internationally for its approach to AI integration in local government.

A significant tension exists around transparency and proprietary systems in AI planning tools. External experts warn against black box platforms that obscure decision-making and privatise planning rules. Planning decisions affect communities profoundly and should remain accountable to public scrutiny, regardless of the technology used to support them. Our submission goes into depth on these matters in relation to the planning system.

Councils similarly emphasise explainability as necessary to maintain public trust and meet statutory obligations. AI may improve efficiency, but it can inadvertently undermine community trust if decisions become more opaque or less explainable. Councils that oversee local development outcome are ultimately accountable for the decisions they make, irrespective of the technologies used to support them - carrying operational, reputational and liability risk.

Vendors report that they can disclose where AI is used, how models work and what data flows into them, but some acknowledge trade-offs between intellectual property protection and full transparency. The non-deterministic nature of AI also makes comprehensive explainability technically challenging, particularly for complex or general-purpose models. This points to the need for clear explainability standards in procurement requirements, and a distinction between process transparency (how a system works) and decision transparency (why a specific recommendation was made), with higher standards applied to the latter in planning contexts.

Unresolved governance questions

Operationalising ethics

While the intent to adopt ethical AI is widespread, including in local planning decisions, the ability to define and operationalise ethics in a planning, community shaping context remains a significant challenge. Councils are starting from very different levels of maturity and lack state or national frameworks to work within. There is no widely agreed benchmark for what fairness or bias mitigation should look like in a planning context.

Councils are being asked to make ethical calls in the absence of consistent frameworks, data standards or support, and to uphold values that are difficult to define and harder still to measure and question, for example:

- *How can fairness be audited when it is context-dependent?*
- *How can bias be mitigated when historical data reflects exclusionary past decisions?*
- *How can ethical rigour be maintained without stifling innovation, particularly from emerging vendors?*

These questions introduce both operational risk and uncertainty, particularly for smaller councils without dedicated AI or ethics expertise.

Ethical risk is highly context-dependent: what is appropriate for a chatbot is not what is needed for a decision-support tool that may influence development rights.

The MAV AI Procurement Guidelines for Statutory Planning AI Technologies responded to these tensions. They set concrete governance requirements including pre-deployment bias testing, continuous fairness audits, data sovereignty provisions and mandatory human oversight of all AI-

assisted statutory planning decisions, and are structured to support phased, risk-based implementation. These recognised that ethical capability cannot be built overnight but must be grown alongside use. As one vendor put it: *“We’ll comply - we just need to know what that looks like in a local planning context.”* What is needed is a practical, evolving ethics approach developed in dialogue between councils, vendors and government.

Shared standards and infrastructure

Shared data standards, documentation requirements and platforms are essential infrastructure if AI tools are to scale effectively. The path forward is not uniformity across councils, but interoperable solutions and well-structured systems that leave room for discretion where it matters.

This balanced approach would benefit from State Government leadership and investment to establish common standards and infrastructure, while preserving councils’ ability to address the local needs and context that make planning effective.

Proportionate regulation and governance

Across stakeholder groups there is emerging consensus around a responsive, proportionate approach to AI governance rather than rigid compliance regimes.

Experts with regulatory backgrounds advocate for regulation that builds trust over time and adapts to context, keeping local government judgment at the centre rather than replacing it with compliance checklists, and evolving alongside the technology as lessons emerge from real-world implementation.

This supports a tiered governance framework applying different levels of oversight according to the risk profile of the application: lighter-touch governance for customer service chatbots or document classification tools, and more rigorous requirements for systems that inform planning assessments or recommendations. Such an approach reduces barriers to low-risk innovation while maintaining safeguards where they matter, and aligns with international practice recognising that contextual risk assessment is more effective than blanket rules.

Stakeholders drew a useful parallel with biosecurity management, which requires dedicated hierarchical engagement at national, state and local levels, applies requirements and regulations proportionate to risk, and relies heavily on relationships for monitoring and compliance. There is much for AI regulation to learn from that model.

A moment of readiness, a moment of caution

Victoria stands at a pivotal moment for AI, and it demands more than generic enthusiasm for technology. The consensus across stakeholders is not simply that AI can help, but that getting it right from the start matters profoundly.

Councils, and all levels of government, must lead with a values-first approach: transparency in decision-making, cultural inclusivity and sensitivity to place, support for professional judgment, and data handled with proper stewardship.

Successful adoption requires practical commitments - shared resources for smaller councils, standards that enable collaboration without erasing local context, and governance proportionate to risk.

Most critically, it requires a belief and capability for in house development alongside a shift from traditional client-vendor relationships to genuine partnerships in which local government expertise and technological capability evolve together.

Councils must lead with clear values: transparency in decision-making, cultural inclusivity and sensitivity to place, support for professional judgment, and data handled with proper stewardship. Successful adoption of AI in local government requires practical commitments - first and foremost a coordinated approach and strategic investment to support shared resources for smaller councils, standards that enable collaboration without erasing local context, and governance that's proportionate to risk.

Recommendations on AI in local government:	
1	Connect directly with the National Local Government AI Working Group convened by the MAV on behalf of ALGA.
2	Formally recognise local government as a key partner in national AI policy, and include local government within AI workforce safeguards.
3	Invest in shared, sector wide, civic resilience capability, including shared threat detection, coordinated response protocols and frontline staff protection, treating information integrity as a democratic resilience function analogous to cybersecurity.
4	Fund a coordinated sector-wide capability program covering shared standards, procurement and common governance frameworks to reduce risk and support sector wide standardisation for local government.
5	Adopt tiered, risk-proportionate AI governance distinguishing low-risk service applications from systems informing statutory decisions, with mandatory human oversight for the latter.
6	Require explainability and transparency standards in government AI procurement, distinguishing process transparency from decision transparency, and preventing planning rules from being privatised behind proprietary systems.
7	Establish data sovereignty and stewardship requirements for AI systems processing council-held personal, spatial and planning information.

4 Data centre development regulations and approvals

This Inquiry presents an important opportunity to examine whether existing planning, environmental and infrastructure governance systems are capable of managing AI infrastructure as a long-term strategic issue rather than a series of isolated development applications.

Victorian Councils are very familiar with data centre developments, across varied scales and locations. The sector understands these facilities have become essential infrastructure for a modern digital economy, and for Victoria's and Australia's economic competitiveness. In the Victorian context we have the technology and technical expertise to address the built and natural-environment challenges posed by data centres, but the planning system is not yet equipped to apply strategic or regulatory frameworks at the pace required.

Local government is working rapidly to build these systems, but in a vacuum of oversight and decision making, more time and better processes are needed to align policy, infrastructure planning, and land-use strategy so that data centre growth does not outpace the safeguards required to protect communities and local environments.

The dynamics identified in this paper are system wide and compounding. Individual councils cannot effectively manage these risks alone. A coordinated sector- and nation-wide response is required, including shared monitoring capability, common risk indicators, workforce safeguarding measures, misinformation response protocols, intelligence sharing arrangements and governance frameworks.

This work must be treated as a democratic resilience function analogous to cybersecurity, recognising that trust, participation and institutional legitimacy are critical public assets requiring active protection.

Within the last two years, the uptick in the scale and number of data centre applications has outpacing the trust, transparency and oversight of Victoria's planning, environment, and decision-making frameworks for these types of applications.

A coherent regulatory framework is lacking but is now essential in Victoria. MAV's broader AI research, including the AI Roadmap for Local Government, identified strong sector support for clearer integration between strategic planning, infrastructure policy, energy transition planning and AI governance.

As the tier of government responsible for long-term land-use planning, climate resilience, and community wellbeing, councils are deeply concerned that current regulatory settings are not keeping pace with the scale and intensity of this emerging industry and development typology. Victoria's planning framework contains no clear definitions, mandatory sustainability standards specific to data centres, and without them, the data centre industry's growth risks undoing progress already made in reducing the built environment's carbon footprint.

Many applications are fast-tracked through the Victorian Government's flagship Development Facilitation Program (DFP), which MAV and councils have expressed concerns on the program's opaque decision-making, drain on council resources, and rushed approvals. Councils and communities are left unable to weigh the merits of siting or design of these facilities - yet they carry long-term social, infrastructure and environmental consequences of decisions not made locally.

MAV has sought to engage meaningfully with the Victorian Planning Minister's Office and Department of Transport and Planning (DTP) on these matters, as well as the DFP itself, the Department of Environment, Energy and Climate Action (DEECA) the Department of Jobs, Skills, Industry and Regions (DJSIR) on these matters. We have received positive responses and meet on shared concerns, but also at times discussions have been shut down. We will continue to engage meaningfully and seek to be partners on reform in this space.

The former Victorian minister for economic growth, Steve Dimopoulos ... told an economic forum that it was not a question of how many data centres the state can build but “*what kind of Victoria we build around them*” – Guardian, July 2026

The following sections of this submission address five matters of relevance to this inquiry, and are the most urgent for the local government sector:

1. fragmented governance and the absence of system-wide transparency
2. the community, environmental and infrastructure impacts councils are already managing
3. the intersection of AI and data infrastructure growth with broader infrastructure strain
4. the effectiveness of current regulation
5. the consequences for community trust and democratic legitimacy

Without stronger coordination across federal, state and local government, councils remain in reactive positions where:

1. decisions are made faster than communities can meaningfully engage
2. long-term environmental implications are insufficiently assessed, or not at all assessed
3. councils absorb operational consequences without adequate authority, resourcing or technical support

This submission outlines the current planning issues local governments and communities are experiencing. It also sets out policy to build the kind of community trust that governments and data centre developers should implement for communities hosting data centres and their associated infrastructure.

Decision-making fragmentation and planning issues

No institution has visibility of cumulative demand or aggregate impacts

We have not heard of a single institution or department within Victoria tasked with tracking the total projected electricity demand, water consumption, regional infrastructure loading or land use concentration caused by data centres. We are similarly unaware of how government is monitoring, or has any interest in monitoring, the environmental and community impacts of multiple data centre developments occurring simultaneously across jurisdictions.

MAV understands that some of this work is being undertaken by state government departments as part of the currently under-development Sustainable Data Centre Action Plan¹. However, local government has not been engaged on this work, and at the time of writing this submission, there is no further information available from government on the timing or recommendations and actions stemming from the Action Plan.

¹ Department of Jobs, Skills, Industry and Regions (DJSIR), 2026, Sustainable Data Centre Action Plan <<https://djsir.vic.gov.au/priorities-and-initiatives/ai-mission-statement/sustainable-data-centre-action-plan>>

Fragmented decision making is also creating challenges for accountability. Communities are experiencing the impacts of decisions locally, but responsibility for decision-making is dispersed across multiple agencies and some of the highest, and most inaccessible, levels of government.

These matters are of deep concern to councils and local communities hosting new data centres due to their proposed scale, proliferation and proposed demands on water, energy and impacts on local air quality and environment. Councils are left in an unenviable position of representing community interests, undertaking strategic land use planning for housing and industrial areas and the environment, without statutory decision making powers, or information as to the cumulative impacts from data centre expansion across jurisdictions, infrastructure, and our environmental resources.

In Victoria, councils have reported difficulty in measuring the true scale of projected infrastructure and resource demand as the size and capacity of proposed data centres increases². This is because:

- Individual councils will only see applications within their municipality
- State government is prioritising economic development and strategic investment attraction
- Federal policy settings may focus on national productivity and sovereign AI capability, although recent announcements are seeing increased Federal interest in intervening³
- Water authorities may only assess localised supply impacts
- Energy providers may focus on grid connection and transmission requirements

With no way of understanding aggregate pressures in a coherent national or regional picture, communities can only begin to grasp the localised impacts when there is a data centre proposed near them. For example, one council reported to MAV that they are seeing applications for the energy use for a single data centre being greater than the entire municipality but have not been involved in regional strategic planning discussions or connection planning matters.

The fragmentation issue in Victoria is made worse by the uncertainty of proposed data centres proceeding. Even data centre industry bodies such as Data Centres Australia point to “phantom demand”. They argue that 85% of energy connection requests will not be realised. If accurate, it points to extreme levels of speculative development. Planning for future demand on energy, water and land use is made more difficult when the proponents themselves do not know whether a proposal will proceed or not. There are several risks with this speculative approach from data centre proponents:

- Risks of publicly funded infrastructure being developed with no eventual need; planning for new data centre hubs or precincts happening in isolation rather than systemically
- cumulative environmental impacts being underestimated
- competition between industrial, residential and environmental resource use
- inconsistent conditions and expectations between jurisdictions
- reduced public transparency, and erosion of community trust in decision-making processes

This can make it almost impossible for communities – and in many cases councils themselves – to understand who is accountable, how cumulative impacts are being

² MAVlab Data Centre Talk, April 2026

³ Prime Minister of Australia, July 2026, AI in Australia's interests < <https://www.pm.gov.au/media/ai-australias-interests-0>>

assessed, what long-term infrastructure assumptions are being made, and how trade-offs are being balanced.

Recommendations on Decision Making Fragmentation and Planning Approvals:	
8	Establish a nationally consistent, performance-based policy and regulatory framework for data centres, developed with local government as a formal partner in its design.
9	Establish transparency of grid and water connection queues, published at municipal level, so that genuine proposals can be distinguished from speculative ones and non-genuine applications cease congesting approval pathways.
10	Require cumulative and place-based strategic assessment of siting, addressing grid capacity, water supply and catchment health, ecosystem effects, land-use trade-offs, clustering and local employment.
11	Mandate transparent public reporting of energy, water and emissions performance for all facilities above a defined capacity threshold, through a national database with jurisdictional and municipal-level disaggregation.

Compressed decision-making and lack of transparency

A recurring theme across this submission and case studies is that councils are being required to respond to rapid technological and infrastructure change while operating within fragmented regulatory systems and uneven capability environments.

Many councils are still building foundational capability in data governance, AI literacy, procurement, AI infrastructure assessment, and digital systems integration. At the same time, they have only loose oversight when making decisions on nationally significant digital infrastructure projects.

As this submission has already explained, responsibility for assessing different aspects of data centre development are fragmented across state planning authorities, federal policy and investment frameworks, electricity market operators, transmission providers, water authorities, environmental regulators, and private infrastructure providers.

Data centre proponents point to the uncertain nature of data centre proposals going ahead as reason for damping concern of energy consumption and other individual and cumulative impacts. This uncertainty points to speculative data centre applications that councils spend considerable time and resources assessing. This is true whether the application is with council or is referred to them by state government through the government's fast-track Development Facilitation Program (DFP). In an environment where councils are publicly called to speed up planning timeframes, speculative data centre applications are becoming a frustrating drain on time and resources.

On these matters, we welcome the Australian Government's Expectations of data centres and AI infrastructure developers that *"Non-genuine data centre proposals that congest approval pathways are not welcome. To ensure a focus on well-developed proposals, we are working with industry and networks on improving connection approvals."*⁴

⁴ Department of Industry, Science and Resources (DISR) March 2026, Expectations of data centres and AI infrastructure developers < <https://www.industry.gov.au/publications/expectations-data-centres-and-ai-infrastructure-developers>>

We also welcomed the launch of the Office of AI within the Department of the Prime Minister and Cabinet in July. We understand that the office will coordinate across agencies to design and legislate the new Australian AI standards and training. We support new national mandatory requirements for large AI data centres, including setting standards for energy and water. MAV and local government are seeking a seat at the table.

We also welcome the recent Energy and Climate Change Ministerial Council (ECMC) agreement “to progress regulatory arrangements to mandate that data centres offset their electricity demand by investing in additional renewable generation located in the jurisdiction where the data centre is located...” and “to develop National Electricity Rule change requests for consideration by ECMC in September” to realise the mandate. Also

Singapore's Strategic Pause

Singapore's response to the rapid growth of data centres provides an important international reference point for Australia as it considers the expansion of AI infrastructure.

By 2019, Singapore had become one of Asia's largest data centre hubs, but the pace of development was placing increasing pressure on the country's highly constrained energy, land and water systems. At that time, data centres were estimated to account for around 7% of national electricity consumption, while growing concerns emerged regarding long-term sustainability, infrastructure capacity and the cumulative impacts of approving projects individually rather than strategically.

In response, the Singapore Government introduced a temporary moratorium on new data centre developments. The government was careful to frame the pause as not a rejection of AI or digital infrastructure but to allow government to assess the long-term implications of continued growth and establish clearer policy settings, sustainability standards and infrastructure priorities before proceeding further.

During the pause, Singapore undertook a coordinated review involving planning authorities, energy agencies, environmental regulators and digital economy bodies. When approvals resumed in 2022, they did so under a far more selective framework focused on energy efficiency, sustainability performance, land optimisation and broader national strategic benefit. Only projects capable of meeting significantly higher standards were prioritised.

Singapore's approach demonstrates that AI and data centre infrastructure require special consideration because once they are constructed, their impacts can shape urban systems and public resource allocation for decades.

For Australia, and particularly for local government, the case highlights the value of taking a coordinated and precautionary approach before infrastructure growth accelerates beyond the capacity of governance systems to manage it effectively. It suggests the need for clear national standards, integrated planning frameworks, sustainability benchmarks and stronger assessment of cumulative impacts across regions and communities.

Most importantly, the Singapore example demonstrates that a strategic pause can create the conditions for better long-term outcomes, allowing all levels of government to establish and align on clear rules, improve coordination, build public trust and ensure that AI infrastructure

important in the announcements were the inclusion of adequate firming, demand flexibility and enhancing transparency of data centre energy use.⁵

While we support Federal leadership in this space, Victoria's planning and approval systems are not yet adequately configured to manage the scale, speed and complexity of AI infrastructure demands. The Victorian Government is yet to formally engage with MAV, local government or communities on any proposed state-wide approaches to the location, design and oversight of data centres and their associated infrastructure. Any formal public engagement done to date by the state government has been undertaken without local government or community involvement, despite our sector's critical involvement in the planning and sustainable development of local places and communities.

MAV and CASBE have been working with councils to address the local planning and decision-making difficulties councils have been facing. We have held online collaborative and information sharing forums, and a CASBE working group has advised on commissioned policy and legislative research towards improving clarity on assessing data centre planning permit applications. This collaborative approach has included discussions with other levels of government, advocacy groups and industry bodies.

Victoria's planning framework for data centre development

Victoria's planning system was not designed to assess data centres at the scale and pace of which they are being proposed.

Independent research commissioned by CASBE and CASBE member councils has examined the provisions currently relied upon and the assessments they have produced. The work includes highlighting what legislative support exists, what aspects differ in data centre proposals compared to other development types, what expectations and standards are appropriate in the current context and how to complete technical assessments. The research identifies failures at two levels: the statutory controls do not adequately assess the matters that define data centre impacts, and there is no strategic framework directing where the use should occur.

Councils are advocating to government for planning rules that ensure data centres are located within already well serviced areas with infrastructure like transmission and water, and with appropriate buffers between sensitive uses. This is because the location of data centres has major consequences for nearby communities, local environments, but also the wider local and regional economy where residential, commercial, or agricultural land is being used for data centre development. These matters make strategic siting essential.

To date, MAV, CASBE nor any council in Victoria has been meaningfully engaged with planning reform related to strategic siting and location of data centres. If asked, MAV would advocate for a state-wide strategy, developed with input from local government, to guide the location and development of data centres within designated circular economy and data centre precincts. This could involve applying a similar spatial plan across Victoria used for renewable energy. Assessment for candidate areas would account for environmental, cultural, land use, servicing and engineering criteria, and identify preferred locations before applications are lodged. In these areas, resources access would be tied to community benefits sharing.

⁵ Department of Climate Change, Energy, the Environment and Water (DCCEEW) July 2026, Energy and Climate Change Ministerial Council Meeting Communique Tuesday 28 July 2026 <<https://www.energy.gov.au/energy-and-climate-change-ministerial-council/meetings-and-communications>>

Statutory planning controls

Data centres are not a defined use under the Victoria Planning Provisions. They are assessed as a "utility installation" - a use applying equally to a local telecommunications facility and a facility of globally significant scale. The definition has no scale threshold, so assessment intensity cannot escalate with energy demand, water use or emissions. A utility installation is also permissible across a wide range of zones: most data centre applications are made in the industrial suite of zones and the Urban Growth Zone, but the use is available in residential and rural zones, and applications could feasibly be made in the Mixed Use or Green Wedge Zone.

Lovely Banks – City of Greater Geelong

The situation at Lovely Banks illustrates the risks of poorly located data centre development.

NEXTDC, a major data center developer and operator, has recently purchased around 169 hectares of land previously earmarked for 2,000–2,105 new homes. Residents have raised concerns that the planned housing will no longer eventuate, with essential land and infrastructure capacity instead redirected to a large-scale data centre precinct. Community members argue they have not been meaningfully consulted and that the project's water, energy, and biodiversity impacts are incompatible with the area's intended role as a future residential community.

This case highlights the growing tension between housing supply, employment land, and data centre expansion—and underscores why strategic, community-centred site selection is essential.

Under the industrial zones, a responsible authority may consider drainage, traffic, servicing, interface, streetscape, built form, landscaping, lighting and stormwater. These are the guidelines of a conventional industrial assessment. They do not permit assessment of electricity source or sufficiency, water volume or source, contribution to legislated emissions targets, or off-site heat rejection. The issues driving community concern are those the zone provisions cannot examine.

Regarding environmentally sustainable design, the most specific expectations available to decision makers are the local ESD policies in many schemes, requiring a Sustainability Management Plan for non-residential buildings above a set trigger (commonly 1,000 to 2,000 square metres). That requirement can be satisfied in a way that defeats its purpose: assessments have been submitted covering *only the ancillary office component*, so a headline rating reflects a small share of floor area while the data halls sit outside the assessed scope. This is not the intent of the policies, however it is how they have often been applied.

Clause 65 and section 60 of the *Planning and Environment Act 1987* require consideration of significant environmental, social and economic effects, and of any strategic plan or guideline adopted by a Minister or department. This is the only pathway by which state and federal data centre expectations can presently be considered in a decision.

CASBE's research included a review of recent determinations. It found that energy and water usage did not appear to have formed part of any assessment, urban heat was not considered, and assessment routinely deferred to applicant-prepared plans without interrogation. Environmental risk was generally confined to bushfire and ecology.

Strategic land use planning

We understand that data centre proponents select sites on proximity to fibre, transmission capacity and substation headroom, then test permissibility against the applicable zone. The resulting concentration in outer metropolitan industrial areas and near regional transmission corridors reflects infrastructure availability. Missing here is any assessment of capacity to absorb the development, as outlined throughout this submission.

Data centres are often large in their development footprint, but small in terms of jobs on site. The issue here is they consume serviced industrial land while generating a fraction of the employment and economic benefits of the manufacturing, logistics and advanced industry uses that land was zoned to accommodate and that industrial land planning has sought to protect and grow.

Footscray West – City of Maribyrnong

The experience in Footscray West highlights the institutional unease about siting choices, and community and safety risks that arise when data centres are expanded within established residential areas.

Residents in Tottenham and surrounding neighbourhoods are opposing a proposal to expand the existing M3 facility to four times its current size, describing the centre as “monolithic” and warning that further growth will worsen noise, industrial character, and overall liveability. Concerns extend beyond the community:

Fire Rescue Victoria personnel have raised alarms about the concentration of data centres in the inner west, particularly around West Footscray, citing heightened risks associated with lithium ion battery thermal runaway and the strain such facilities place on emergency response capacity.

Proposals on agricultural land, green wedge areas, or land identified for future housing sharpen the tension between housing supply, employment land protection and data centre expansion. Near sensitive uses, the combination of continuous operation, generator testing, acoustic treatment, security fencing, impermeable surfaces and heat ejection are being managed after the fact through complaints to councils.

Strengthening municipal planning strategies is a direct lever available, but few schemes contain any such direction and councils introducing them face a difficult path where community positions may well diverge from state facilitation objectives.

A state-wide strategy structured around designated circular economy precincts would close this gap, enabling co-location with recycling, energy recovery and advanced manufacturing facilities so that waste heat, water and material flows are captured as inputs rather than discharged as impacts. It would also allow siting decisions to be tested against water availability, including access to recycled and non-potable supply, and against the cumulative carrying capacity of local road, drainage and utility networks.

While the economic benefits of AI infrastructure are often framed as part of national and global social and economic transformations, many impacts are experienced locally. As a combination of storing sensitive and important information, with high electricity demand infrastructure, operating in buildings in highly urbanised areas, data centres are a unique combination.

Old Ford Motors site – City of Greater Geelong

The proposed data centre at the old Ford site in Norlane, Geelong—a long-established industrial precinct bounded by Princes Highway, Melbourne Road and Cowies Creek—illustrates how strategic siting can reduce community impacts.

Unlike locations such as Lovely Banks, this site does not displace planned housing or encroach on sensitive uses; instead, it repurposes a large parcel of former manufacturing land with existing buffers, transport access, and an industrial character already familiar to the surrounding community. Its proximity to major grid infrastructure also makes it a more logical candidate for high-demand uses.

While issues such as energy load, water use, heat and noise, and emergency-response risks still require rigorous assessment, the Ford site demonstrates how directing data centre development to well-serviced industrial land can better align with community expectations and long-term land-use planning.

These matters create important questions regarding social licence, equitable distribution of benefits, local infrastructure burden, and long-term community outcomes. Trust in the development process is sorely lacking. MAV is aware of some examples where councils have found out about a proposed data centre development through local media reporting, land sales reports, or market updates provided to shareholders as part of regular developer reporting.

As our case studies have demonstrated, there are examples where proposals receive local support because proponents engage and work with decision makers to design and site their development in locations that can support the infrastructure and align with local and regional development plans. They also point to the need for AI infrastructure to be more rigorously assessed through integrated planning and environmental assessment frameworks if the data centre industry is to enjoy wider support from communities, councils and other regulators. We urge this inquiry to recommend integrated planning frameworks that consider:

- regional development priorities and land use patterns
- cumulative impacts
- long-term sustainability thresholds
- infrastructure interdependencies, and local carrying capacity

Recommendations on Decision Making Fragmentation and Planning Approvals cont:

12	Victorian Government to provide dedicated funding and access to specialist expertise for councils assessing data centre proposals, recognising the technical demands of energy, water, thermal and network infrastructure assessment.
13	Victorian Government to require disclosure of forecast aggregate electricity and water demand for proposed data centre developments to the relevant council and water corporation at the pre-application stage.
14	Direct data centres to well-serviced industrial land with appropriate buffers from sensitive uses, exclude them from agricultural land, green wedge land and land

	identified for future housing, and require strategic assessment of employment land opportunity cost.
15	Introduce a land use definition for data centres in the Victoria Planning Provisions, with scale thresholds that escalate assessment requirements in proportion to energy and water demand, and restrict their use in rural, green wedge and residential zones.
16	Introduce a particular provision for data centres setting mandatory ESD requirements, application requirements and decision guidelines.
17	Require that sustainability assessments address the whole facility including data halls, and ensure Stage Two of the ESD Roadmap applies expressly to utility installations and sets a floor rather than displacing higher standards councils have adopted.
18	Develop a state-wide strategy to guide the location and development of data centres within designated circular economy precincts, applying the spatial method already used for renewable energy: assess candidate areas in advance against environmental, cultural, land use, servicing and engineering criteria, and identify preferred locations before applications are lodged.
19	Provide model municipal planning strategy and local policy content, developed with the sector, so councils can act consistently.

Fast-tracking data centre development

The Victorian Government's flagship Development Facilitation Program (DFP) seeks to provide *"expedited planning pathways and facilitation services for eligible projects that inject investment into the Victorian economy, keep people in jobs, and create homes for people."*⁶ While these goals are worthy, the program lacks transparency, is a cost shift to hosting communities, and undermines trust in the fairness and overall efficiency of Victoria's planning system.

Under the DFP approval pathway, the Minister for Planning becomes the responsible authority for planning decision making by issuing a planning permit, waive planning scheme requirements, waive application requirements and decisions cannot be appealed to the Victorian Civil and Administrative Tribunal (VCAT). Applications with a construction cost exceeding \$10 million in regional areas or \$20 million in metropolitan areas are eligible for the Development Facilitation Program. Effectively every data centre application in Victoria meets this threshold.

Input from councils is usually sought. This input is often requested in short time frames, with incomplete information, and as a non-determining referral authority the planning minister and the DFP often ignores the advice of the council. CASBE and MAV have identified seventeen data centre applications determined or under assessment through the DFP, fifteen of them lodged within the past two years. In this pathway councils are reduced to referral, and the communities that host these facilities have no right of notice, submission or review.

⁶ Department of Transport and Planning, Development Facilitation Program, 2026 <
<https://www.planning.vic.gov.au/planning-approvals/planning-enquiries-and-requests/development-facilitation-program>>

A recent referral to Hobsons Bay for a data centre in the suburb of Brooklyn, allowed only 14 days to respond to the referral for a proposal worth \$1 Billion that would create significant amenity impacts, little regard for existing residential amenity and is focused on delivering an outcome that would entrench an inactive use in this area of Brooklyn. Council formally requested an extension of time and was advised by DTP *“that it cannot guarantee that a determination will be deferred to accommodate this process”*

A CASBE-commissioned review of recent determinations under the DFP pathway found that:

- energy and water usage did not appear to have formed part of any assessment
- that urban heat was not considered despite occasional reference
- assessment routinely deferred to sustainability and stormwater management plans submitted by applicants without those documents being interrogated.
- Environmental risk was generally confined to bushfire and ecology.

CASBE’s assessment has identified matters that materially affect local communities and that would otherwise pass unexamined, including:

- the exclusion of data halls from sustainability assessment scope so that a facility’s headline rating reflects only its ancillary office component
- the offsetting of stormwater quality obligations to off-site schemes despite poor runoff quality from very large roof areas
- minimal on-site permeability and canopy provision
- the absence of any assessment of off-site urban heat impacts on adjoining residential land.

Where councils are the responsible authority, outcomes are significantly different and more aligned to community concerns. We understand that councils are working together to develop standard approaches to data centre proposals and working together to share information. For example, Wyndham City Council has worked with applicants through the planning system to secure improved outcomes for its community and has commissioned independent expert assessment of proposals against climate change and environmentally sustainable design policy.

Where the Minister issues a permit under the Development Facilitation Program, councils inherit compliance and enforcement of conditions they had no role in setting, and without resourcing. Applicants also pay no application fee to councils, with the fee going to the DFP and state government. Councils have long relied on planning fees, especially from large, complex development, to fund their town planning functions.

With millions of dollars in application fees going to DFP projects, councils are still doing much of the assessment work when requested by the DFP, to improve outcomes and advocate on behalf of communities. These are sharp cost-shifts to local government. MAV has long advocated for application fees to be returned to councils, or at least reasonably shared, for doing assessments and undertaking compliance.

Recommendations on Decision Making Fragmentation and Planning Approvals cont:

20	Require meaningful community engagement and disclosure before approval pathways are locked in, and measurable community benefit commitments proportionate to local impact.
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21	Restore councils to a central role in decision-making, including determining referral status, retention of application fees where councils undertake the assessment, and resourcing for enforcement of conditions on permits issued by others.
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Managing cumulative impacts, and ensuring the community benefits

Data centre proposals currently sit outside any framework capable of capturing their local infrastructure impacts, or community benefits sharing.

Victoria's infrastructure contributions system - development and infrastructure contributions plans under the *Planning and Environment Act 1987* – is designed for residential and greenfield growth and offers no mechanism to recover the cost of pavement damage from sustained heavy vehicle movements, haulage route upgrades, drainage upgrades or open space provision generated by a single high-impact industrial utility use like a data centre.

Councils and the state government can seek to negotiate these matters project by project through permit conditions and a provision in the Act known as Section 173 agreements. To do this work well is a resource-intensive process, inconsistent between municipalities and decision makers in state government, and developments because negotiations are dependent on the proponent's willingness to agree. The benefits put to put to host communities remains largely temporary construction employment.

These are the same issues councils and communities in rural and regional Victoria have long recognised and advocated for change in the renewable energy sector. In recent years, the Victorian Government has sought to resolve widespread community frustration at the lack of meaningful benefits for host communities of renewable energy and associated infrastructure.

Latrobe City Council's Promotion of a Data Centre in Morwell

Latrobe City Council has actively positioned Morwell as a strategic location for data centre investment, aligning economic diversification with the region's transition from traditional coal-based industries. This initiative reflects a broader effort to revitalise the local economy, attract high-value industries, and leverage existing infrastructure amid the municipality's structural shift away from fossil fuel generation.

Latrobe City Council has highlighted several advantages in its investment attraction strategies, targeting developers in the digital and technology sectors. These include the region's high-capacity energy infrastructure due to its historical role in power generation, high data connectivity on the Sydney-Melbourne Aura Network (formerly Intercity Fibre), available industrial land, particularly former energy and manufacturing sites and a skilled workforce transitioning from the energy sector.

Council advocacy has included improved planning processes, engagement with state government agencies, and promotion of Morwell's connectivity. By emphasising these factors, Council has sought to position Morwell as a cost-effective alternative to metropolitan data centre hubs.

Council's proactive support for a data centre in Morwell demonstrates a strategic approach to regional development. By leveraging existing infrastructure, promoting sustainable energy use, and actively facilitating investment, the Council aims to transform Morwell into a key node in Australia's growing digital infrastructure landscape.

The Government is now putting forward new frameworks to ensure communities can benefit from transmission and project development in their region.

The Victorian Transmission Plan (VTP) sets out a new long-term strategic plan for transmission and renewable energy zone development in Victoria. Through the VTP and associated frameworks, the State Government is seeking to move beyond ad-hoc benefits towards a mandated, standardised benefit framework for projects located in Renewable Energy Zones.

The Renewable Energy Zone (REZ) Community Benefits Plan, to be released in 2026, will establish a REZ Community Energy Fund for each region hosting a zone, alongside benefits for landholders, significantly impacted neighbours and Traditional Owners. Delivery is proposed to be financed through mandatory contributions from transmission companies and generation and storage developers within REZs, exceeding any discretionary payments developers might otherwise make.

Councils are still seeking clarity on several elements of the REZ Community Benefits Plan including:

- minimum contribution thresholds,
- governance arrangements,
- indexing,
- compliance mechanisms and
- compensation paid to councils for the local infrastructure costs the transition imposes

The MAV has called for additional state-local government engagement and co-design of the final plan (for further information see [MAVs July 2026 submission](#) on the Draft 2026 Victorian Transmission Plan Guidelines).

Critically, benefit-sharing will be made a condition of market access. Under the recently released Community Engagement and Social Value Guidelines, developers must demonstrate they will meet government expectations on community engagement and benefit sharing. It will be important for the State Government to develop compliance and enforcement mechanisms to ensure developers meet these expectations.

A similar regulatory approach could be applied to data centre proposals due to their scale, lack of community support and perceived benefits, and especially likely impacts on local and regional natural resources. A data centre benefits sharing framework should combine a State-set, mandatory community benefit contribution scaled to facility capacity with a clear and enforceable mechanisms for local infrastructure cost recovery, impacts on the environment and energy resources, drainage issues, utility upgrades and expansions. Councils must be involved in the design of such a framework.

Without a benefits-sharing regime, Victorian councils and host communities will continue to carry the enduring costs of nationally significant digital and AI infrastructure while their communities receive little tangible value.

Recommendations on Decision Making Fragmentation and Planning Approvals cont:

- | | |
|----|--|
| 22 | Establish a mandatory mechanism for recovery of local infrastructure costs generated by data centre development, covering road pavement and haulage route damage, drainage augmentation and open space provision, with contribution rates set by the State rather than negotiated project by project. |
|----|--|

23	Establish defined community benefit contributions for data centre developments, with minimum thresholds, governance arrangements, indexing and compliance mechanisms specified at the outset and a defined role for local government in design and governance.
24	Fund independent readiness and impact studies for municipalities hosting or proposed to host significant data centre capacity, covering workforce, housing, local infrastructure and aggregate demand for water and energy.

5 Environmental impacts

The Inquiry's focus on energy, water, and environmental impacts is particularly important from a local government and community perspective. Without stronger strategic guidance, poorly located or weakly regulated facilities risk eroding community safety and liveability and straining essential services.

This submission makes it clear that planning and environment regulation to date has not been designed with the scale and pace of data centres development we are now experiencing. These matters have become another case study of how a new issue has outpaced reform and community expectations.

Data centres concentrate extraordinary environmental demand on single sites, at a scale Victoria's environmental regulations have not anticipated. As a result, current regulations assess some impacts and fail to consider others in a systems-wide context.

This section examines water, emissions, urban heat, air quality and noise, and the gaps in current controls across each.

Water

Water impacts from data centre development are critical concern. There are concerns that without a regional or catchment oversight, proliferated data centre development risks the water supply, ecosystem health and the broader climate resilience in an expected hotter and dryer climate.

Many data centres are using potable (drinking quality) water for cooling – this is a low value use. Other data centres are seeking to use recycled water for cooling in their centres, which should be supported and the technology further developed and mandated. Use of recycled water is preferable to use of drinking water, especially in Victoria's (and Australia's) dryer environment.

Examples of near zero potable water consumption have been proposed, including by CDC developments who propose closed-loop liquid cooling systems which don't evaporate water to the environment for the purpose of facility or technology cooling. Our members have reported that by referencing commitments in other recent applications as evidence of current industry practice, officers were able to negotiate lower water use cooling systems in two recent applications.

As is widely reported, data centres commonly use Water Usage Effectiveness (WUE) as the metric for appropriate facility design for efficient water consumption. CASBE member councils are working with consultants on setting best practice WUE for data centres in Victoria with early indications pointing to a maximum WUE of 0.4.

While WUE is important, the projected water consumption is critical as very large data centres could be large water users, even when considered relatively water efficient. For example, a 1GW data centre with WUE of 0.4 could consume 9.6ML of water in a day, equivalent to more than 60,000 people in their homes.

In parts of the world where droughts are common, Victoria being one of those, drinking quality water must be protected and preserved. Victoria already has an identified shortage of potable water. As noted in the Central and Gippsland Region Sustainable Water Strategy 2022 "Currently Melburnians use 50 to 70 gigalitres more water per year on average than flows into our storages, depending on rainfall, with desalinated water orders currently meeting this gap. While demand for urban water is growing, the availability of water in our rivers is declining."

A key response to this is included in Infrastructure Victoria's 30 year infrastructure strategy with "Manufactured water, like desalination and recycled drinking water, can add new sources to the system. But large projects can take up to 10 years to plan and build. Melbourne, Geelong and Bendigo face future shortfalls and ageing assets. Victoria must secure new sources in time to meet demand and protect rivers." It would be imprudent to allow high water use data centres to operate while we have a shortage for communities, agriculture, environmental flows and Traditional owners.

Energy use and emissions

Councils are seeing proposals for data centre sites nearing 1,000 MW (or 1 GW).

We understand at least two sites are proposed to host data centres are proposed to consume more energy consumption than the Portland Alcoa Aluminium Smelter - currently the biggest single user of electricity in Victoria. Each data centre would be over 10% of the peak demand for all of Victoria. Another proposed data centre campus proposed for a 350 hectare site in Plumpton, north west of Melbourne, is reported to required up to 2.4GW or 3.1GW for electricity use.

It's worth noting that Victoria's all time maximum peak demand was on 27 January 2026 at 10.7GW, which caused blackouts on the grid. Projects proposed at these levels of energy consumption require community engagement, and community benefits frameworks, that are meaningful, and are seen as such.

The scale of data centre proposals also undermines carbon emissions reduction. Such significant contributions from electricity-related greenhouse gases, diesel backup generation and embodied construction carbon demand far stronger transparency, regulation and long-term mitigation planning in a climate context. For example, recent announcements by the Victorian government include a \$1.3 billion battery energy storage system in Morwell. The battery will be able to power "344,000 homes during peak demand" or a single 1 GW data centre for 4 hours during a grid outage.

Data Centres Australia has highlighted that "*cloud and AI inferencing workloads require continuous availability – they cannot be curtailed during peaks. Load shifting is not feasible for co-location operators, which do not control customer workloads*".⁷ We can therefore expect the Plumpton site alone to increase peak demand in Victoria by more than 20%.

MAV noted in its July 2026 submission on the Draft 2026 Victorian Transmission Plan Guidelines that each scenario informing the 2027 Plan factors data centre demand into future energy needs. AEMO estimate data centres could consume up to 19 per cent of Melbourne's electricity grid by 2050, up from approximately 2 per cent in 2025.

Existing legislation exists to test these environmental impacts. It does not appear to have been applied to data centres to date. The *Environmental Effects Act 1978* includes triggers for environmental impact assessment. The individual trigger criteria of "Potential for greenhouse gas emissions exceeding 200,000 tonnes of carbon dioxide equivalent per annum (direct and indirect) attributable to the operation of the facility." would be far exceeded by a 100MW data centre when Victorian grid emissions intensity and partial renewables are applied.

⁷ Data Centres Australia, February 2026 "*Principles in isolation can't achieve sustainable outcome*", accessed 27 July 2026 <<https://datacentres.org.au/principles-in-isolation-cant-achieve-sustainable-outcome>>

The NSW Secretary's Environmental Assessment Requirements (SEARS) planning assessment process is a model that Victoria could adopt to improve transparency and rigour in data centre assessments.

The dual/combined trigger of "Potential for extensive or major effects to human health or the environment, or displacement of residents, from pollution or waste emitted to air, land, water or groundwater." also warrants further exploration to address the human health impacts discussed in the following two sections.

Compounding Demands on Energy and Water - ABC

An ABC News report (May 2026) examining the rapid growth of AI-driven data centres in Australia highlights mounting concerns that the sector's escalating demand for electricity and water could significantly undermine the nation's energy transition and place growing pressure on essential infrastructure systems.

The report estimates that electricity consumption from Australian data centres could increase more than sixfold between 2024 and 2040, rising from approximately 2% to as much as 13% of total national electricity demand. Analysts suggest that the additional energy demand generated by AI infrastructure may exceed the electricity required for the large-scale electrification of homes and vehicles combined.

This creates a compounding challenge for Australia's energy transition, decarbonisation and rapidly growing AI demand simultaneously.

The report also highlights growing concerns regarding water use. Large hyperscale data centres require substantial cooling systems, many of which rely heavily on water-intensive processes.

Sydney Water modelling cited in related reporting warns that data centres could account for up to 25% of Sydney's drinking water demand by 2035 if current growth trajectories continue.

These pressures are expected to intensify during periods of heat, drought and climate volatility, creating potential competition between industrial cooling requirements, residential consumption and environmental water needs.

Urban Heat

Data centres present new challenges in combating the urban heat island effect. We understand that data centres import massive amounts of energy to a single site and then exhaust that as waste heat into the neighbourhood, effectively using the neighbourhood as a heat sink. The urban heat island effect is therefore a significant risk for proposals located close to housing or other sensitive uses like schools, hospitals and recreation facilities. While industrial land use buffers exist for other off-site impacts including odours, Victoria does not include buffers for exhausted heat.

Urban heat impacts from data centre development are a significant concern, as large heat-emitting facilities can intensify local heat islands, reduce neighbourhood thermal comfort and compound climate-resilience challenges in already warming urban environments.

Further, there are no legislated limits to local heat exhausting, at least in Victoria.

Well-designed and consulted planning policy including buffers from sensitive uses and considering local context would help protect people from 'data centre induced heat stress'.

This heat also presents an opportunity where the waste can be turned into a useful resource. Planning has not been designed to deal with the situation where there is such a large amount of residual heat with no proposal from an operator for how to mitigate its impact. However, we can learn from parallels with expectations for how off-site impacts are dealt with for stormwater quality, flow and volume. If a proposal can't reduce the impact onsite sufficiently, then offsite options are explored. For heat, there are energy re-use opportunities onsite or offsite. For offsite, precinct planning / colocation opportunities emerge with capturing data centre heat for other uses nearby like an aquatic centre, hydroponic food growing or manufacturing requiring low to medium grade heat. It can also be onsite - for example CSIRO have a technology being used on sites using waste heat to desalinate mining water, another is adsorption cooling which uses heat instead of electricity to drive cooling.⁸

It is still unclear, however, how massive amount of energy that data centres import as electricity and turn into heat can be assessed. Using the neighbourhood generally as a heat sink is not appropriate and isn't safe for residents within 35m who won't have a say given notice and review exemptions.

We also understand that the urban heat impact of data centres is exacerbated by poor landscape outcomes resulting from operational security requirements and extensive underground services. Proposed tree canopy cover is typically in the range of 1-2% and sometimes as low as 0.3%. For example, one council oversaw applications where:

- perimeter security fences had a 3m clearance zone around them, prohibiting the planting or retention of canopy trees or large shrubs within the security clearance
- fenceline setbacks were not positioned to allow any tree planting – in some cases prohibiting tree planting in the landscaped street setback.
- Tree provision is not prioritised in site planning that seeks to maximise building footprint
- Underground services restricting deep soil planting. These issues arise throughout the approval and endorsement process. This was evident where the initial submission showed 157 trees, but subsequent plans showed 57 trees, plans submitted for final planning satisfaction showed just 18 trees

Air and noise impacts quality

Air-quality impacts from data centre development are a significant concern. The Environment Protection Act and related regulations cover noise and air quality but not waste heat controls. This is not surprising given large industrial energy users near the scale of data centres such as aluminium smelters have rightly been located well away from urban population centres.

Emissions from data centre development are a growing environmental concern, especially in highly urbanised locations close to residential areas.

⁸ CSIRO, accessed 31 July 2025, Mine wastewater treatment < <https://www.csiro.au/en/work-with-us/industries/mining-resources/social-and-environmental-performance/mine-wastewater-treatment>>

The heavy reliance on diesel backup generators can release concentrated bursts of particulate pollution, nitrogen oxides and other harmful pollutants that degrade local air quality and pose health risks for nearby communities.

Greenhouse gas emissions and local air quality are being impacted by diesel generators at data centre sites. Diesel generators proposed as backup only are being used by some data centre operators as grid firming with operators being paid for this service through the energy market mechanisms. This should not be supported. Noise pollution from data centre development is a significant concern, as continuous mechanical cooling systems and periodic diesel-generator testing can elevate ambient noise levels and undermine neighbourhood amenity in surrounding communities.

As noted in the Footscray West case study, community concerns include noise impacts. This impact is mostly felt by nearby residents due to the 24-7 operational nature of data centres and the large cooling systems required.

Existing controls under the Environment Protection Act should be reviewed to ensure they are fit for purpose for data centres.

Recommendations on environmental impacts:	
25	Investigate appropriate methods to mandate renewable generation commensurate with each facility's load.
26	Require fit-for-purpose water use, prohibiting potable water for cooling where recycled water or closed-loop and non-water technologies are available, with catchment management oversight of demand.
27	Introduce waste heat controls and set air quality conditions governing generators with legislated limits on off-site heat exhaust, and investigate incentives for beneficial heat reuse.
28	Clarify referral triggers under the <i>Environment Effects Act 1978</i> as they apply to data centres, and test at least one representative Victorian proposal against the existing greenhouse gas and pollution criteria.

6 Community trust and democratic legitimacy

This submission outlined the system gaps and understanding of the impacts of AI in local democracy, and how councils are grappling with, and working together to ready themselves. It has also outlined the impacts of data centres on local resources, energy and land. Local communities are grappling with legitimate concerns about the amenity and environmental impacts of the rapid surge in AI and data centre development across Australia.

Navigating these complex contexts requires councils to mediate tensions and competing priorities, often with incomplete information in heightened emotional environments and under significant financial strain.

Community concerns for the future of their local economies and places in an AI-enabled world, with compounding energy demand and water consumption required to run it, along with impacts to air quality, noise, fire safety risks, the strain placed on local infrastructure and concerns about sovereign capabilities are building.

These concerns are amplified when proposed data centres involve substantial environmental footprints, unclear local benefit, opaque commercial arrangements, or limited public understanding of AI systems and their infrastructure impacts. Broader concerns about the rapid pace and scale of these developments amplify these concerns.

A consistent theme across MAVlab's Community Connections research is that trust in institutions is increasingly shaped through everyday experiences of responsiveness, transparency and perceived competence.

The above are all legitimate matters to investigate and are likely the drivers behind why the Senate is investigating these matters through this inquiry.

Councils sit at the centre of this tension in their communities. As more decisions on AI and data centre development are centralised to state government 'facilitation' processes, local government and neighbours to proposals have limited, and at times no, visibility or influence. Fast tracked decision timeframes puts pressure on, and reduces the ability of, local governments, community groups and individuals to meaningfully provide input to data centre proposals. Despite this, as the most visible and accessible arm of government, councils are often the first institution that communities turn to with questions, frustrations, and fears about the future, regardless of whether councils hold direct authority over a data centre or similar proposals.

MAV, CASBE and MAVLab strongly advocate for the critical role that councils play in mediating tension and maintaining trust between community and government. Maintaining trust will require all levels of government to communicate more clearly about trade-offs, improve transparency around infrastructure impacts, establish clearer public accountability mechanisms, and ensure communities are meaningfully engaged before AI transformations or major infrastructure pathways become locked in.

The recommendations we provide to this Inquiry present a pathway forward that we urge you to adopt.

MAV would be pleased to provide clarification on any information in this submission. For further information, please contact MAV inquiries at inquiries@mav.asn.au

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