

DATA CENTRES AND ARTIFICIAL INTELLIGENCE INFRASTRUCTURE:

DRAFT POSITION PAPER FOR COMMUNITY AND STAKEHOLDER CONSULTATION

AUGUST 2026



Acknowledgement of Traditional Owners

The City of Melbourne respectfully acknowledges the Traditional Owners of the land we govern, the Wurundjeri Woi-wurrung and Bunurong / Boon Wurrung peoples of the Kulin and pays respect to their Elders past and present. We acknowledge and honour the unbroken spiritual, cultural and political connection they have maintained to this unique place for more than 2000 generations.

We accept the invitation in the Uluru Statement from the Heart and are committed to walking together to build a better future.

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Executive Summary

Artificial intelligence (AI), cloud computing and digital services are becoming increasingly important to Melbourne's economy, productivity and research capability. These technologies are expected to drive growth across knowledge-intensive industries including technology, finance, professional services, health, education and advanced manufacturing.

These benefits depend on physical infrastructure - particularly data centres and supporting AI infrastructure - that provide the computing capacity needed to power digital services, research, innovation and emerging AI applications. As a result, data centres are increasingly recognised as enabling infrastructure for the digital economy.

The policy challenge is not whether data centres and AI infrastructure should be accommodated, but how they are planned, located, powered, designed and governed so that economic and innovation benefits are realised while strategic land, community amenity, climate commitments and infrastructure capacity are protected.

City of Melbourne supports the role of data centres and AI infrastructure in enabling Melbourne's digital economy, provided development is in located appropriate locations, supported by planning and regulatory settings that manage impacts, provide transparency and deliver local benefit.

This draft Position Paper sets out City of Melbourne's proposed policy positions for public consultation. It is intended to support a clear local position and inform advocacy to the Victorian and Australian governments.

The policy challenge in brief

AI infrastructure is critical to Melbourne's future economy

Data centres support AI, cloud computing, digital services, government systems and business innovation.

The scale of development is changing

Growth is shifting from smaller enterprise facilities toward larger hyperscale and AI-focused infrastructure, with much greater land, energy, water and network requirements.

Local impacts need clearer management

Large data centres affect strategic employment land, infrastructure capacity, emissions, water security, amenity and the public realm.

City of Melbourne has an important role

City of Melbourne is well positioned to shape local policy, inform major planning decisions, represent community interests and advocate for stronger state and national regulation.

Draft positions for consultation

The draft positions focus on facilitating AI and digital economy growth, suitable locations, fit-for-purpose planning controls, better governance and data, environmental risk management and clear local benefits.

1. Introduction

1.1 Why this paper is needed

AI is bringing extraordinary change across economies, communities and public services. It can support productivity, innovation, research capability, health, education, advanced manufacturing, professional services and more efficient delivery of government and business services. The Australian Government's National AI Plan identifies smart infrastructure, domestic AI capability and investment attraction as central to building a productive, resilient AI-enabled economy.

Data centres are the physical infrastructure that underpins AI, cloud computing and digital services. Increasingly, they are recognised not simply as a utility, but as enabling infrastructure that supports investment, innovation and productivity across the economy. By providing the computing capacity required for research, advanced manufacturing, financial services, health technologies, education and other knowledge-intensive industries, they can influence Melbourne's ability to attract, retain and grow high-value economic activity.

At the same time, rapid growth in data centres and AI infrastructure is creating planning, environmental, infrastructure and community challenges. These include competition for scarce strategic land, very large electricity and water demand, emissions risk if new demand is not matched by additional renewable energy, local amenity impacts and limited public transparency about cumulative resource use.

This work responds to the Future Melbourne Committee resolution of 3 February 2026 to explore responsible utilisation of AI infrastructure, including data centres. The resolution sought work on best-practice planning guidance, community and economic benefits, environmental risk management, collaboration and advocacy.

1.2 Scope of the paper: infrastructure, not AI regulation

The focus of this Position Paper is the physical infrastructure that supports AI and digital services, and the urban systems it relies on: land, energy, water, buildings, cooling, waste heat, transport, local amenity, planning controls, community engagement, reporting and infrastructure coordination.

It does not outline positions to regulate the use of AI, algorithms, copyright, privacy, automated decision-making or digital services. Those matters are principally addressed through national policy and sector-specific regulation.

1.3 The policy challenge for Melbourne

The City of Melbourne is the engine room of the Victorian economy, generating around 22 per cent of the state's economic output within a 38 square kilometre municipality. This economic strength is grounded in a broad range of industries, a thriving knowledge economy, innovation hubs and vibrant mixed-use precincts. These sectors are well placed to benefit from AI adoption and digital innovation. However, Melbourne is also a dense, liveable and highly contested urban environment where infrastructure decisions must support long-term land use, climate, housing, employment, community and public realm objectives.

As a leading knowledge economy, Melbourne has a significant opportunity to benefit from AI adoption, digital innovation and technology investment. Access to appropriate digital infrastructure will play an important role in supporting research institutions, businesses, government services and innovation precincts that rely on advanced computing capacity.

City of Melbourne's proposed position is that data centres and AI infrastructure are important enabling infrastructure for Melbourne's future economy and should be facilitated where they support innovation, productivity and public value. However, development must also be located and designed in ways that are suitable for the local context, aligned with infrastructure capacity, consistent with climate and water security goals, transparent to the community and supported by clear local benefits.

1.4 Approach to developing this paper

This draft Position Paper has been developed to signal City of Melbourne's intent and emerging priorities for data centres and AI infrastructure. It provides a common reference point for community and stakeholder consultation, future local policy work and advocacy to the Victorian and Australian governments. The paper focuses on the impacts and opportunities most relevant to the City of Melbourne community, including land use, infrastructure capacity, environmental performance, amenity, governance, transparency and local benefit.

The paper has been informed by a review of legislation, government policy, planning material, research, media reporting, industry insights and analysis and global best practice. It also draws on City of Melbourne data and

spatial analysis, internal consultation with City of Melbourne staff, and advice received through engagement with Victorian Government agencies, peak bodies, sector stakeholders, utilities, climate and environmental groups, renewable energy stakeholders and global city networks including C40. These inputs have been used to identify the key policy issues requiring a response and to frame draft positions for consultation.

2. Background: data centres and AI infrastructure

2.1 What are data centres and AI infrastructure?

A data centre is a secure facility that houses servers, storage systems, networking equipment and supporting systems to process, store and transmit digital information. Data centres vary considerably in scale, function and impact. The distinction between smaller existing facilities and emerging hyperscale or AI-focused infrastructure is important because larger facilities have materially different land, energy, water and urban design implications. Some examples are included below.

Type	Description	Location	Example
Edge	Small modular (between 1 and 10 MW), decentralised facilities located close to end-users to maximise data speed	Commercial office towers, within high employment land uses, for example hospitals	Leading EdgeDC, Newcastle  Image source: Leading Edge Data Centres
Enterprise / co-location	Medium (around 10MW)	Business parks, industrial areas.	Next DC M1, Port Melbourne  Image source: NEXTDC, M1 Melbourne Data Centre
Hyperscale	Large campuses (above 10 MW)	Industrial precincts	Next DC M3 Melbourne, West Footscray  Image source: Joe Armao, The Age, "West Footscray data centre bids to double in size amid nightmare construction", 24 March 2026.

There is no single legislation that outlines how data centre sizes are defined. However, the CSIRO report *Data Centres and the Australian Energy Sector* (2021), refers to small scale data centres as below 10 megawatts, with large scale referred to any centres above 10 megawatts.

Known data centre development activity is already established in the City of Melbourne and Greater Melbourne, including facilities in and around the CBD, Docklands, West Melbourne and Fishermans Bend. City of Melbourne analysis identified approximately 15 data centres operating across 12 sites within the municipality, and approximately 52 sites across Greater Melbourne, with further applications and approvals in the pipeline.

An emerging type of data centre are those designed to focus on AI training and supporting Large Language Models, often referred to as an 'AI Factories'. These types are typically greater than 10MW and are commonly located on the periphery of cities and in regions as they have minimal latency needs and large space requirements. Although this is potentially an emerging type of data centre, they are continuing to be referenced under both enterprise or hyperscale designs.

2.2 What is changing?

The scale and pace of proposed data centre investment has changed. Most existing data centres in Greater Melbourne are traditional enterprise, government or co-location facilities, while much of the emerging development pipeline is for larger hyperscale and AI-focused infrastructure. This changes the policy task from assessing isolated developments to planning for cumulative land, infrastructure, environmental and community impacts of significantly larger-scale data centres.

Data centres and AI infrastructure are increasingly functioning as catalytic infrastructure, supporting the growth of knowledge-intensive industries, innovation precincts, research institutions and digital services across the economy. The Victorian Government estimates that artificial intelligence could contribute up to \$30 billion to Victoria's economy over the next decade, driving growth in high-skilled, knowledge-intensive industries. Many of these jobs are expected to co-locate in central Melbourne alongside established technology, research, finance, health, education and professional services clusters.

At the same time, Australian Energy Market Operator (AEMO) commissioned analysis by Oxford Economics Australia identifies data centres as an increasingly important source of electricity demand for energy system planning. AEMO's planning materials indicate that data centre electricity demand could grow substantially over coming decades, requiring careful coordination with renewable generation, storage, transmission and connection processes.

2.3 How are data centres currently regulated?

In Victoria, data centre development is primarily managed through the planning system. Some proposals are assessed by councils, while eligible projects may be assessed directly by the Minister for Planning through the Development Facilitation Program (DFP) under Clause 53.22 of the Victorian Planning Provisions for significant economic development. Clause 53.22 expressly identifies data centres, with eligibility thresholds applying in metropolitan and regional Victoria.

Where Ministerial pathways apply, public notice and referral requirements may still apply unless exempted elsewhere in the planning scheme. However, the Minister becomes the responsible authority and decisions cannot be appealed to VCAT, which can reduce the influence of local government and community input compared with council-led assessment pathways.

A City of Melbourne review of the Ministerial Permits Register identified that, of approximately 52 data centres in Greater Melbourne, 10 permits have been granted through Clause 53.22 since it came into operation in October 2020, with a further 5 data centre applications under consideration as of July 2026.

While data centres are recognised in the DFP eligibility pathway and are often described in permit material as a form of utility installation, they are not supported by a dedicated, scale-sensitive planning framework in the Victorian Planning Provisions. Existing settings do not provide a comprehensive data centre-specific definition, tailored assessment requirements or consistent performance benchmarks for energy, water, emissions, urban design, amenity, community benefit or cumulative impacts.

2.4 Existing and emerging policy directions

The Australian Government's *National AI Plan* seeks to build an AI-enabled economy through smart infrastructure, domestic AI capability and global investment, while also managing risks. In July 2026, the Prime Minister announced a proposed *Australian Standards for AI framework*, including standards for large data centres on new power supply, connection costs, demand response, water efficiency, appropriate locations and community input.

The Victorian Government's *AI Mission Statement* identifies data centres and digital infrastructure as a key pillar of Victoria's AI ecosystem. The *Sustainable Data Centre Action Plan* aims to coordinate investment, planning, energy,

water, land and workforce needs, and strengthen Victoria's position as a leading data centre investment destination.

These policy directions signal a shift toward stronger regulation and coordination. However, many settings remain in development and do not yet amount to enforceable local planning controls or transparent performance requirements that can be consistently applied to data centre proposals.

Case study: NEXTDC M4 data centre, Fishermans Bend

Scale and infrastructure requirements

- Approved as a large-scale data centre development comprising three data hall components and associated office space.
- The campus is planned to provide 162MW of digital infrastructure capacity and incorporate a hyperscale AI factory and Technology Centre of Excellence.
- Data centre developments of this scale require substantial electricity, cooling, water and digital connectivity infrastructure to support operations.
- The campus is intended to support artificial intelligence, advanced manufacturing, defence technology, research and industry collaboration.

Location within a strategic employment precinct

- Located at 127 Todd Road, Port Melbourne, on the former Westgate Park Printing Complex site within the Fishermans Bend Innovation and Employment Area.
- Fishermans Bend is identified by the Victorian Government as a major employment, innovation and advanced manufacturing precinct.
- The proposal demonstrates the growing role of strategic employment precincts in accommodating digital infrastructure alongside advanced manufacturing, technology and other employment-generating activities.

Approval Process

- A planning permit was issued for the use and development of the land for a data centre.
- The application was assessed through the Victorian Government's Development Facilitation Program (DFP) under Clause 53.22 (Significant Economic Development).
- Clause 53.22 enables eligible significant economic development applications, including data centres in the digital technologies sector, to be determined by the Minister for Planning rather than the relevant local council.
- The application was received on 24 October 2025 and a permit was issued on 16 January 2026.



Image source: NEXTDC, M4 Melbourne Digital Campus (artist's impression), Fishermans Bend, Port Melbourne.

3. Roles and responsibilities

Data centres and AI infrastructure rely on decisions made across multiple levels of government, regulatory agencies, infrastructure providers and industry. This can create challenges where the organisations responsible for key decisions are not always the same organisations responsible for managing local impacts and community concerns. Clear roles, responsibilities and accountability mechanisms are therefore essential to support coordinated planning, effective oversight and meaningful community engagement.

Actor	Role	Key levers
City of Melbourne	• Lead local strategic policy • Assess some planning applications • Advise on Ministerial applications • Engage community • Build evidence • Advocate for reform • Embed directions in municipal planning and precinct work	• Local planning policy • Local evidence • Advice on state processes • Community engagement and advocacy
Victorian Government	• Set and reform the planning framework • Assess major and priority projects • Coordinate energy, water, land and infrastructure planning • Prepare state-wide strategies and precinct plans • Set climate and emissions policy and targets for the state	• Victorian Planning Provisions • Melbourne Planning Scheme approval pathways • Energy and water policy and reporting • Development Facilitation Program
Australian Government	• Set national AI, energy, climate, critical infrastructure, data, investment and reporting frameworks • Coordinate national standards • Set market settings	• National AI Plan • Proposed Australian Standards for AI • National Electricity Market settings • National reporting and standards
Industry	• Select sites • Design and operate facilities • Disclose impacts • Fund infrastructure requirements • Minimise environmental and amenity impacts • Deliver local benefits	• Planning applications • Operational practices • Procurement • Energy and water contracts • Community engagement and reporting

3.1 City of Melbourne's role

City of Melbourne's role is to lead, partner and advocate. The City of Melbourne can set local policy directions, support strategic land use planning, assess or advise on planning applications, engage with affected communities and advocate for state and national settings that protect local amenity, infrastructure capacity and climate outcomes.

The City of Melbourne does not directly control the National Electricity Market, water utility planning, national AI regulation, major grid connections or all planning approval pathways. For this reason, the Position Paper is both a local planning statement and an advocacy platform.

3.2 Victorian and Australian Government roles

The Victorian and Australian governments hold many of the levers required to manage data centre growth. These include planning scheme reform, major project approvals, planning for priority precincts, energy and water system planning, emissions regulation, infrastructure cost allocation, national data collection and mandatory performance standards.

3.3 Industry role

Industry has a central role in ensuring data centre growth earns and maintains public trust. Developers and operators should demonstrate why a location is required, fund the infrastructure needed by their project, minimise

environmental and amenity impacts, disclose site-level and cumulative impacts where appropriate, and deliver measurable local benefits where local communities experience impacts.

C40 Global Urban Data Centres Pact

The C40 Global Urban Data Centres Pact was launched on 23 June 2026 during London Climate Action Week. The initiative was jointly led by the Cities of Melbourne and Phoenix through the C40 Cities network, in response to the rapid growth of data centres and the increasing impacts they can have on energy systems, water resources, land use and local communities. The Pact was endorsed by 41 cities across six continents, representing more than 90 million people.

Purpose

The Pact establishes a shared vision for ensuring that data centre growth supports the digital economy while also delivering positive outcomes for cities, communities and the environment. It aims to guide industry and governments toward data centre development that is sustainable, resource-efficient, well-integrated into urban areas and beneficial to local residents.

Key principles of the Pact

- Strategic urban integration – locating and designing data centres to support broader city planning objectives and minimise local impacts.
- Sustainable and resource-efficient operation – improving energy, water and emissions performance, including greater use of renewable energy and efficient cooling technologies.
- Community engagement and transparency – ensuring local communities are informed and involved in decision-making about major data centre developments.
- Shared prosperity and affordability – maximising local economic benefits while managing impacts on infrastructure, energy systems and the cost of living.
- Collaboration with industry – encouraging data centre operators, investors and governments to work with cities to deliver responsible and sustainable digital infrastructure.

This is the first global commitment by cities to set common expectations for sustainable urban data centre development and reflects a growing recognition that local governments have an important role in shaping the future of digital infrastructure.

4. Issues requiring a policy response

4.1 Facilitating AI and digital economy growth

Data centres and AI infrastructure are increasingly recognised as enabling infrastructure for economic growth, innovation, research, digital services and productivity. While individual facilities may generate relatively limited direct employment, they support a much broader ecosystem of economic activity by providing the digital infrastructure required for AI, cloud computing, cybersecurity, advanced manufacturing, health technologies, financial services, research and education.

As AI adoption accelerates, access to secure, reliable and scalable computing infrastructure will become increasingly important to Melbourne's competitiveness as a knowledge economy. Data centres can act as catalysts for investment, innovation and technology-intensive industries by supporting the conditions needed for businesses and institutions to develop, deploy and use advanced digital technologies.

A key policy challenge is ensuring planning and regulatory frameworks facilitate investment and innovation while protecting strategic land, infrastructure capacity, environmental outcomes and community amenity. Well-designed policy settings can provide certainty for industry, support Melbourne's competitiveness and help ensure data centre development contributes positively to long-term economic, social and environmental objectives.

4.2 Strategic land use and employment land

Large-scale data centres can consume substantial land while generating relatively low direct job density compared with other industries including innovation, advanced manufacturing or mixed-use activities. In space-constrained precincts, this can create significant opportunity costs where sites are strategically important to long-term city planning objectives.

This issue is particularly important in Fishermans Bend, where the Employment and Innovation Area has a long-term vision as an innovation-led employment precinct and a target of 40,000 jobs by 2050. Data centre proposals in strategic precincts should therefore demonstrate a clear functional need for the location and a strong nexus with the precinct's intended economic role.

4.3 Pressure on energy and water systems

Data centres operate continuously and can have very high electricity and cooling requirements. Large facilities can require grid connections and energy demand that are much more comparable to industrial infrastructure than conventional commercial development. If new demand is not matched by new clean energy generation and storage, data centre growth can increase pressure on the electricity system, network investment and energy affordability, particularly during periods of peak demand when the grid is under greatest stress.

Water demand is also a key issue, particularly for facilities using water-based cooling. Greater Melbourne is already facing future water security challenges, and data centres can add to demand for potable water unless water-efficient or recycled water solutions are adopted.

4.4 Climate and emissions impacts

Data centre growth can support digital technologies that improve efficiency across the sectors, but it can also increase emissions if rising electricity demand is not matched by additional renewable generation and storage. Backup generators such as diesel or gas can also create air quality, noise and emissions impacts if not carefully managed.

Data centre development should align with Victoria's and Council's emissions reduction commitments and should not delay the transition away from coal-fired power stations.

4.5 Built form, amenity and public realm impacts

Data centres can have local impacts through their scale and operation including visual bulk, blank or inactive frontages, security fencing, noise, vibration, lighting, servicing activity, generator testing and heat from cooling systems. These impacts are most acute in mixed-use, residential, employment and public realm settings.

High-quality urban design and clear amenity standards are required so that data centre infrastructure does not diminish streetscape quality, neighbourhood character, public health or the experience of people who live, work and visit nearby areas.

4.6 Fragmented governance and limited public data

Data centre impacts can accumulate over time but responsibility for managing the impacts is fragmented. Planning, energy, water, climate, industry and digital policy are managed through different agencies and levels of government. Publicly available data on site-level and cumulative energy use, water use, emissions, backup generation, demand forecasts and infrastructure impacts is limited.

This lack of transparency makes it harder for governments to plan infrastructure, assess cumulative impacts, build community trust and ensure costs and benefits are fairly distributed. Community scrutiny of data centres is increasing across Greater Melbourne, with public concern about local amenity, environmental impacts, utility costs and limited consultation on major proposals. The C40 Global Urban Data Centres Pact identifies transparency, community benefit, sustainable resource use and strategic integration into cities as central principles for urban data centre governance.

4.7 Summary of key regulatory gaps

Regulatory gap	Overview
Location and spatial planning	No coordinated Victorian spatial strategy identifying preferred locations, unsuitable locations or required infrastructure conditions.
Planning definitions and controls	No dedicated, scale-sensitive planning definition or assessment framework for different data centre types and impacts.
Energy and water standards	No dedicated data-centre-specific planning benchmarks for electricity demand, renewable energy additionality, water source hierarchy or water efficiency.
Cumulative impacts	Limited tools to assess cumulative energy, water, traffic, emissions, urban heat and infrastructure impacts across multiple facilities.
Reporting and transparency	Limited publicly accessible site-level data and no integrated monitoring framework across state and national systems.
Community benefit and cost allocation	Limited mechanisms to ensure the industry funds any attributable infrastructure costs and delivers measurable local benefits.

5. Draft policy positions

The following draft policy positions are proposed for community and stakeholder consultation. They provide a framework for City of Melbourne's local policy work, advice on development proposals and advocacy to Victorian and Australian governments.

5.1 Plan and guide suitable locations

Draft position: Data centres and AI infrastructure should be located where they align with strategic land use objectives, infrastructure capacity, renewable energy opportunities, sustainable water availability, climate resilience and community expectations.

- Recognise data centres and AI infrastructure as strategic enabling infrastructure that can catalyse investment, innovation, research and growth in digital industries where appropriately located and managed.
- Limit large-scale data centres and AI infrastructure to appropriate urban-ready locations aligned with infrastructure capacity and planning policy.
- Require proponents to justify the functional need for locations in strategic precincts, including Fishermans Bend.
- Protect strategically important land needed for housing, innovation, advanced manufacturing, employment and public benefit.

Implementation options:

City of Melbourne will	Actions
Lead	• Embed policy directions in the refreshed <i>City Spatial Plan</i> and amend the <i>Melbourne Planning Scheme</i> to guide the suitable siting and orderly planning of data centres. • Deliver the objectives of <i>The Melbourne Advantage: Economic Development Strategy 2030</i> by: ◦ ensuring the location of data centres in the City of Melbourne reinforces the performance of priority innovation precincts; and ◦ recognising the role of data centres as enabling infrastructure that can support innovation and economic growth. • Liaise with the data centre industry to guide the development of data centres on sustainable, urban-ready sites. • Consider the views of local communities and the impacts of data centre and AI infrastructure proposals, including opportunities to contribute positively to neighbourhood character, amenity and shared community benefits.
Partner	• Embed a robust planning and policy framework in the Fishermans Bend Employment and Innovation Area Precinct Implementation Plan to deliver on the precinct's innovation and advanced manufacturing vision and achieve its jobs target.
Advocate	• The development of a state-wide spatial strategy to guide the planning, siting and distribution of data centres across Victoria. The state-wide spatial strategy should consider designated precincts and corridors for sustainable data centre development and areas for protection. • Amendment to the Victorian Planning Provisions (VPPs) to require that data centre proposals demonstrate a clear functional need for co-location with associated uses and strong alignment with a precinct vision.

5.2 Update the planning framework

Draft position: Planning controls should distinguish between different types and scales of data centres and require clear assessment of land use, design, amenity, energy, water, emissions, infrastructure and cumulative impacts.

- Advocate for a clear data centre definition in the Victorian Planning Provisions that reflects scale and impact.
- Introduce mandatory performance-based standards for energy, water, emissions and backup generation, supported by clear planning guidance to assess urban design, amenity impacts and local economic contribution.
- Seek standard permit conditions and referral requirements for utility and environmental matters.

Implementation options:

City of Melbourne will	Actions
Lead	• Assess whether there is the requirement for a fit-for-purpose local policy, and provision schedules for zones and overlays in the <i>Melbourne Planning Scheme</i> and consider the impact of amendment to the <i>Melbourne Planning Scheme</i>.
Advocate	• A review and update to the Victorian Planning Provisions to address planning framework gaps in managing the impacts of data centres and AI infrastructure. • Streamlined and improved development processes through implementation of the <i>Better Decisions Made Faster Act 2026</i>, including standardised permit conditions for data centres and AI Infrastructure. • A clear definition for data centres within Clause 73.03 of the Victorian Planning Provisions that reflects their varying scales, impacts and strategic significance.

5.3 Improve governance, transparency and data

Draft position: Governments and industry need consistent, comparable and publicly accessible data to plan infrastructure, manage cumulative impacts and build community trust.

- Advocate for integrated Victorian and Australian monitoring and reporting frameworks.
- Require high-quality data on energy use, renewable energy share, water use and source, emissions, air quality, noise and backup generation.
- Develop demand forecasts to inform long-term infrastructure and land use planning.
- Balance commercial sensitivity and security with public-interest reporting and accountability.

Implementation options:

City of Melbourne will	Actions
Advocate	• Mandatory collection of standardised, site-specific data relating to the development and operation of data centres to support decision-making by government and relevant agencies. • An integrated Victorian state-level planning, monitoring, and reporting framework for data centres (including AI infrastructure) - covering water, energy and emissions, and aligned with a standardised Australian Government reporting framework. • The Victorian Government to develop earlier triggers, clearer requirements, and stronger coordination mechanisms to ensure utility planning is integrated upfront in decisions on data centres and AI infrastructure. • Develop and maintain national, state and regional-level demand forecasts for data centres and AI infrastructure to inform decision-making and infrastructure and land-use planning.

5.4 Manage environmental risk and ensure local benefit

Draft position: Data centres should manage environmental impacts, fund their infrastructure requirements and deliver clear local benefits where local communities experience impacts.

- Require electricity demand from new or expanded large-scale data centres to be matched by additional renewable generation and storage where appropriate.
- Prioritise low-water, non-water or recycled-water cooling and minimise reliance on potable water.
- Ensure proponents fund attributable energy, water and network infrastructure costs so they are not transferred to households and businesses.
- Secure measurable local benefits such as community infrastructure, green infrastructure, local employment pathways, circular economy outcomes or waste heat reuse.

Implementation options:

City of Melbourne will	Actions
Lead	• Undertake analysis of the direct and indirect environmental, economic and social impacts of data centres and AI infrastructure in the City of Melbourne, including opportunities to strengthen local supply chains, green economy jobs and community benefit outcomes. • Identify opportunities for data centres to support nearby uses, and seek to reflect these opportunities in precinct plans.
Partner	• Explore opportunities to partner with peak bodies, universities and industry on an innovation design challenge to demonstrate how data centres can be located, designed and integrated to support adaptive reuse, strong environmental performance and local community benefit.
Advocate	• A nationally consistent, performance-based framework that requires additional renewable energy generation for new and expanded data centre demand, demand response, fit-for-purpose water use, low-water and non-water-cooling technologies. • A requirement for independently assessed, publicly disclosed, energy and water efficiency NABERS ratings - or an equivalent independent framework until a dedicated NABERS water rating for data centres is available. • Applicants to deliver and report on public benefits and respond to local needs as part of the planning approval process. • Infrastructure costs appropriately allocated to proponents and users. • A transparent national data centre development pipeline to enable AEMO to effectively manage long-term grid supply, transmissions and stability issues.

6. Next steps

Community and stakeholder consultation will inform the final Position Paper. Alongside the finalisation of the Position Paper, the City of Melbourne will undertake to:

- Advocate for state-led reforms, including a coordinated spatial strategy, fit-for purpose Victorian Planning Provisions, the release of a draft Precinct Implementation Plan for Fishermans Bend and improved reporting and monitoring frameworks for data centres.
- Explore partnership opportunities with peak bodies and universities to support best practice sustainable design and operational outcomes.
- Engage with global cities and local industry to share insights, build knowledge, and drive continuous improvement, as a signatory of the C40 Global Sustainable Data Centre Pact.

Through the finalisation of the Position Paper, our ongoing advocacy and engagement with global cities and partners we aim to ensure that data centres and AI infrastructure contribute positively to Melbourne's economy and urban environment, while protecting community wellbeing and supporting long-term sustainability outcomes.

Consultation focus

As data centres become a larger part of Melbourne's future, the City of Melbourne is developing a position paper to guide our local policy work and advocacy. We want to hear from community, industry and other stakeholders.

This consultation is an opportunity to test whether the draft policy positions identify the right opportunities, impacts and priorities, and whether they strike the right balance between economic development, innovation, climate, infrastructure, land use, amenity and liveability outcomes.

It is also an opportunity to build understanding about what data centres and AI infrastructure are, why they are needed, the impacts they can have and the roles of different levels of government in managing future growth and community needs.

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