

VICTORIA: SUSTAINABLE DATA CENTRE ACTION PLAN PUBLISHED

Date: 29 October 2026

Australia Real Estate Alert

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In September 2026, the Victorian Government released its Sustainable Data Centre Action Plan (Action Plan), outlining its expectations for data centre development and the performance measures Victorian authorities will use to assess proposals. The Action Plan aims to give proponents greater certainty during the early stages of planning, and it builds on, rather than replaces, Victoria's existing planning, environmental, water and energy frameworks. The framework is enforced through a new data centre category embedded in planning legislation, together with new notification and referral controls.

The Action Plan focuses on four key enablers, which are discussed in more depth below:

1. Land use, location and local impact;
2. New energy supply and grid readiness;
3. Protecting drinking water and securing supply; and
4. Victorian jobs, skills and local benefits.

The Action Plan is expressly designed to align with the Australian Government's expectations of data centres and artificial intelligence (AI) infrastructure developers. The Victorian Government has flagged that it will continue to develop guidance with stakeholder input and will engage with the Commonwealth as it develops further legislation.

WHY THE ACTION PLAN MATTERS

Victoria is home to more than 50 data centre facilities, representing Australia's second-largest data centre market. National data centre electricity demand is forecast to rise from around 3% to 6% by 2029 and around 12% to 13% by 2035 - 2036. In Victoria alone, electricity demand almost doubled over the 12-month period to mid-2026. This extreme growth is placing pressure on the State's energy network. The Action Plan is Victoria's response to these pressures and is intended to give local communities confidence that there are appropriate safeguards in place and separately give proponents predictable and clear development guidelines. The Action Plan emphasises early site selection and planning rather than attempting to mitigate poor planning later.

CLEAR REQUIREMENTS AND PATHWAYS

The Action Plan clarifies planning, infrastructure and environmental requirements before proponents commit capital. The Victorian Government is committing to a suite of facilitation measures to assist proponents and their advisors in the early stages of development, including the following:

- Investment Front Door, a single entry point for major data centre investments, enabling proponents to deal with one team rather than negotiating department by department.
- Pre-application information covering site identification, site due diligence, infrastructure availability and applicable requirements, for early feasibility assessment.
- Coordinated input from statutory corporations such as VicGrid, Energy Safe Victoria, WorkSafe Victoria, Fire Rescue Victoria and the Environment Protection Authority (EPA).
- Government mapping of Victoria's energy, water and telecommunications capacity, to identify servicing constraints early.
- Investment Coordinator-General, as an escalation point for projects of state significance, resolving cross-agency delay and providing accountability.

Requirements will be published and reviewed to keep pace with technological change, without shifting unpredictably for projects which are already underway.

THE FOUR ENABLERS

Enabler 1: Land Use, Location and Local Impact

The Victorian Government expects data centres to be built away from sensitive uses, such as homes, schools and childcare centres, and is committed to prohibiting new developments in the Green Wedge Zone. Investment should be directed towards locations with robust access to power, water and telecommunications capacity. The Action Plan recognises that certain critical infrastructure, such as hospitals and universities, often require nearby data centres. The Victorian Government is committed to working alongside industry to allow appropriate exceptions.

A new land use definition for data centres will be introduced into Victorian planning schemes, which reads:

“Land used to collect, distribute, process, or store digital data. It does not include collecting, distributing, processing, or storing digital data if it is ancillary to another use of the land.”

Key locational controls include a 150 meter buffer between residential buildings and new data centre developments, a prohibition on data centres on residentially zoned land and a prohibition in rural zones unless located next to critical infrastructure to support the development. These locational controls will be supported by a

statewide planning policy which will guide location, design, scale and infrastructure requirements. Detailed siting, design and built-form guidance is expected to be developed in 2027 following stakeholder engagement.

Before construction work begins on public road verges, footpaths or traffic lanes, developers must satisfy mandatory state safety requirements. Referral status will be extended to WorkSafe Victoria, Fire Rescue Victoria, VicGrid and the relevant water corporation for all data centre applications. Applicants must comply with a statewide nighttime noise limit of 55 A-weighted decibels, with a penalty imposed for the tonal hum characteristic of cooling equipment. Where several premises affect a location, their noise impacts are assessed cumulatively. To protect local air quality and human health, proponents must restrict back up diesel generation to emergencies and testing, deploy best-available emissions technology and engage proactively with local communities.

Additional consultation measures are planned for data centres, notwithstanding that existing notice requirements under the EPA's development licence application process will continue to apply. Proponents will be required to notify immediate neighbours, publish detailed application documentation online and erect prominent signage on the proposed site.

Enabler 2: New Energy Supply and Grid Readiness

Data centre electricity demand is expected to be met by new investment in renewable energy, without increasing network costs or compromising reliability for other energy users. Proponents will be required to offset operational electricity use by investing in new renewable generation and storage, cover all connection costs, participate in demand flexibility services to the maximum extent commercially and technically possible, and achieve high levels of power-usage effectiveness. These requirements are expected to contribute positively to Victoria's legislated emissions reduction and renewable energy targets.

Enabler 3: Protecting Drinking Water and Securing Supply

Data centres using water for cooling are expected to use recycled or non-potable water. Where this is not possible, developers are expected to pay to replace the drinking water they use. For facilities relying on drinking water as an interim measure, a plan must be designed to reduce consumption during water restrictions. Facilities using water intensive cooling, such as evaporative or open-loop systems, are expected to use recycled or non-potable water or, where this is not feasible, to hold an agreement with their water corporation to transition to those sources when available. Proponents are also expected to meet the full cost of constructing and operating necessary water infrastructure.

The Victorian Government highlights the state's recycled water capacity as a point of difference, noting that Victoria produces the largest volume of Class A recycled water in Australia. To support proponents, the Victorian Government will provide clear water strategy guidance for industrial consumers and prepare standardised data centre-specific templates for water corporations to inform approval decisions.

Enabler 4: Victorian Jobs, Skills and Local Benefits

Given the scale of investment involved, the Action Plan expects the sector to maximise opportunities to support Victorian jobs and training across construction, specialised operational roles and the broader supply chain. Proponents are expected to contribute in the following four ways:

- Support the training of construction and operational workers through apprenticeships, partnerships or scholarships connected with real employment.

- Prioritise Victorian local suppliers and content.
- Coordinate with industry, unions and government to ensure skills development keeps pace with demand and delivers benefits across the economy.
- Hire individuals and training providers in the region where the project is located.

Victoria's existing skills base and AU\$8.1 million Digital Jobs – AI Career Conversion program provide a foundation for these workforce expectations, supporting workers moving into digital technology compatible roles.

ALIGNMENT WITH THE NATIONAL FRAMEWORK

The Action Plan is designed to align with the Australian Government's expectations of data centres and AI infrastructure developers and the August 2026 Australian National Cabinet agreement that large data centres require consistent, mandatory national standards for energy, water and land use. With Commonwealth legislation anticipated in early 2027, the Victorian approach is positioned to work alongside the national framework as it develops, rather than as a standalone state regime. The Victorian Government will continue developing guidance with stakeholder input and engage with the Commonwealth as it develops further legislation.

MINISTER FOR PLANNING'S STATEMENT OF EXPECTATIONS

On 5 October 2026, Victoria's Minister for Planning released a statement of expectations (Statement), supporting and supplementing the Action Plan. The Statement sets out the matters that proponents, decision makers and referral authorities are expected to consider when determining data centre permit applications lodged on or after 23 September 2026. It elaborates on certain requirements of the Action Plan by providing quantifiable limits and conditions for development. The Statement is expected to provide greater certainty in the interim period before the Commonwealth legislation is released.

WHAT THIS MEANS FOR PROPONENTS

The Victorian Government has made clear that compliance with the Action Plan's enablers and requirements is vital for the assessment of data centres going forward. Proponents should treat the Action Plan as a practical checklist to be worked through from the earliest stages of site selection and project design, focusing on locational controls, energy and water offset obligations and community engagement.

A number of elements remain to be settled, including the forthcoming guidance on site location, design and built form, which is expected to be published in 2027. Proponents should monitor these developments as they may have implications for energy and water infrastructure arrangements and will likely develop in response to the foreshadowed national standards for data centres.

K&L Gates' planning and environment team is following developments under the Action Plan closely and is available to assist proponents with planning strategy and structuring of agreements to meet the Action Plan's requirements.

The authors would like to thank graduate Juliette Petro for her contributions to this legal insight.

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