Asia-Pacific Research

South Australian Government Goes ‘All in’ on AI Data Centres

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Ignoring doubts and protests, the South Australian Labor government of ***Premier Peter Malinauskas*** *is preparing for a huge expansion of the state’s data centre industry.*

> “Artificial Intelligence represents the single biggest source of growth in the global economy,” Malinauskas observed on June 23, going on to maintain: “We need data centres in Australia.”

Together with SA’s leading position in renewable energy, Malinauskas argued, his government’s “unashamed pro-jobs and pro-business outlook” meant that the state was “uniquely placed to seize the opportunities of AI.” The government now reportedly plans to engage with AI companies to “establish partnerships and increase support.”

Accordingly, the premier has foreshadowed a new Data Centre and AI Infrastructure Act to streamline development. Data centres are to be designated as “essential infrastructure”, with government agencies empowered to override normal decision-making provisions to ensure that planning and construction proceed swiftly.

Developers will still have to furnish advice from authorities that adequate power and water supplies are available. But the normal process of consultation with municipal councils and local residents will be bypassed.

As a technology, artificial intelligence has enormous potential for freeing human beings from the drudgery of low-level intellectual labour, and for multiplying the achievements of scientific research. It is also true that SA, with its exceptional wind and solar energy resources, cheap land, established technical base and high-capacity fibre-optic connection to Singapore and beyond, is one of the better places in the world where this emerging industry might be concentrated.

Meanwhile, SA has an acute need for new enterprises in advanced, high-earning fields. Its traditional industrial base, centred on making consumer items from cars to washing machines, has essentially vanished.

But Malinauskas will need to tread carefully and perform stringent checks on the people and corporations that will be thronging to his door. He is by no means the only political leader around the world looking to AI as a basis for economic salvation.

In numerous countries, a wild boom in AI construction is all that is fending off stagnation or

decline. Often, both the AI schemes and the people plugging them have looked decidedly dodgy.

It was revealed in mid-June that Firmus Technologies had bought land near Tailem Bend and Port Augusta, where it promised to build "AI computing infrastructure worth many billions of dollars." Firmus was promising "a minimum of 400 direct full-time roles" at each of the two sites. Currently, Firmus's main functioning asset appears to be a modest Bitcoin mining and computing services operation in Tasmania.

The company's key executive is a man who, a decade ago, was serving a prison sentence for insider trading. His pitch to potential financiers includes the claim that Firmus can build facilities and operate them for half the costs faced by competitors.

At some point the data centre bubble will burst, wiping out vast amounts of capital, bankrupting firms and leaving installations half-built.

Malinauskas and his ministers undoubtedly realise this. But they are pressing ahead, placing their main bets on a $10-billion complex planned by the corporation IREN for the locality of Bundey, 165 kilometres north-east of Kaurna Yerta /Adelaide. The facility will reportedly have more than twice the capacity of any other data centre in Australia.

Sydney-based and US-listed IREN, unlike many AI firms, has a meaningful operational history, with data centres functioning or in development in Texas, Oklahoma and British Columbia.

Malinauskas evidently calculates that once the industry crash and shake-out have run their course, the more solid surviving enterprises — hopefully including IREN — will make steady profits and anchor further investment.

The *Australian Financial Review* recently quoted IREN co-CEO Daniel Roberts as saying: "You look at the proximity to the Asia Pac; 60 per cent of the world's population is in that region, and it is constrained by power, it is constrained by land, it is constrained by the very elements that Australia is abundant in. There's a real opportunity to service that region."

Heat and Water

At Bundey, a stretch of mallee and saltbush in SA's mid-north, IREN has secured a site near a giant transformer station on the electrical interconnector between South Australia and NSW. Connecting the new facility to its power supply will be cheap and straightforward. Still, the site does have constraints, and chief of which is water.

Data centres generate enormous quantities of heat, and conventionally, need extravagant amounts of water for evaporative cooling. IREN plans to sidestep this problem by using a closed-loop air cooling system, in which refrigerated coolant will flow through the servers and the heat will finally pass to the atmosphere.

In a region where summer temperatures can exceed 45°C, this system will not be cheap in terms of the energy required. But the annual consumption of water will be tiny — according to IREN it will be about the same as a single-family home.

The overall energy requirements of data centres are legendary, and the IREN facility will be no exception. Drawing a maximum of 800 megawatts when complete, the installation will

drain roughly as much current from the grid as all the state's households combined.

In most settings this level of demand would be a deal-breaker. But in SA with no coal industry or coal lobby, the advantages of renewables are uncontested.

So popular are wind, solar and storage that even the local Liberals, with reservations, support them. Spared from the need to battle coal die-hards, Labor governments have been strategising.

New Industries

The Labor government in 2024 oversaw the adoption of a *Hydrogen and Renewable Energy Act* which sought to establish a "development-ready renewable energy pipeline." It said this initiative has helped create a pipeline of 74 renewable energy projects, worth upwards of $32 billion and with a total planned output of 25 gigawatts. This is more than 30 times the Bundey data centre's predicted demand, so power supplies for the facility should be ample.

New industries mooted for SA's energy-abundant future include electrolytic smelting, production of green hydrogen and ammonia, green steel and seawater desalination. Most of these initiatives have made little progress to date.

But Electranet, the consortium that controls SA's "poles and wires", nevertheless reports that interest in connecting to the state's grid is "at its highest level in decades".

The Bundey data centre, due to begin operating in stages from 2028, could play an important role by providing large-scale demand for renewable energy in the short-to-medium term, thus underpinning the rapid expansion of solar and wind power, and the state's broader reindustrialisation.

The Bundey data centre ticks a series of important boxes and environmentalists should examine its pros and cons before deciding whether it should be opposed. But one box that the Bundey facility fails to tick was alluded to in a June Climate Council of Australia report.

> "We either will need to massively increase our use of renewables and batteries or data centres will effectively destroy our ability to reduce emissions to net zero," it said.

Emissions from SA's electricity generation are close to net zero already. But building large-scale AI infrastructure will limit exports of clean, cheap energy to help banish fossil power from the wider Eastern-states grid.

A further question relates to the limited potential of data centres for creating employment. For an investment of $10 billion, the Bundey facility is set to yield just 200 permanent positions — suggesting a cost of $50 million a job.

Finally, it must be remembered that under capitalism the prime use to which AI will be put is to replace labour — that is to destroy employment. This new science with immense liberating potential will not, for the most part, be used to free human beings for creative, fulfilling pursuits.

AI will only fully reveal its positive side as part of the planned economy of a rational, socialist society. So long as capitalism survives, the effects of this technology will include spreading deprivation and misery.

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