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Data centre surge

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At what cost?

MALAYSIA, a small hydrocarbon producer by world standards, is eyeing the new oil of the 21st century: data centres. Glowing bromide hype on such centres match their power demand surge. On Monday, Hong Leong Investment Bank Bhd (HLIB Research) said in a thematic note to *Business Times* that Malaysia is no longer a spillover market from Singapore and that it is a go-to destination for hyperscalers. Johor is partly the reason for the hype. From 10 megawatts (MW) of data centres in 2021, the state grew to 1.3 gigawatts last year, according to media reports. Not so fast, we must say. They are not just guzzlers of water and energy, but gobblers of land, too. Sure, there is ample land, as HLIB Research reckons, but only for now. Even cost competitiveness is under threat with the recent Tenaga Nasional Bhd tariff hike. A Reuters report on July 1 quoted industry and government officials as saying that the new tariff hike would add 10 to 14 per cent to the electricity costs of data centres. According to Gary Goh of Sprint DC Consulting, a data centre advisory firm that the news agency quotes, for a 100 MW facility, that works out to be an additional US\$15 to US\$20 million per year, not including fuel surcharge. Fuel surcharge is announced by the government every month based on fuel prices and foreign exchange. Goh also said many in the industry were caught unprepared for the scale of increase and that some investors were already on the wait-and-see mode.

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Be that as it may, Reuters, pointing to a joint report issued in May by Bain & Co, Google and Singapore's state-owned Temasek, said Malaysia is set for the region's fastest surge in data centre power demand, tripling to 21 per cent by 2027 from seven per cent in 2022. Malaysia, committed as it is to tame climate change, is slowly but surely phasing out black gold due to its Earth-warming effect. But data centres aren't exactly problem-free. Think guzzlers and gobblers. According to one estimate, a 100 MW data centre consumes electricity equivalent to what 45,000 households use. A data centre with similar capacity is said to use water equivalent to a 10,000-person city in the calculation of Lawrence Berkeley National Laboratory, an American entity.

Malaysia may have enough energy and water for now, but what about in the years to come? Many will argue that the data centres are paying a premium for access to energy and water, but both are drawn from the same sources. As more and more data centres come chasing cheap land and energy, electricity infrastructure and rivers will be stressed beyond their capacity. This is precisely why Singapore imposed a moratorium on data centres between 2019 and 2022. On Jan 5, then natural resources and environmental sustainability minister Nik Nazmi Nik Ahmad admitted in an interview with the *Financial Times* that data centres had put “a lot of pressure” on Malaysia's energy and water resources. For sure, data centres, especially the hyperscalers, bring in billions of investment dollars, but they come attached with a heavy price tag. Can we afford it? Only if the benefits outweigh the costs.