

12 SEP, 2026

The great DC debate rages on

The Star, Malaysia



RISEN JAYASEELAN
risen@thestar.com.my

FEW infrastructure investments capture the contradictions of the new digital world quite like data centres (DC).

On paper, the proposition is attractive.

DCs bring in loads of foreign direct investment, land deals, a construction boom, and a spike in demand for engineering and technical services.

The economic spin-offs continue to be raked in.

For a country like Malaysia, which has had few catalysts in recent times, the billions of ringgit in value creation are palpable.

For Malaysia also, the DC boom positions the country at the centre of Asia's rapidly expanding artificial-intelligence (AI) economy.

Yet, DCs consume large quantities of electricity and water.

And increasingly, the question is no longer whether countries want DCs, but whether their citizens are prepared to pay the wider costs of hosting them.

Between 2021 and June 2025, the government approved 143 DC projects representing almost RM144.4bil in investment.

Johor has emerged as the principal beneficiary, helped by its proximity to Singapore, availability of land, relatively competitive costs and improving infrastructure.

The state has effectively become an extension of Singapore's digital infrastructure ecosystem, allowing technology companies to locate large-scale computing capacity just across the border while retaining access to Singapore's international connectivity and business ecosystem.

But the strain on electricity and water is real.

Johor faces rising water and infrastructure concerns due to the massive influx of the DCs.

Areas like Gelang Patah faced local protests from residents worried about dwindling local supplies and public rationing.

This is also a concern elsewhere and becoming a political issue.

In the United States, a recent Gallup poll showed that 71% of the population want the DC build-out to stop.

In Thailand, the government has ordered a temporary pause on 166 DC projects while its agencies draw up nationwide standards governing resource use, locations, safety and economic benefits.

It covers 49 projects under construction and 117 awaiting permission from various agencies.

Malaysia is making some

The great DC debate rages on

■ DCs continue to have an economic spillover effect but increasingly straining energy and water resources

■ Its presence is becoming a political issue

efforts to address the issues.

It has been prioritising higher-value AI DCs (in the hope that there will be more technology spillovers) and has imposed guidelines that require DCs to use more non-potable water and have energy-efficient systems.

Still, can Malaysia's infrastructure really keep pace with the DC build-out?

In Johor, industry observers have reported that connection timelines are now influencing which projects proceed, while the state has already rejected a proportion of applications.

Worryingly, Malaysia's DCs are consuming more power as temperatures rise, leaving a 9GW gas-fired capacity gap for the government to fill by 2032, officials have said.

The share of DCs in overall power consumption surged to a record 9.3% in the second week of August, compared with an average of 7% in 2026.

And DCs could account for as much as 31% of peninsular Malaysia's power demand by 2035.

Water is a bigger issue. Every additional GW of computing capacity requires infrastructure that ultimately competes for finite resources with households, manufacturing and other industries.

But perhaps Malaysia has the advantage of being able to learn from other countries before the

political backlash intensifies.

In Ireland, DCs already consume close to a quarter of the country's electricity, with their share projected to rise further.

The resulting pressure has become so significant that Ireland is now reopening a debate over nuclear power – a remarkable development for a country that has long opposed nuclear generation.

We also need to watch what will happen in the United States.

Washington regards DCs as strategic infrastructure in the race for AI supremacy and competition with China.

President Donald Trump has strongly backed their expansion. US politicians and voters, however, are increasingly asking a different question: what's in it for us?

The backlash has become particularly pronounced in Texas.

Governor Greg Abbott, previously an enthusiastic supporter of the state's technology ambitions, has moved towards tighter regulation and reconsideration of incentives.

A University of Texas poll found only 30% of respondents supported DC development in their communities.

This is not merely an environmental protest. It is increasingly an argument about economics.

Why should households pay more for electricity to accommodate enormously profitable tech-

nology companies?

Why should governments provide tax breaks when the number of permanent jobs may be relatively small?

Who pays for new transmission lines, water infrastructure and roads?

And what happens to a community if a facility becomes obsolete?

The political backlash is spreading. That should be watched carefully in Malaysia.

The lesson is not that Malaysia should slow down its DC ambitions.

The sector represents one of the country's more promising opportunities to attract high-value investment and integrate itself into the emerging AI economy.

But the government will need to do more to deal with concerns of the public. The not-in-my-backyard issues are bound to grow louder.

DCs and their perceived negative impacts could be made into issues by politicians as the country goes closer to its next general elections.

Then again, this was not the case in Johor during its recent state elections, despite that state's heavy DC presence.

As one commentator who argues against DCs put it: "Many still believe that DCs are a good investment for the state, but as always, there will be side effects."

