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KUALA LUMPUR: Malaysia has frozen the development of new data centres not used for artificial intelligence over power and water concerns, Prime Minister Anwar Ibrahim said Tuesday, as the country pivots to resource-hungry AI facilities.

The Southeast Asian nation is emerging as a major regional IT infrastructure hub, but it faces growing challenges, including a sharp rise in electricity and water supply demands—both needed to keep the data centres running.

"For the past one and a half years, almost two years ago, we have limited the entry of new data centres that are not related to AI," Anwar told Malaysia's parliament during a question session.

"So all new applications that were not related... have already been stopped," he said.

Data centres that offered high-technology benefits related to AI will still be approved, he added.

Anwar, who is also Malaysia's finance minister, stressed the country still had sufficient capacity to meet current energy supply needs, though he noted it would have to look further afield in the future.

This includes tapping electricity supply from the Association of Southeast Asian Nations (ASEAN) Power Grid, an ambitious plan connecting the 11-member bloc.

Future power supply could also come from Malaysia's Sarawak state, situated on Borneo island, which boasts an abundant supply of hydro and solar energy.

"Hopefully, it will fulfil these needs (in the future). But, for the next one or two years, it is sufficient," Anwar said of the energy supply.

When resource constraints led Singapore to halt new data centre developments between 2019 and 2022, international tech companies began to build across the border in Malaysia, which has fast become a powerhouse for the sector.

Malaysia accounts for more than half of under-construction data centre capacity among five Southeast Asian countries, also including Indonesia, Thailand, the Philippines and Vietnam, according to market intelligence firm DC Byte.

The building boom has been particularly rapid in the southern state of Johor, which neighbours Singapore and has imposed tighter requirements on water and power use for new data centres in order to stop them from straining local resources. –AFP