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RESOURCE ANXIETY GRIPS DATA CENTRES

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BREAKNECK GROWTH COMPLICATIONS

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Public acceptance shaky as energy sustainability questioned

HONG KONG/JOHOR

AFTER leapfrogging Singapore to become the region's fastest-growing data centre hub, Malaysia is facing intensifying scrutiny as the resources debate that has complicated the industry's growth spreads to emerging Asia. Protests over a data centre complex in Johor state's southern tip, the epicentre of the boom, were the first of their kind in the country. In Selangor, the richest and most populous state, debate about the burden on communities has become politicised. "Two years ago, it was just about building capacity," said Cheam Tat Inn, managing director at the Malaysian arm of United States data centre operator Equinix.

"The conversation today is more like, how will you use power? Are you looking at renewables?" "They want to see how you're going to grow sustainably and responsibly." It's a notable shift for a country and a region that have courted hyperscalers hard in a race to secure AI infrastructure investment, offering lower land costs and affordable power. It puts emerging Asia roughly where developed-market data centre hotspots such as Ireland, the Netherlands and Singapore were several years ago, when the industry's breakneck growth began to stir concerns about competition for water and electricity with homes and farms. Even so, global hyperscalers, in tandem with data centre developers and operators, are pushing forward with massive investments aimed at powering AI services requiring increasingly large amounts of computing capacity, but with a sharpened focus on sustainability to help secure a "social licence" from local communities. Governments are also tightening standards to retain public support. In Johor, China's ZDATA said its data centre operates solely on treated wastewater, and it is finalising a renewable energy deal with state utility Tenaga Nasional Bhd to ease strain on the electricity grid. Japan's NTT said its data centre will employ a closed-circuit cooling system to limit water use. Bain Capital-backed Bridge Data Centres said solar energy accounts for more than half of the power supply at its operations in the state. "Data centres have high abstract support because we're all using more and more data and we all want high speed," said JLL executive director Chris Howard. "But this contrasts very sharply with acceptance of data centres in local communities due to the perception of increased energy prices and water usage — or even just ugly buildings." JLL estimates that rising objections from residents were among factors — also including grid connections and infrastructure



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equipment — that contributed to delays of at least three months for 57 per cent of projects globally last year. New projects in Johor must show how they will source electricity, with renewable energy increasingly a prerequisite for approval. With Malaysia tightening scrutiny, investment may start flowing to other countries in the region, said Savills director Nicholas Tuan. "We're already seeing more activity and inbound requests for markets like Thailand, where there are larger-scale campuses being built in the south." At the same time, Johor in particular retains its appeal as "amongst the most stable" in terms of infrastructure, government support and availability of resources, he added. Resistance to the build-out reached a watershed in February, when residents of Iskandar Puteri protested construction of ZDATA's data centre complex. Many vented worries about the potential strain on water supplies, with some complaining of a drop in water pressure even before the 300MW facility came online. ZDATA told Reuters its compound was not the source of the water issues. But not all the concerns were over competition for resources. Complaints about dust from the construction site spurred the land developer, Tropicana Firstwide, to set up two free car washes for residents. But another common objection is harder to address. "I chose to buy a house here because of the greenery and the hills behind the property," said another Iskandar Puteri resident. "Now the land has been levelled for the data centres." Reuters