

INQUIRY INTO DATA CENTRES

Organisation: LMS Energy Pty Ltd

Date Received: 30 March 2026

CONFIDENTIAL

30 March 2026

SUBMISSION FOR INQUIRY INTO DATA CENTRES

Thank you for the opportunity to provide a submission for the New South Wales (NSW) Legislative Council Inquiry into data centres. LMS Energy (LMS) offer the below comments on managing the electricity demand, grid and emissions impacts of data centres, along with an overview of LMS.

LMS Energy

LMS is Australia's largest bioenergy company and abates around 5 million tonnes of carbon dioxide equivalent (tCO₂e) per annum. It is committed to helping protect the planet from climate change and does this by capturing methane emissions produced from the natural decomposition of organic wastes.

Over the last 30 years, LMS has prevented more than 60 million tCO₂e from entering Australia's atmosphere from landfills – making it one of Australia's largest emissions reducers.

LMS is Australian owned with 70 landfill biogas facilities across Australia, New Zealand and the United States of America, along with 4 solar farms. It employs 300 people, including in regional Australia.

The biogas generated at LMS' bioenergy facilities is currently converted to renewable electricity. It generates enough renewable electricity to power around 110,000 homes 24/7 every day. Biogas that is unable to be used for electricity generation is flared for methane destruction.

This biogas can be converted into renewable natural gas (RNG), which is a renewable, low emissions substitute for conventional natural gas. RNG can also be derived at scale from other organic wastes, such as agriculture residues and biosolids from wastewater facilities. RNG can augment gas supplies, increasing supply and energy security, but is currently a nascent industry in Australia.

Developing RNG capacity will be essential for Australia to achieve its emission reduction targets¹. Independent analysis estimates Australia could produce around 400 petajoules (PJ) of RNG today². The RNG industry is already well developed in Europe and the US. Europe produced more than 225PJ of RNG in 2024, with Denmark targeting RNG to replace its conventional gas supply by 2030 with 100% renewable gas³. North America produced more than 440PJ from more than 500 projects, with 124 new

¹ Canadell, P., Saunio, M., and Jackson, R., 2024, 'Methane emissions are at new highs. It could put us on a dangerous climate path', 11 September 2024, CSIRO, <<https://www.csiro.au/en/news/All/Articles/2024/September/Methane-emissions-new-highs>>.

² Blunomy, 2025, 'Biomethane Opportunities to Decarbonise Australian Industry: Converting waste into grid-injectable biomethane', <<https://theblunomy.com/publications/biomethane-opportunities-to-decarbonise-australian-industry>>.

³ Future Fuels CRC, 2025, 'Policy pathways to advance Australia's biomethane sector: learning policy lessons from international jurisdictions', <<https://www.futurefuelscrc.com/wp-content/uploads/RP2.2-05-Policy-pathways-to-advance-Australias-biomethane-sector.pdf>>.

CORPORATE HEAD OFFICE

118 Greenhill Rd
Unley, South Australia 5061
T (08) 8291 9000

199 Churchill Road
Prospect, South Australia 5082
T (08) 8291 9000

25 Blue Rock Drive
Yatala, Queensland 4207
T (07) 2899 7800

Level 10, 333 Ann Street
Brisbane City, Queensland 4000

biogas projects brought online in 2024⁴. The IEA forecasts US biogas and RNG supply to double from 2024 to 2030⁵.

Data centres will have a major impact on Australia's electricity supply

Data centres power artificial intelligence (AI). Data centres are the industry; AI is the service. AI lowers the cost of prediction, pattern recognition, and some decision-making. It reduces the marginal cost of producing information-intensive services. It is an increasingly important part of the global economy and will continue to grow in scale as it delivers these economic benefits.

Data centres and electrification in Australia are driving accelerated electricity demand growth: data centres could consume more than 7GW of electricity generation capacity by 2035⁶. That's the equivalent energy output of four average sized coal fired power stations running full time.

Data centres demand varies, but it is relatively inflexible (like aluminium smelting) and will require a stable and firmed electricity supply to operate reliably. LMS strongly supports this electricity supply being met by renewable electricity through a combination of generation, storage and dispatchable engines.

Proposed rules for data centres and electricity supply

To help support the ever-increasing load on the electricity grid and to continue toward NSW's emission reduction targets, LMS proposes rules surrounding data centre electricity supply are implemented:

1. Data centres provide their own end-to end new electricity supply and not contract existing generation. At the scale of demand forecast, this rule this would help avoid making electricity increasingly more expensive and scarcer for other consumers. This would mean not just contracting the TWh equivalent of their electricity demand (eg, by contracting new wind and solar offtake) but also being required to supply new renewables through the full suite of firming technologies (ie, storage and engines – refer to 'The role of RNG' discussion, below). This would ensure these data centres place no additional demand on the grid at times when renewable generation is unavailable (ie, when electricity supply will be the scarcest and the most expensive).
2. Data centres be required to source 100 per cent renewable electricity and not rely on fossil fuels. As a 21st century industrial technology, LMS proposes it is appropriate that their electricity supply reflect the grid of the future, not the grid of the past. This would ensure jurisdictions have no

⁴ American Biogas Council, 2025, <https://americanbiogascouncil.org/investment-in-new-u-s-biogas-systems-grows-by-3-billion-in-2024-a-40-increase-and-new-record/>, and RNG Coalition, 2025, <https://www.rngcoalition.com/news/2025/6/18/rng-coalition-celebrates-500-operational-rng-facilities-in-north-america>.

⁵ IEA, 2025, 'Gas 2025: Analysis and forecasts to 2030', <<https://iea.blob.core.windows.net/assets/0ce11e00-c838-4e88-9082-1ee5d072f737/Gas2025.pdf>>.

⁶ CEFC, 2025, 'Getting the balance right: data centre growth and the energy transition', <<https://www.cefc.com.au/document?file=/media/hs5ner3s/getting-the-balance-right-data-centres-and-the-energy-transition-full-report.pdf>>.

CORPORATE HEAD OFFICE

118 Greenhill Rd
Unley, South Australia 5061
T (08) 8291 9000

199 Churchill Road
Prospect, South Australia 5082
T (08) 8291 9000

25 Blue Rock Drive
Yatala, Queensland 4207
T (07) 2899 7800

Level 10, 333 Ann Street
Brisbane City, Queensland 4000

incentive to retain fossil generation to attract or retain data centre investment, and so data centres drive abatement rather than negatively impact it.

3. Data centres be required to provide or contract all ancillary services (ie, voltage control, frequency) appropriate to their location and the size of their demand rather than impose these additional requirements on other consumers. The requirements could be aligned to the size of the data centre, with this being less of an issue for smaller data centres, but as data centres get larger, they would be required to support the technical operation of the grid. Price signals would encourage them to locate where they impose the least cost on the grid.

LMS believes the scale up of data centres be a *no regrets* outcome for other electricity consumers and complement, rather than compete with, emissions objectives. With the implementation of the above recommended rules, the result of development of new data centres, electricity supply would be as or more reliable. As or more sustainable. As or more affordable.

The role of RNG

Data centres in Australia are already able to source renewable energy for all of their energy supply: they can contract electricity supplied from new, purpose built, renewable generators, firmed by a combination of new storage facilities and new gas turbines, powered by RNG – making the electricity generated renewable.

The energy required for the occasional firming role needed for data centres is well matched to the output of RNG projects. Given bottlenecks in supply of gas turbines globally, this will allow time for RNG supply for data centres to be ready in a timely manner⁷.

We thank you for considering LMS' submission. LMS would be happy to discuss any aspect of this information or any further queries as may be helpful. Please feel welcome to contact me by email

Yours sincerely

Matthew Warren
Group Executive – Corporate Affairs

This document may contain privileged and confidential information. If the reader of this message is not the intended recipient, you are hereby notified that any use, dissemination, distribution or reproduction of this document is prohibited. If you received this message in error, please notify us immediately by email or telephone

⁷ Anderson, J, 2025, 'US gas-fired turbine wait times as much as seven years; costs up sharply', S&P Global, 20 May 2025, <<https://www.spglobal.com/energy/en/news-research/latest-news/electric-power/052025-us-gas-fired-turbine-wait-times-as-much-as-seven-years-costs-up-sharply>>.