**SCAN! TORONTO**

RESPONSE TO ONTARIO'S ECONOMIC AND STRATEGIC ASSESSMENT FRAMEWORK

FOR NEW DATA CENTRES

**Who we are**

SCAN! Toronto is a local chapter of a nationwide group of seniors calling for emergency action to address the climate crisis.

**Summary of our response**

1. Regulation of new Data Centres and the associated Artificial Intelligence behind them requires careful consideration and wide consultation. What is needed immediately is a moratorium on construction of new data centres greater than 20 MW to allow time for that careful consideration and wide consultation to occur.
2. The framework errs in treating small data centres on the order of 2 MW used for data storage in the same way that it treats hyperscaled data centres of 1 GW used for generative artificial intelligence. The assumption that "sector growth" of large data centres is inevitable or desirable, is unwarranted.
3. Among the three pillars in the Framework, "invest in communities and earn public trust", and "protect data security and digital sovereignty" are both important. Any private sector economic development arising from large data centre construction is likely to be primarily outside of Ontario. The biggest potential benefit of the centres is in the medical research sector at universities and hospitals.
4. The environmental impacts of data centres (power, emissions, water, waste heat, noise, e-waste and land use) are very significant and need significant elaboration in the Framework.
5. In relation to power usage, the environmental impacts include the amount of power drawn, the source of power, who pays for it, and democratic control of decisions around power. The government is correct to limit data centre construction with significant power draw, but in addition, data centres ought to be fueled exclusively from renewable sources.
6. Natural gas plants emit significant methane and other greenhouse gases when gas is burned to produced electricity. Methane and other emissions are a powerful contributor to global heating and the wildfire strength felt around the world including in Ontario, in addition to directly contributing to poorer health locally.
7. Further, decisions about whether data centres can be constructed and under what terms should not be in the hands of a Minister in cabinet, but rather in the Independent Electricity System Operator.

8. In relation to water, it is very much a local and regional issue, and empowering municipalities and regions and indigenous nations to make decisions on the issue is important. The Framework does not mention the utilization of the substantial waste heat from the centres; this ought to be a very important factor in decisions about which centres ought to be permitted to proceed. The framework also does not mention noise which is a second important local issue, and again it is important to empower municipalities to address this issue.
9. Land use and food security are very important. Southern Ontario once had much prime farmland, but the amount diminishes year by year due primarily to housing and highway construction. The loss of farmland imperils our food security and therefore use of prime farmland for data centres is a poor trade-off.
10. The Framework makes little reference to the use of generative artificial intelligence which these centres are for primarily. For instance, it is problematic in the education context at all levels, but especially in the primary levels. This ought to be a concern for the provincial government.

**Moratorium**

The government correctly has begun the policy process with a Framework for a new system of data centre regulation and will, after reviewing comments from undoubtedly many sources, produce a more substantial paper. This is a good process (and much better than the process the federal government followed leading to its extremely poor AI for All policy document). Unfortunately, data centre construction is proceeding quickly and without regard to the principles in the provincial Framework and other principles which we say should be there. A moratorium of 1 year on construction and development of data centres larger than 20 MWs is required to allow for the development of the principles to not be rushed. It is a complicated topic.

**Large Data centre sector growth is neither inevitable nor desirable**

The past 10 years, and in particular the last 5 years, has seen a rapid growth in the large data centre sector worldwide. However in the last year, it has become clear that data centre expansion is out of control because of:

1. Rising electricity rates and less stability of the grid
2. Benefits flowing almost exclusively to foreign billionaires and not to communities
3. Presumed efficiency gains being questioned in academic sources.
4. The significant absence of principles and regulations surrounding siting, construction, and operation of data centres around the world.

It is important to distinguish between small data centres normally less than 20 MW in size, invariably used for purposes other than generative artificial intelligence and large (or hyperscaled) data centres almost always greater than 50 MW in size and usually used for artificial intelligence, most often for generative artificial intelligence. The framework errs in treating all data centres 1MW or greater the same way.

There are uses of larger data centres that are beneficial, but that does not mean that further data sector growth should be assumed after the rapid recent growth. The opposition to them comes

from across the political spectrum, as there is a profound lack of trust in the proponents of the largest projects as well as concern more generally about the whole artificial intelligence project.

**The three pillars in the framework**

**1. Invest in communities and earn trust**

Investing in local communities is important, and will indeed help to build trust. There are ways that the province can help. The Microsoft project in Espoo, Finland is an example. The region has a district heating system, and the Microsoft project will provide its waste heat for the system, thereby reducing heating costs for residents. We need more district heating in more communities and neighbourhoods and action by senior levels of government, both provincial and federal, to help make this happen.

Another important element in earning trust is giving municipalities and regions more authority and deference to balance the size of risk to water in their watershed(s) and the noise that residents must bear with any benefits that the community may receive. Municipalities and regions may also have an important interest in power supply in the years to come if we take advantage of the benefits of distributed power.

**2. Data security and digital sovereignty**

The Framework correctly identifies this as important**.**

**3. Advance economic development**

The likelihood that proposed data centres will create and support durable high-value benefits for Ontario's economy in almost every instance is low. Rather, there is significant risk of loss of durable jobs. Data centre development will provide for increased local employment during construction, but the long term benefit will usually be negligible due to low labour requirements for ongoing operations. Tax incentives and subsidies granted to developers should be avoided as they can significantly erode any economic benefits for municipalities.

There are some uses in innovation and engineering and a few other fields where data centre support for machine learning, rather than generative AI, is required, and this is promising.

Large data centres also make other provincial aims, such as housing construction, more difficult and expensive. A 1 GW data centre uses the power equivalent to 1 million homes. We cannot have both large data centres and home construction on the scale we need and the provincial government has supported because we simply cannot build the power quickly enough without sacrificing our own health and the environment.

**Use of power: control of amounts and sources of power**

The Framework correctly identifies that Ontario must control the amount of power to be used by data centres, and indeed it must be controlled rigorously. Control of the amount of power used ought to lay in the hands of the Independent Electricity System Operator (IESO) rather than a Minister in Cabinet. This will help build trust that the decisions made are not for any ulterior motive. The government must also show deference to the IESO which has been lacking.

As mentioned earlier, the source of power for data centres must be renewable. Our power received from hydro is slowly diminishing year by year due to global warming. Our nuclear power generating systems are getting old and can only be repaired or replaced expensively and too slowly to meet the current AI challenge. Our renewable energy potential has yet to be developed (e.g. offshore wind). As a result, more of our power and GHG emissions are coming from burning methane gas each year. Due to the very high GHG potency of leaked methane and of emissions, this dependency is having an immediate and noticeable effect worldwide. Furthermore, dependency on a growing supply of out-of-province gas is also making power more costly. Data centres add to this burden tremendously. Power from renewable sources is the cheapest, cleanest and quickest to power, and ought to be mandatory for data centres. Battery storage is an important element of this, and in many instances a microgrid onsite with renewable energy and storage is feasible.

**Water—an important local and regional issue**

Watersheds can be significantly affected by data centres, with impacts on municipalities, regions and Indigenous peoples and nations. Deference to the wishes of Indigenous nations and local municipalities and regions with respect to the impact of centres on water supply in their area is important. It is however desirable for the province to indicate that data centres are generally not welcome in regions with water scarcity, e.g., indigenous nations or municipalities that rely on groundwater that may be diminishing.

Reassurances by data centre developers that cooling water will be in a "closed loop" system do not address a number of issues about closed loop systems:

1. These systems reduce the amount of water used but do not eliminate the need to use "new" water regularly to cool the facility rather than the servers; for large data centres, the amount of water used is substantial and can strain local watersheds even with a closed loop cooling tower
2. There is risk of leaks with contaminants.

**Noise—another significant local issue**

Large data centres are not appropriate for many neighbourhoods because of noise concerns. These decisions are best left to municipalities. However, strong guidance on noise control measures could be a part of the provincial regulation.

**Data centres on prime farmland are a poor use of land**

Ontario needs a food security policy, and prohibiting data centre construction on prime farmland would be a good place to start.

**The societal risks and benefits of generative AI which large data centres support**

The Framework is entirely silent on this topic, but citizens are not and most see more risk than benefit. These concerns arise from such things as deepfakes and the impact of using generative AI on children's education. The government can assist by addressing some concerns in curriculum documents and by requiring transparency about which documents were AI generated, for

instance. Much more work needs to be done on these issues. While a moratorium on large data centre construction will not prevent children from using generative AI or from malicious actors using deepfakes, it will set the appropriate tone for regulation.

**Conclusion**

Ontario can learn from the experience of other jurisdictions and go slow on large data centre construction. A thorough Framework for regulation is one part of the solution, but a moratorium on construction while the Framework is being fleshed out into a policy is also essential.

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