The Chartered Governance Institute UK & Ireland

Saffron House
6-10 Kirby Street
London EC1N 8TS

+44 (0)20 7580 4741
info@cgi.org.uk
cgi.org.uk

Clerk of the Environmental Audit Committee
House of Commons
London
SW1A 0AA

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Submitted in plain text via Committee's inquiry portal
CC: eacom@parliament.uk

Dear Sir

UK Parliament: Environmental Audit Committee
Risks and opportunities to the sustainability of data centres in the UK

The Chartered Governance Institute is the professional body for governance and the qualifying and membership body for governance professionals across all sectors. Its purpose under Royal Charter is to lead effective governance and efficient administration of commerce, industry, and public affairs working with regulators and policymakers to champion high standards of governance and providing qualifications, training, and guidance. As a lifelong learning partner, the Chartered Governance Institute helps governance professionals achieve their professional goals, providing recognition, community, and the voice of its membership.

One of nine divisions of the global Chartered Governance Institute, which was established 135 years ago, The Chartered Governance Institute UK & Ireland (**the Institute**) represents members working and studying in the UK and Ireland and many other countries and regions including the Caribbean, parts of Africa and the Middle East.

As the professional body that qualifies Chartered Secretaries and Chartered Governance Professionals, our members have a uniquely privileged role in companies' governance arrangements, including the arrangements that boards have in place to satisfy themselves that AI use is being appropriately governed. They are therefore well placed to understand the issues raised by this enquiry. In preparing our response we have consulted, amongst others, with our members. However, the views expressed are not necessarily those of any individual members, nor of the companies they represent. Our views on the questions asked in your call for evidence are set out below, together with some general comments on the issues raised.

General comments

The governance profession has an interest in the expansion of data centres in the United Kingdom insofar as the intersection with issues of organisational accountability, sustainability, and long-term infrastructure resilience. While we recognise that issues such as energy modelling, water management, and grid engineering fall outside our technical expertise, there are governance elements to these challenges including decision-making quality, transparency, accountability, and oversight. As has been widely recognised, poorly governed expansion could undermine Net Zero commitments and weaken public trust in institutional decision-making. Governance professionals play a crucial role in ensuring that boards and senior leaders adopt robust, evidence-based oversight frameworks when navigating these risks. Further, preliminary insights from ongoing research currently being undertaken by the Institute are suggesting that UK organisations, by virtue of not undertaking meaningful cost-benefit analyses prior to the pursuit of AI initiatives, are potentially contributing to the acceleration of AI deployment that in turn increases additional data centre consumption.

As the professional body for governance, the Institute's aim is not to substitute for the expertise of engineers, environmental scientists, or infrastructure specialists, but rather to complement their work by clarifying the governance, ethical, and accountability considerations that underpin sound decision making. Accordingly, the Institute will provide detailed commentary on those aspects of the inquiry that relate directly to governance while abstaining from offering views on technical matters beyond our professional expertise, which are more appropriately addressed by the relevant subject-matter experts.

Response to the questions

Question 1: What current and future factors and trends are driving demand for data centres and what opportunities and challenges do they pose for the UK?

The Institute cannot comment on factors and trends driving demand, other than to say that drivers of data centre expansion include rapid AI adoption, and lack of cost-benefit analysis. Other drivers exist but fall outside the Institute's remit. The observation regarding challenges is that good governance in this context requires organisations to make evidence-based, purpose-led decisions, and consequently deficient organisational decision-making can often be attributed to weak governance.

Question 2: What are the environmental impacts of different types of data centre currently having in the UK and what are the future impacts likely to be? Question 2(1): What are the potential short, medium and long-term projections of these impacts?

No comment.

Question 3: What impact are data centres having on climate change and the Government's Net Zero targets and how will this change in the short, medium and long term in the UK?

No comment.

Question 4: To what extent will Artificial Intelligence (AI) accelerate the need for data centres and is this being adequately taken account of by the Government and relevant bodies, such as the Climate Change Committee and the Office for Environmental Protection, in terms of nature, the environment and climate change?

The Institute is concerned that AI is likely to accelerate the demand for data centres faster than may be strategically, fiscally, or economically warranted, largely because many organisations and public bodies are undertaking AI initiatives on the basis of hype, unrealistic expectations, lack of understanding, and poor governance, as opposed to being on demonstrable operational need. While the Institute appreciate that technical drivers of AI-related demand sit outside our expertise, the governing issues surrounding AI adoption (including absence of structured oversight, lack of due diligence, and weak cost-benefit discipline) are directly relevant by virtue of the role boards play in oversight, due diligence, and responsible resource allocation mitigating (or exacerbating) these risks. To reiterate, the Institute consider its role being to comment on the quality and principles of governance underpinning organisational decisions and we assert that understanding how (and why) boards approach AI adoption is important, as no amount of technical modelling can compensate for insufficient organisational governance driving unnecessary demand.

Early insights from ongoing research undertaken by the Institute regarding the implementation of artificial intelligence suggest that, in all the roundtables convened to date, not a single participating organisation reported having undertaken a formal cost-benefit analysis prior to implementing AI initiatives. The Institute acknowledges that governance practices differ across sectors and across industries but, in tandem, the inconsistency of issues reported across the roundtables suggests more a systemic issue than an isolated concern. This also echoes broader academic evidence and market intelligence of hype-driven adoption. Many organisations are proceeding with AI systems on the basis of unrealistic expectations, misunderstanding the problem intended to be solved by AI solutions, and insufficient understanding of the criticality of meaningful data and supporting infrastructure. Such practices create a dangerous feedback loop whereby underinformed decision-making accelerates AI deployment, which in turn subsequently accelerates unnecessary data centre consumption.

At present, it is not evident that Government, the Climate Change Committee (**CCC**), or the Office for Environmental Protection (**OEP**) are fully accounting for this demand growth. Without stronger governance oversight including demand-side scrutiny, purpose-driven AI adoption criteria, and requirements to demonstrate environmental justification for compute expansion, the UK risks building resource-intensive data centre capacity to serve systems that ultimately do not create value.

The Institute urges the CCC to assess how the proportion of hype-driven AI adoption is superficially inflating the demand for data centre infrastructure. These demand projections should be integrated into the Seventh Carbon Budget and future modelling assessments. The Institute also recommends the OEP consider whether public bodies' AI-related procurement decisions align with environmental duties and efficient use of resources, including evaluating whether rapid data centre growth undermines water, nature, and energy-efficient commitments.

More broadly, the AI-related demand for data centres ought to be incorporated into regulatory impact assessments and long-term capacity planning, including the issuance of guidance on how public authorities can realistically balance digital innovation with environmental protection.

Question 5: To what extent do existing policies, such as the Environmental Improvement Plan and the Planning and Infrastructure Act and associated policies, take account of the potential impact of data centres, particularly in terms of water use, nature and the environment? Question 5(1): How should the impact of data centres be factored into future policies, such as the Land Use Framework, regional planning, housebuilding and reform of the water sector? Question 5(2): How important is the location of data centres and what factors should be considered for optimum siting of them?

From a strictly governance perspective, the Institute believes that there is a disconnect between the information organisations disclose against climate-related reporting frameworks and the information required by planning authorities and environmental regulators to assess the impact of new data centre developments. While there is an obvious need to avoid creating onerous reporting obligations, as it stands, there is currently no legal requirement for organisations or public bodies to disclose AI initiatives or to report their specific environmental impacts as such. While energy use associated with AI may be captured indirectly within aggregate Scope 2 electricity consumption or Scope 3 supplier emissions, existing reporting frameworks do not require AI-specific attribution, leaving AI-driven datacentre demand largely opaque to regulators and planning authorities. This means that the resultant pressure upon data centre infrastructure is largely invisible. There is a governance blind spot insofar as incomplete, non-comparable, and misaligned information flows. Further, there is a greater need for coherence and alignment between corporate reporting frameworks and public sector decision-making processes, ensuring that critical information can be meaningfully communicated between the respective bodies. Without commenting on technical assessment of environmental or planning adequacy, the Institute simply highlights these issues as matters of information governance, decision-quality and cross-system accountability.

Question 6: Has the Climate Change Committee adequately taken account of the impact of data centres, especially in its advice on the Seventh Carbon Budget?

No comment.

Question 7: What existing and emerging technologies can be used to minimise the environmental and climate change impact of data centres? Question 7(1): How mature are these technologies and are they ready to be rolled out at the scale and pace required to match the potential expansion of data centres? Question 7(2): What specific role can renewable energy play in reducing the carbon footprint of data centres?

As opposed to technological solution, the Institute recommends boards, leaders, and decision-makers take a "technology neutrality with accountability" stance, meaning the adoption of existing and emerging technologies occur only when evidence supports readiness and environmental benefit. This should be supported by good governance principles of appropriate board-level due diligence and independent challenge. Without such evidence, governance structures should ensure that technological adoption does not exceed an organisation's (or public body's) capacity to understand and provide meaningful oversight of associated resource demands or broader environmental impacts.

The Institute has no further substantive comment on the technical aspects of this question.

Question 8: What opportunities do data centres offer in helping to power and heat local communities and amenities and what will be required to deliver benefits?

No comment.

Question 9: Are there beneficial or precautionary lessons to learn from the impact of data centres outside the UK?

From a purely governance perspective, international experiences can offer valuable insights for the UK. There have been issues in jurisdictions such as Ireland and the Netherlands where poor regulatory oversight led to over-concentration of data centres, resource conflict, and community backlash including loss of public trust. These issues arose not from technical shortcomings but from governance gaps including fragmented oversight, limited transparency on resource impacts, and an absence of 'whole system' strategic planning. The UK can pre-emptively draw on these experiences by strengthening the governance frameworks that underpin data centre development, such as coherent national strategy-setting, transparent reporting of energy and water use, and robust assurance mechanisms to support accountable decision-making.

There are further governance lessons relating to decision-making quality and effective oversight. Market analyses including McKinsey's Quantum Black findings (that 80% of generative AI initiatives generate no material value) and Gartner's projections (that 40-46% of AI projects will be abandoned wholesale) reiterate that governance failures, not technical requirements, are contributing to inflating AI-related compute demand on data centres.

Question 10: To what extent will the resource demands of data centres impact on other sectors with regard to competition for resources and decarbonisation?

No response.

Should you wish to discuss any of the above comments in further detail, we welcome you to contact our Policy Department at policy@cgi.org.uk.

Yours faithfully,

Kayla Schembri
Head of Policy

The Chartered Governance Institute UK and Ireland