Data centres as strategic infrastructure: unlocking value for NZ Inc

A global race for data centre investment is underway – New Zealand must act fast to convert its advantages into projects, customers and economic growth.

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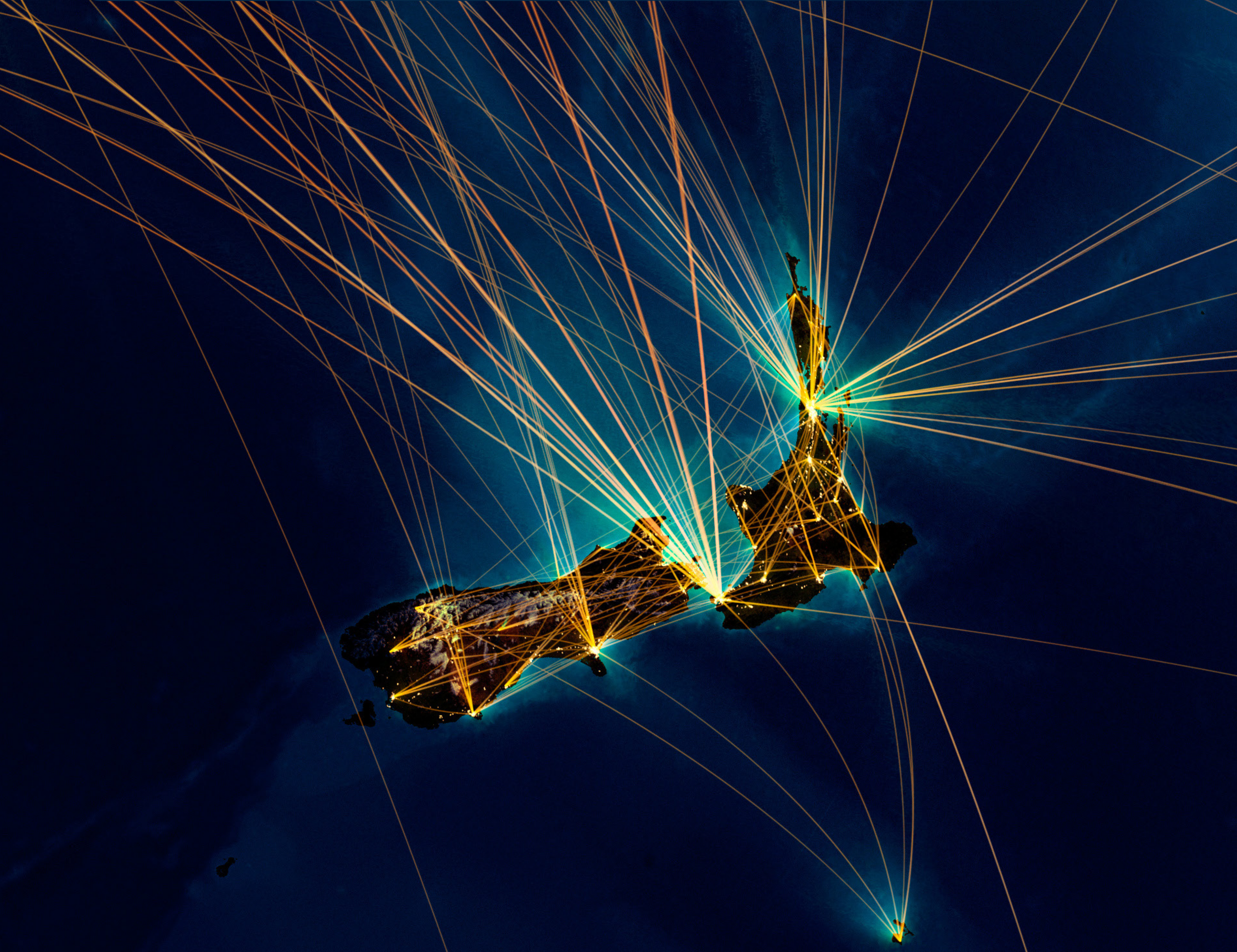


Introduction

As AI adoption surges, global demand for computing capacity and the data centres that provide it is growing faster than ever. AI models, new applications and growing data volumes all need reliable, large-scale digital infrastructure.

In our 2025 report, Future of NZ Inc: What Will New Zealand Be Known for in 2050?, we identified data centres as a growth opportunity for New Zealand, harnessing the country's competitive advantage in sustainable energy. This report explores data centres as strategic infrastructure for New Zealand: we assess the market landscape, New Zealand's right to win global market share, the benefits of data centres for the New Zealand economy and the challenges associated with rapid data centre development. We then present recommendations for local energy and digital infrastructure stakeholders to take advantage of the opportunity.

We draw on and expand frameworks, research and forecasts included in our recent report, Energy to Grow: Securing New Zealand's Future, along with other BCG global research including Breaking Barriers to Data Center Growth, Energy Demand from Compute and Infrastructure Investment in an Uncertain World.

Executive summary

Ten years from now, in a world where AI is embedded in every sector, data centres will be as foundational to economies as ports, airports and power grids – and the infrastructure decisions that underpin that future will be made before the end of this year.

Computing capacity globally is expected to more than double by 2030, but demand is still far outpacing supply as AI technology accelerates and new applications scale. Investors and developers are looking globally for places to build the data centres that provide this capacity – favouring countries with competitively priced, reliable and renewable energy, strong network connectivity and a stable political, business and regulatory environment.

Considering these investment drivers, **New Zealand is well placed to win share of the global data centre market**, with abundant renewable energy resources, strong fibre connectivity, and a stable and reliable operating environment. If New Zealand can position itself as a preferred destination it could **unlock up to $70 billion of economic activity over the next decade.**[1] This would include the construction and operation of 600 MW of new data centres and about 3.5 TWh of additional renewable energy generation to match – creating new skilled jobs in regional hubs and a new high-value export industry.

However, **New Zealand's natural advantages won't automatically translate to investment**: a global race is underway, with many countries vying for global capital. **Seizing this opportunity requires imminent action** to consolidate New Zealand's position and promote its advantages to the world, while also managing the challenges associated with rapid data centre development. Two priority areas include:

- **Adopting an enabling policy framework** that improves ease of consenting, encourages the development of an abundance of renewable energy, ensures large data centres are matched with new energy supply to maintain energy security and affordability for all users, and investigates modest incentives to attract investment.
- **Establishing a sector-led orchestrator** to coordinate the ecosystem and promote New Zealand's advantages to the world with a unified narrative that signals the country's openness to investment.

The data centre opportunity for New Zealand is exciting: it presents both a chance to underpin its future growth industries with critical digital and energy infrastructure, and to build a new export industry that drives economic growth. To capture it requires a strong investor narrative, backed by an environment that manages challenges effectively and allows investment to flourish.

1. Refers to our *Export (base)* scenario; see Exhibit 5 and Section 3

1. The growing data centre opportunity

Data centres are the critical infrastructure serving our increasingly digital economy and daily lives

Data centres are highly secure, cooled facilities that house the energy-intensive computing systems that underpin the modern digital economy. Almost every digital interaction – from enterprise IT to cloud storage and AI – depends on this critical infrastructure.

Growing reliance on digital operations, consumer-facing digital services and the rapid uptake of generative AI (GenAI) are driving strong growth in demand for computing capacity. Data centres provide this capacity with several delivery models (see Exhibit 1).

Exhibit 1: Typical data centre delivery models

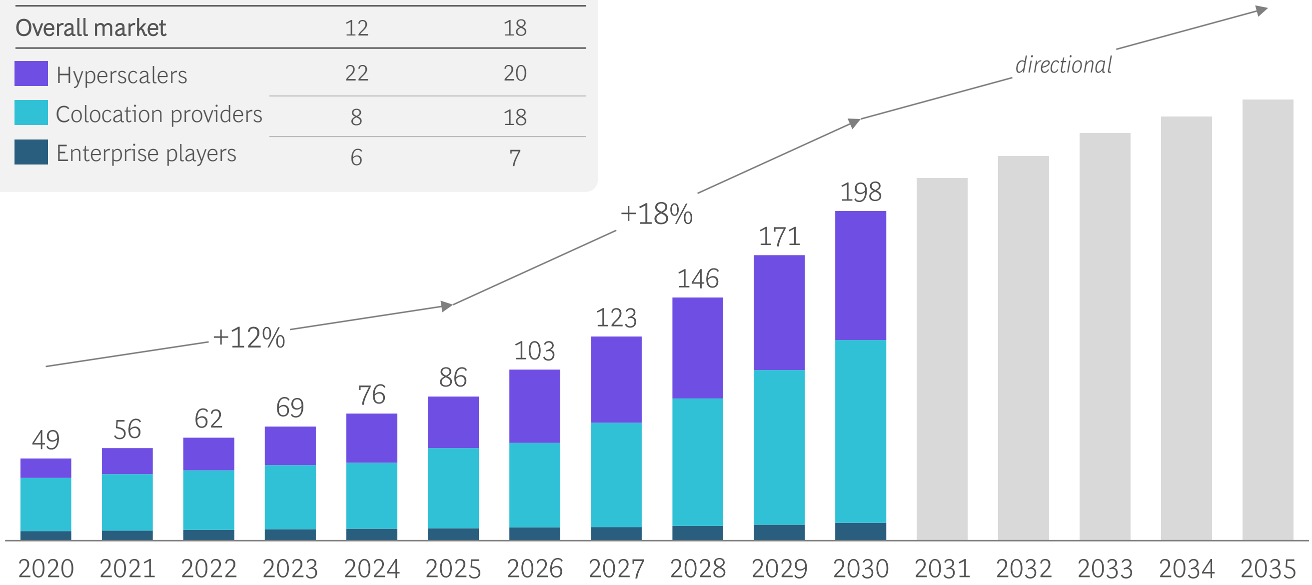
Operator segment	Description	Size	Sample operators	NZ example
Hyperscaler-owned and operated	• Built and operated by hyperscalers to run their service offerings, including cloud platforms, AI workloads and other digital services • Expected to drive 40% of global market growth to 2030	50–300 MW +	Microsoft Google aws Oracle Meta	Microsoft *Westgate campus opened 2024, supporting launch of full Azure region. Key customers include Fonterra, BNZ, ASB and ACC*
Co-location provider-owned	• Provider-owned sites that lease rack space to tenants who install and manage their own servers • Often have one or more anchor tenants, which frequently include hyperscalers • Expected to drive 55% of global market growth to 2030	25–200 MW +	CDC Spark nz DCI Data Centers DATACOM	CDC *98 MW capacity operating or under construction across Silverdale and Hobsonville campuses. Hosts NIWA's supercomputer*
Enterprise-owned and operated	• Smaller centres, usually housed on-premise within corporate/govt. buildings • Used exclusively for internal computing needs • Typically managed and maintained by enterprise's IT department	<10 MW	*Corporates, government departments, other large organisations*	*Traditional server room in corporate buildings* *Becoming less common (e.g. BNZ and ASB publicly announced shift from internal servers to Azure)*

As organisations shift their computing needs from their own server rooms to outsourced cloud, web and AI platforms, hyperscaler and co-location providers are becoming the dominant suppliers of computing capacity. These facilities are expected to add over 100 GW of computing capacity[2] to the global market over the next five years (see Exhibit 2).

Exhibit 2: Hyperscalers and co-location providers are rapidly developing data centre computing capacity

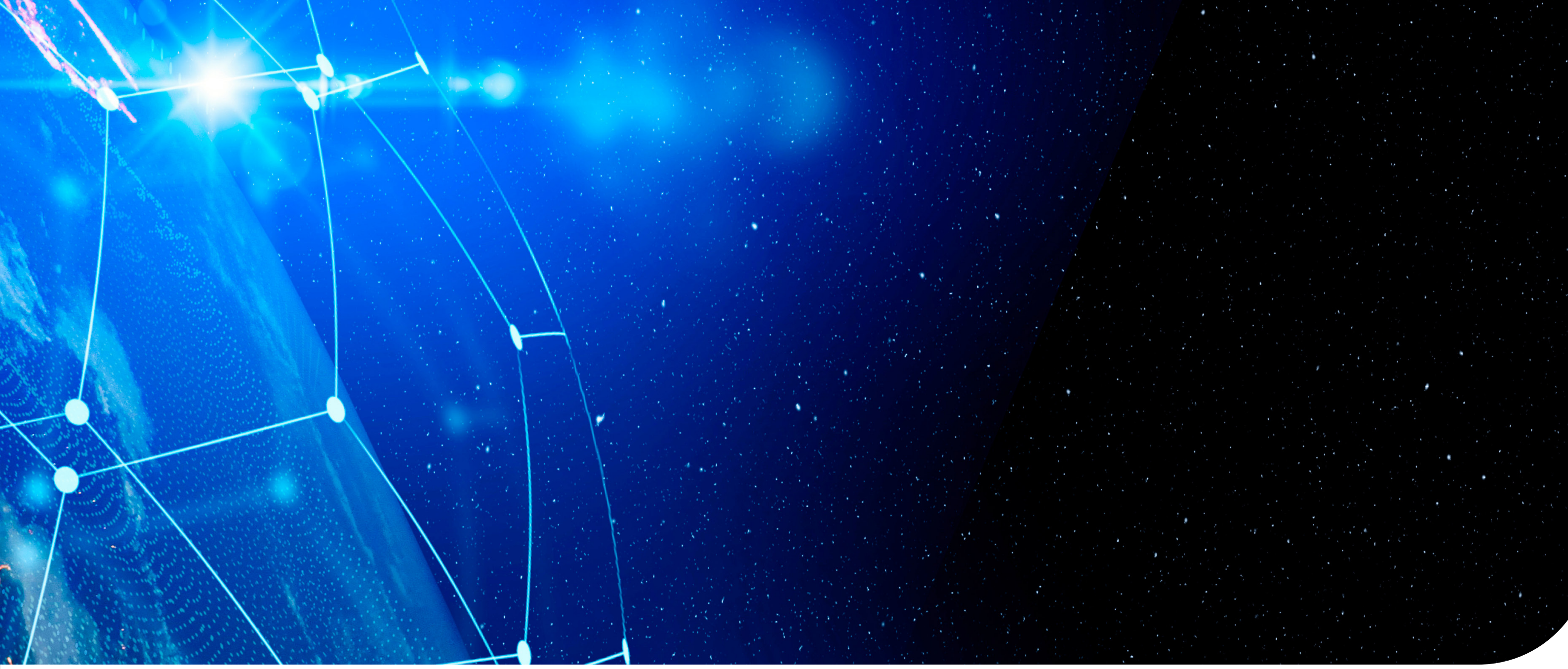
Global data centre computing capacity, by operator segment
(GW)

Operator type	CAGR (%) (2020–2025)	CAGR (%) (2025–2030)
Overall market	12	18
Hyperscalers	22	20
Colocation providers	8	18
Enterprise players	6	7



Note: CAGR = compound annual growth rate. Model excludes China.
Source: Expert interviews; MLPerf; Nvidia quarterly earnings; press releases; product datasheets; case experience; BCG Global Data Centre model, November 2025 update

2. Computing capacity refers to the designed peak power draw of data centre servers



Growing global demand for digital services is accelerating demand for data centre capacity – and GenAI is the driving force

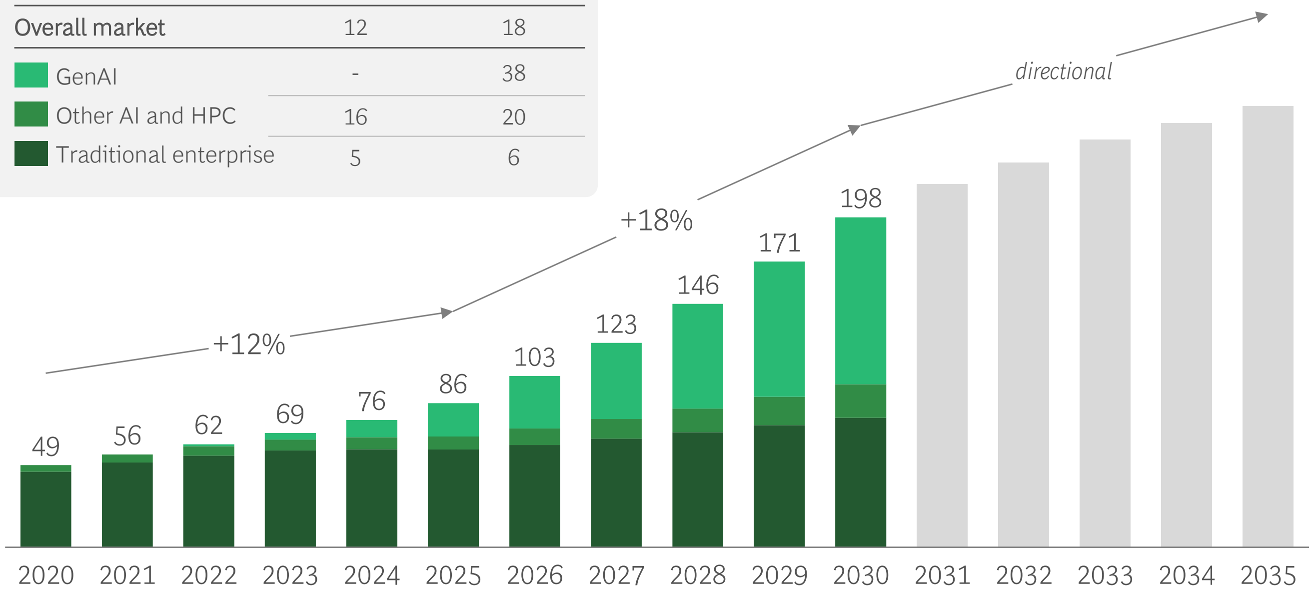
Data centres support a wide range of computing tasks – referred to as workloads – with demand for these services driving data centre capacity growth. The global data centre market has nearly doubled in size over the past five years and is expected to more than double again by 2030 (see Exhibit 3).

Historically, growth was fuelled by increasing organisational digitisation, migration to cloud-based IT services and the need for high-performance computing (HPC). Now, GenAI has become the driving force, accelerating demand for computing capacity and broadening the mix of workloads that data centres are required to support (see Exhibit 3). Beyond 2030, demand growth is expected to continue as AI use cases expand, but growth may slow as AI models become more efficient and regional hubs reach scale.

Exhibit 3: Rapid AI model development and deployment is forecast to drive the global data centre buildout

Global data centre computing capacity, by workload segment
(GW)

Workload segment	CAGR (%) (2020–2025)	CAGR (%) (2025–2030)
Overall market	12	18
GenAI	-	38
Other AI and HPC	16	20
Traditional enterprise	5	6



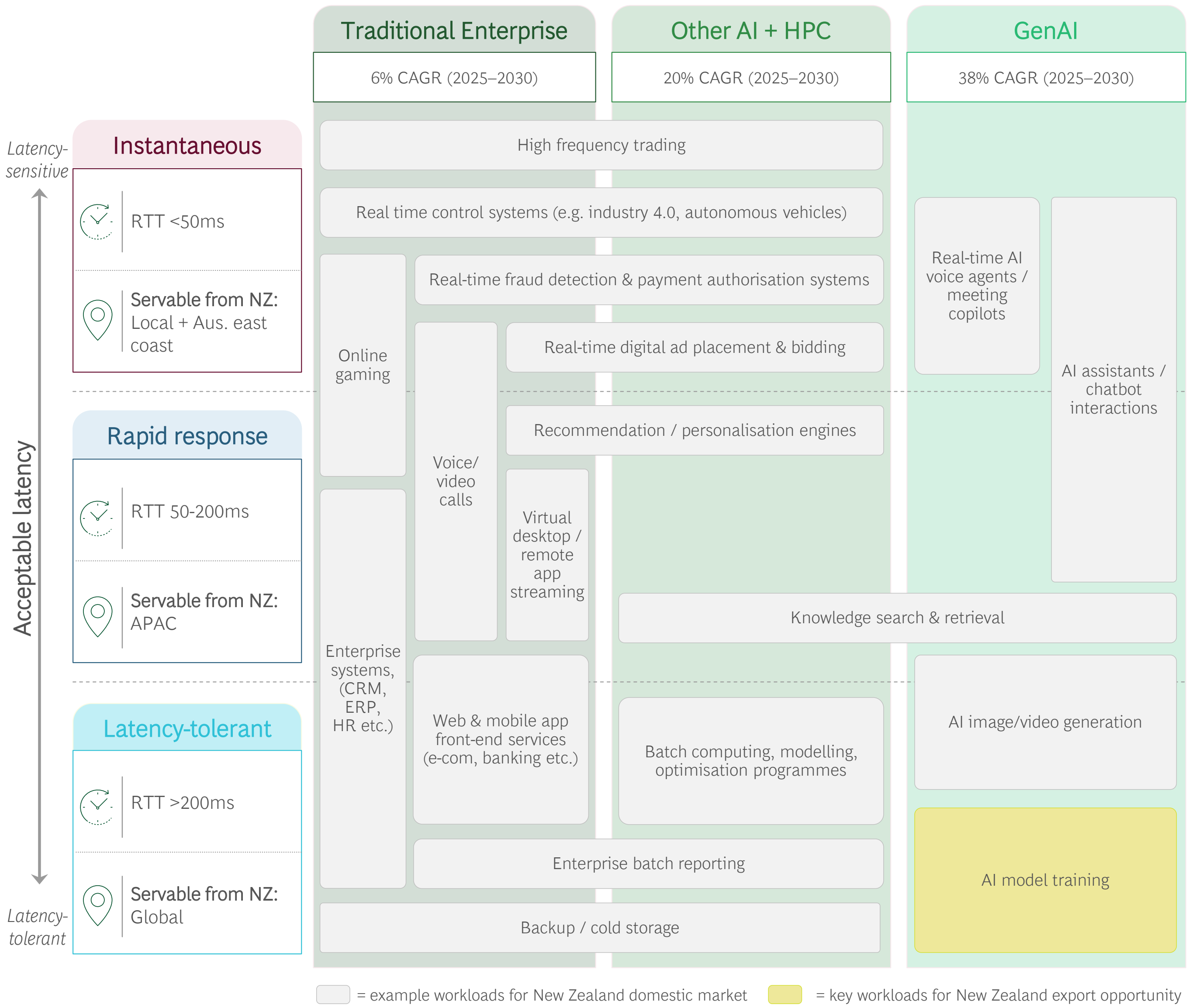
Note: CAGR = compound annual growth rate. Model excludes China.
Source: Expert interviews; MLPerf; Nvidia quarterly earnings; press releases; product datasheets; case experience; BCG Global Data Centre model, November 2025 update

A rapidly growing share of global workloads can now run from anywhere – including New Zealand

Workloads have different latency requirements, depending on the task. Latency is the time it takes to receive a response to a request, largely driven by distance between the user and the data centre, and how well they are connected by fibre-optic network infrastructure. Historically, many workloads have been latency-sensitive, meaning data centres needed to be close to end-users. This means New Zealand's data centres have primarily served local cloud regions and domestic workloads across the traditional enterprise and other AI and HPC segments.

As demand has grown across these segments and connectivity has improved, more workloads are technically serviceable from New Zealand. Depending on a workload's latency sensitivity, New Zealand can serve domestic needs, Australia's east coast, the wider APAC region and beyond (see Exhibit 4).

Exhibit 4: Sample of workloads across segments served by data centres and their latency requirements



Note: Mapped workloads are illustrative & non-exhaustive, acceptable latencies are indicative ranges; RTT = round-trip time (ms), metric for latency; CAGR = compound annual growth rate; growth rates exclude China
Source: Desktop research, expert interviews, BCG analysis

The rise of GenAI has introduced a new, rapidly growing segment of diverse workloads with great need for computing capacity. A large portion of this demand is driven by latency-sensitive inferencing workloads – where a model performs a task based on trained data, such as users interacting with AI chatbots, research requests and virtual co-pilots. New Zealand's market is already serving many of these workloads for domestic customers, and the increasing adoption of AI is expected to continue to drive domestic market growth in coming years.

Alongside inferencing, training GenAI models is estimated to make up about a third of total GenAI computing demand and workloads often involve days or weeks of continuous, energy-intensive computation at a very large scale.[3] But unlike inferencing, these workloads are generally not latency-sensitive, meaning computing capacity can be located where power and infrastructure are most competitive, rather than where is close to end users.

Growth in the proportion of workloads without strict latency requirements is shifting the data centre development environment – GenAI training workloads alone are expected to contribute ~24 GW – about 20% – to global growth to 2030. As a result, data centre investors are now searching globally for sites to build massive campuses. These facilities are typically more than 200 MW in size, and in some cases exceed 1 GW – equal to about 14% of New Zealand's current peak electricity demand.[4] With demand for these developments rising, New Zealand can position itself as a regional data centre hub.

New Zealand has a rare opportunity to build a substantial new industry

Today, New Zealand's ~125 MW of data centre capacity makes up about 0.15% of the global market.[5] By comparison, New Zealand produces about 0.3% of global GDP, implying New Zealand only has about half its fair share of the global data centre market.[6] With substantial global market growth expected to 2035, New Zealand has the opportunity to accelerate its local data centre market growth and capture at least its fair share of the global market.

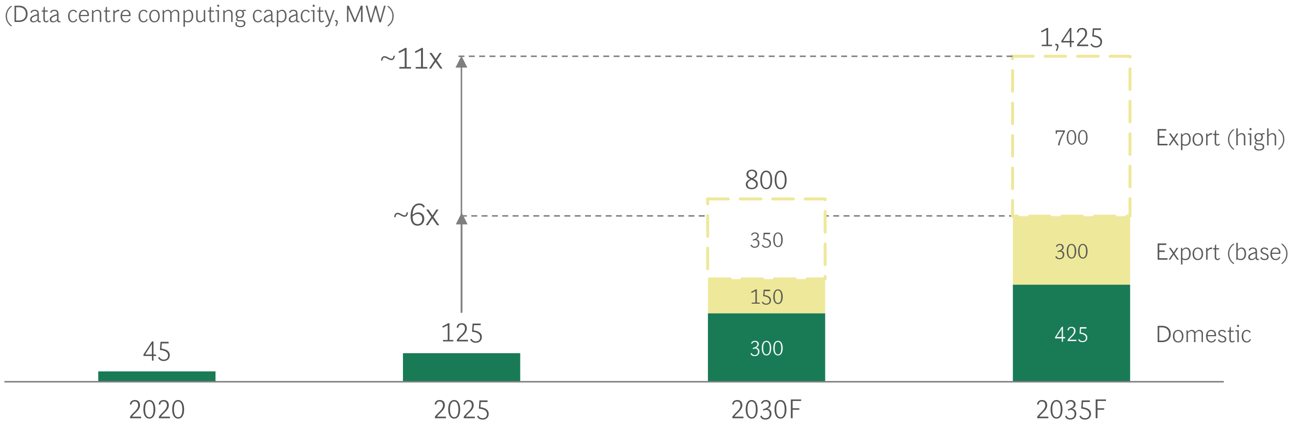
We expect the market serving primarily domestic workloads to grow by about 300 MW to 2035. On top of domestic market growth, we modelled two export scenarios to 2035, to estimate the effects on New Zealand's energy system, as well as potential economic benefits, which are described throughout this report.

Our base scenario adds 300 MW of export-oriented capacity by 2035 in addition to domestic market growth. This would expand today's local market six-fold (see Exhibit 5) and lift New Zealand's global market share to 0.20–0.25%.

Our stretch case, reflecting a high export scenario, adds 1000 MW of export-oriented capacity by 2035 in addition to domestic growth – lifting New Zealand's global market share to ~0.3%. Given the scale of modern facilities today, this scenario envisages 2–5 very large-scale data centres are operational in 2035. Developments of this size are already being progressed in New Zealand (e.g. Datagrid).

Exhibit 5: New Zealand's data centre market has significant growth potential

New Zealand data centre market, with future export scenarios, 2020–2035
(Data centre computing capacity, MW)



Source: UBS NZ; NZTech; MBIE; expert interviews; desktop research; BCG Global Data Center Model, November 2025 update; BCG analysis

3. BCG, Energy Demand from Compute, 2025; expert interviews; BCG case experience
4. Electricity Authority, Why was electricity demand high during 2024?, 2024; Note: 2023 national peak demand = ~7.3 GW
5. BCG, Energy to Grow: Securing New Zealand's Future, 2025; BCG Global Data Center model, November 2025; Note: "global" excludes China.
6. Statista, Gross domestic product (GDP) in NZ, 2025; Statista, Global gross domestic product (GDP), 2025; Note: "global" excludes China.

The substantial and unique operating requirements of data centres

Data centres have specific requirements that influence operational cost-effectiveness, security and sustainability. These act as major drivers for investors, particularly for site selection (see Exhibit 6).

Exhibit 6: Major investment drivers for data centres

Major drivers	Key components	Description
Energy	Supply	Generation capacity and reliability
	Transmission	Grid capacity and connection lead times
	Cost	Unit pricing (amount and volatility)
	Sustainability	Carbon intensity of supply
Network connectivity	Extent and latency	Connection density to end-users at required latency
	Redundancy	Connection diversity with multiple paths
Operating environment	Data security	Data and privacy laws to ensure security of workloads
	Political stability	Regulatory stability and predictability
	Business environment	Ease of doing business and incentive schemes
Physical environment	Climate, water & resources	Availability for operational efficiency
	Natural hazards	Relative risk of natural disasters
Capital investment	Land	Availability, zoning and relative cost
	Construction	Relative cost, and consenting timelines
	Technical equipment	Procurement, delivery and installation of advanced equipment

Energy

Data centres are very energy-intensive, with electricity typically accounting for 20–40% of OPEX, meaning small price changes can materially affect operation economics.[7] For example, a single 50 MW hyperscale data centre consumes 850–1,100 MWh of electricity a day, which is roughly the same as 50,000 households.[8] Given the significant offtake required and with global demand surging, the time it takes to get connected to the grid is increasingly driving site decisions and is often becoming one of the key development constraints.

As well as cost and connection timeliness, developers prioritise power supply that is reliable. Data centres have stringent uptime and redundancy requirements – depending on the workload, many data centres aim for 99.999% uptime availability.[9] Low-carbon supply is also becoming increasingly important as hyperscalers strive to meet emissions targets.[10]

Network connectivity

A hyperscale data centre can simultaneously serve millions of end-users, making high-capacity, resilient network connectivity critical. Developers prioritise networks that are dense, with physically diverse routes that increase connection redundancy and remove single points of failure – often a requirement for hosting sensitive workloads.

7. BCG, Energy to Grow: Securing New Zealand's Future, 2025
8. MBIE, Sales-based electricity costs for residential, 2025; assumes 60–80% utilisation rate, power usage effectiveness (PUE) = 1.2;
9. Splunk Cisco, What Is Five 9s In Availability Metrics?, 2024
10. Hyperscalers typically have low or zero emissions targets in place: Microsoft, Sustainability, 2025; Google, Sustainability, 2025; AWS, Sustainability, 2025

Operating environment

Data centres depend on stable, predictable operating environments. Political stability, rule of law, clear data sovereignty and security law, and reliable regulatory frameworks are critical to justifying large, long-term capital investment and safeguarding sensitive data. Investors also assess attractiveness of the business environment – including economic incentives, ease of operations and level of regulatory burden.

Physical environment

The physical environment heavily influences the operational efficiency of data centres. Energy-intensive computing equipment requires cooling. In a warmer climate, more natural resources – such as water – and energy are required for cooling systems. Site decisions are also shaped by the relative risk of natural disasters between sites (e.g. seismic, weather events, tsunamis).

Capital investment

Upfront capital expenditure can amount to ~30% of the total cost of ownership, excluding IT equipment. As a result, the relative cost of developing a facility in each market is a key driver of location decisions for international investors. Cost differences across locations are driven primarily by three factors: land; construction labour and materials; and power and cooling equipment and installation.

2. New Zealand's right to win global data centre market share

New Zealand has unique competitive advantages that are well-matched to the operational requirements of data centres. Demand for computing capacity is outpacing the build rate of data centres overseas, forcing developers to look further afield for viable alternatives.

With a growing share of global workloads, particularly in AI model training, servable from New Zealand, the country's domestic strengths combined with offshore constraints create a genuine right for New Zealand to win a share of the global data centre market and build a new major export industry.

New Zealand performs well across the five major investment drivers:

Major drivers	Key components	New Zealand's competitive position
Energy	Supply	Strong generation pipeline, substantial untapped resources
	Transmission	Transmission grid backbone, robust grid connection process
	Cost	Renewable electricity PPAs competitive vs. global peers
	Sustainability	On track for >95% renewable electricity supply by 2028
Network connectivity	Extent and latency	Capacity growing as new cables are developed
	Redundancy	Varied paths to Aus. & US; new cables diversify landing points
Operating environment	Data security	Robust data & privacy law, recognised by EU
	Political stability	Ranked 2nd globally in The Economist's Democracy Index
	Business environment	Ranked 1st globally in Ease of Doing Business Index
Physical environment	Climate, water & resources	Mild climate allows for efficient cooling
	Natural hazards	Important to manage seismic and flood risks
Capital investment	Land	Land costs on par with peers, such as Australia
	Construction	Construction costs on par with peers, such as Australia
	Technical equipment	Distanced from major OEM manufacturing hubs

Source: Case experience; desktop research; expert interviews

Energy: Substantial untapped, affordable and firm renewable energy potential

Secure, affordable energy is critical to data centre operations: servers run 24/7 and require uninterrupted supply, and power can account for ~30% of operating costs. Developers are also increasingly prioritising low-carbon supply. Hyperscalers such as Google, Microsoft and AWS all have 100% renewable energy targets for their data centres by 2030 and regional co-location developers such as CDC are already 100% renewable-energy certified.[11]

New Zealand is well placed to meet these requirements. By global standards, New Zealand's energy system performs strongly. It is ranked ninth globally and first in Asia by the World Energy Council and has an A-rating across all three dimensions of the energy trilemma: energy equity, environmental sustainability and energy security.[12]

As outlined in BCG's recent Energy to Grow: Securing New Zealand's Future report, the country is on track to hit 95% renewable electricity generation by 2028 and 98% by 2030, and is building renewable generation faster than ever before.[13] The development pipeline includes 4.1 TWh of projects under construction (equivalent to ~10% of 2025 electricity supply) and a further 3.7 TWh consented, enabling new generation to be commissioned in step with demand growth from data centres and the electrification of the wider economy. This places New Zealand in a stronger position than other data centre hubs such as Pennsylvania and Ireland, where rapid data centre growth has outpaced grid and generation additions, leading to strained electricity networks putting upward pressure on prices, and increased public and regulatory scrutiny.

11. Microsoft, Sustainability, 2025; Google, Sustainability, 2025; AWS, Sustainability, 2025; CDC, Stable Planet, 2025
12. World Energy Council, Energy Trilemma Index, 2023
13. BCG, Energy to Grow: Securing New Zealand's Future, 2025

Beyond the immediate pipeline, New Zealand has substantial additional untapped renewable energy resources to meet further demand growth (see Exhibit 7). Geothermal generation from conventional resources alone is estimated to hold 21 TWh of annual generation potential – equivalent to 50% of current national supply.[14]

Unlike most advanced economies, New Zealand's already high proportion of renewable generation means new renewable resources can be dedicated to powering demand growth like data centres, rather than used for the substantial fossil fuel transition efforts that face other countries around the world.

Exhibit 7: New Zealand has substantial renewable energy potential

Geothermal	Wind	Solar
21 TWh *energy potential from untapped conventional resources*[1]	**6 GW** *capacity in onshore development pipeline, equivalent to*	**24 TWh** *of annual generation potential from utility solar in pipeline at various development stages*[4]
30 TWh *of untapped energy potential from supercritical resources*[2]	**22 TWh** *of annual generation*[3]	**15 TWh** *of annual generation potential from untapped rooftop solar*[4]

1. *Conventional* refers to <3.5k depth, <350°C; 2. *Supercritical* refers to >3.5km depth, >400°C; 3. Assumes 40% capacity factor; 4. Assumes 16% capacity factor
Note: Figures rounded to nearest whole numbers. Rooftop solar has substantial system generation potential, but is unlikely to directly meet data centre power requirements.
Source: IEA Geothermal; Castralia; NZ Wind Energy Association; Transpower; BCG analysis

New Zealand can also supply data centres with the constant energy they need. The country's geothermal and hydropower resources allow it to deliver 24/7 firmed renewable energy. Geothermal energy is inherently firm and therefore perfectly matched to data centre use. And New Zealand's substantial hydropower generation base (currently supplying around half of national generation) is dispatchable – meaning it can adapt its output to firm intermittent renewable generation from wind and solar sources when needed (see Exhibit 8).

Exhibit 8: New Zealand has a highly valuable combination of renewable resources

Highest value	**Flexible renewables – hydro** *Ability to firm intermittent renewable generation*
Very high value	**Baseload renewables – geothermal** *Inherently firmed 24/7 renewable generation*
High value	**Mostly firmed renewables** *Wind and solar generation, firmed with batteries*

14. IEA Geothermal, New Zealand, 2024; conventional refers to <3.5km depth, <350°C

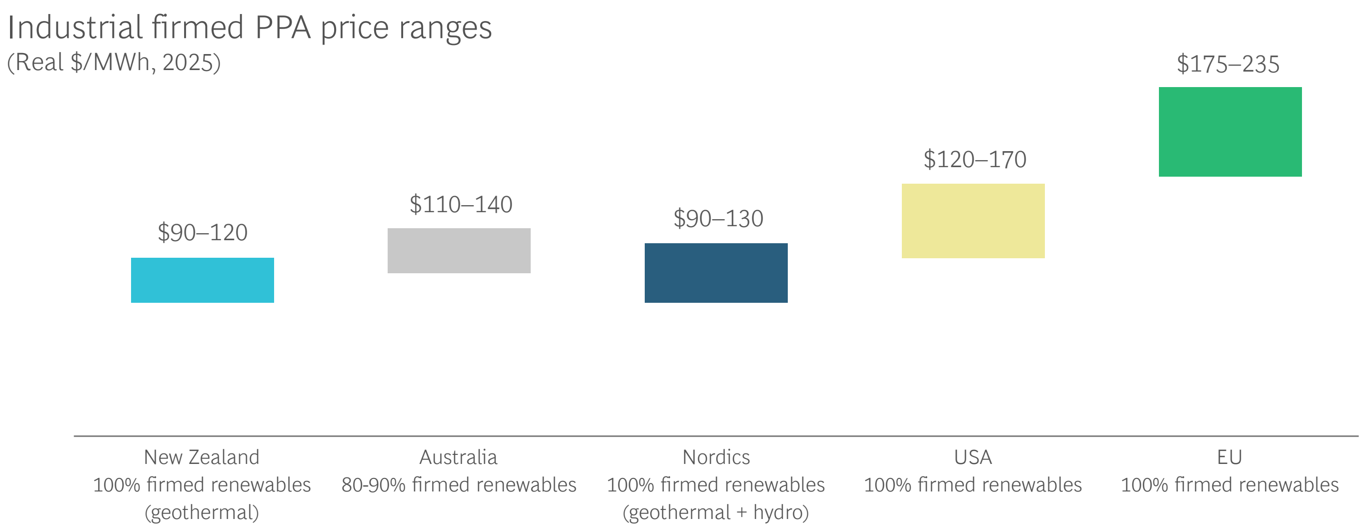
New Zealand's abundant untapped renewable resources translate to globally competitive industrial power purchase agreements (PPAs) (see Exhibit 9). These agreements support the development of new renewable generation by underwriting new power plants with revenue guarantees, while also creating a mechanism for large energy consumers to support the development of generation to maintain energy system balance, security and price stability.

Energy gentailers in New Zealand are already entering internationally competitive PPA arrangements with data centre developers, proving the market can deliver competitively-priced, firm renewable energy and pave the way for future market growth. For example, AWS entered a PPA with Mercury to underwrite Turitea South, a 103 MW wind farm in Manawatū to support their local cloud region.[15]

The time it takes to secure a new transmission connection is critical for data centre developers. New Zealand's transmission grid was developed to transport large volumes of hydroelectricity supply in the South Island to major demand centres in the North Island, meaning the country has a strong transmission grid backbone which provides many connection point options. Transpower's robust connections process has ensured that, at least to date, New Zealand has avoided the major bottlenecks for new connections that have been experienced on other grids globally.

In many regions with high renewable energy potential, resources – particularly geothermal – often overlap with, or sit adjacent to Māori freehold land and areas of significant cultural interest. Through land access, consenting processes and kaitiakitanga responsibilities, this places them as key stakeholders in the renewable energy ecosystem. Many iwi are established across the renewable energy value chain. There are opportunities for iwi to be more directly involved as co-development partners for renewable energy, if that is aligned with their business and cultural objectives. For example, the Tauhara North No.2 Trust has joint venture partnerships and equity stakes in geothermal generation assets with Mercury.[16]

Exhibit 9: New Zealand's industrial firmed renewable PPA price ranges are competitive with international peers



Note: Prices reflect energy-only costs for 10–12-year firm PPAs starting 2026–2028, exclusive of retail/wires. Methodologies benchmark against long-run baseload prices, geothermal LRMCs, and shaping premiums. ±10–20% caveats apply for basis risk, contract structure, hourly matching scope and local attribute rules. Currency conversions (USD, EUR, AUD) made 13 August 2025
Source: CSIRO; KYOS; OPIS; ASX Announcements; Lazard LCoE; Data Center Dynamics; Reuters; ATB/NREL; Eurelectric

15. AWS, Amazon & Mercury Announce First Corporate Power Purchase Agreement, 2023
16. Tauhara North No. 2 Trust, Geothermal, 2026

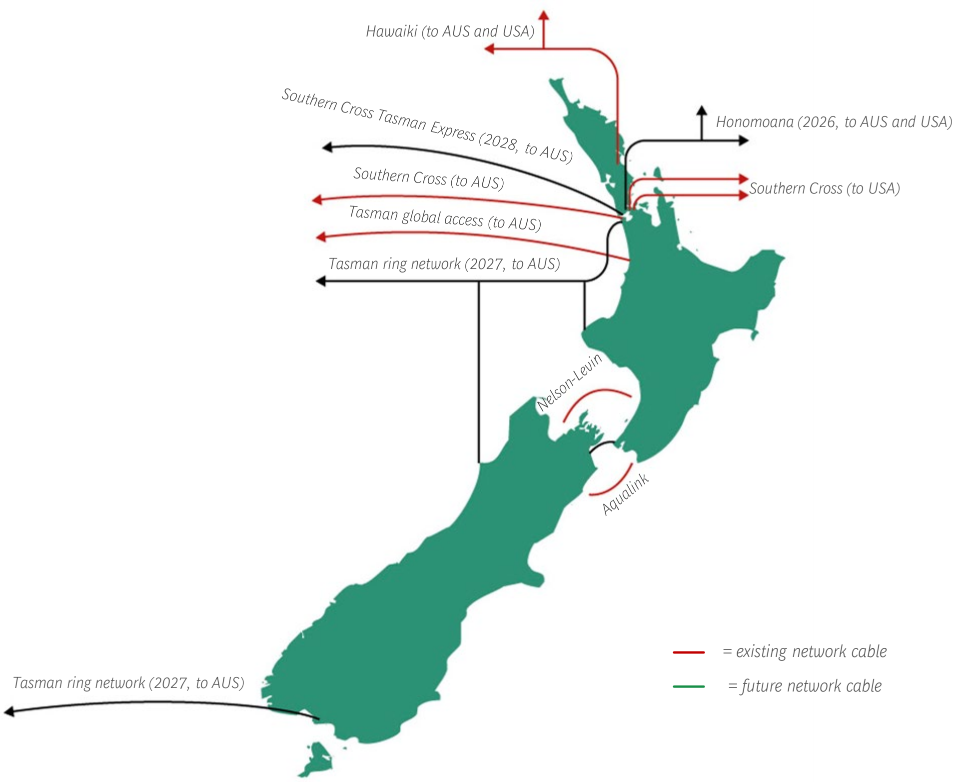
Network connectivity: Well-connected and increasingly diverse fibre-optic network infrastructure

New Zealand's sub-sea fibre-optic network infrastructure is directly connected to both North America and Australia (see Exhibit 10), which subsequently connect into the wider global network. While existing cables all land near Auckland, the network's physical diversity is being expanded. Additional cables are scheduled to come online by 2028 with landing points in the South Island to further improve national redundancy and resilience.[17]

Nationally, New Zealand has extensive terrestrial fibre-optic infrastructure spanning both islands, with dense fibre-optic coverage in major population centres and strong interconnection between networks.[18]

With connections to key hubs around the world, a substantial share of the global market is servable from New Zealand. Improving network resilience, particularly with physically diversified landing points will unlock workload segments with stricter redundancy requirements.

Exhibit 10: New Zealand has a growing network of sub-sea international fibre-optic connections



Note: Destinations listed are the first main location the cable connects to, before connecting into wider global network. Some cables also connect to small island states before listed destinations
Source: Submarine Cable Map

17. Submarine Cable Map, Submarine Cable Map, 2025;
18. International Telecommunications Union, Infrastructure Connectivity Map, 2025; Commerce Commission, Telecommunications Connectivity Map, 2025

Operating environment: An open, stable and predictable regulatory, business and political environment

New Zealand is a stable, democratic country with trusted institutions, rule-of-law and an independent judiciary. It ranked second globally in The Economist's Democracy Index 2024 and fourth in the Corruption Perceptions Index 2024, underscoring the strength and integrity of its governance.[19]

New Zealand's robust, well-established regulatory framework for data use and privacy makes it a suitable jurisdiction for hosting and processing sensitive data. The framework is recognised by the European Union as providing an 'adequate level of data protection' – a status only granted to a small number of jurisdictions. As a result, data can flow freely between New Zealand and the EU/EEA without additional safeguards, unlocking a competitive advantage for New Zealand over markets such as Australia, which has not obtained such recognition.

New Zealand has open markets and a consistent, predictable business operating environment – and was ranked first globally in the Ease of Doing Business Index.[20] It also has a highly competitive tax regime, ranking third globally – with flat corporate taxes, deductible sales/value-add taxes for businesses, R&D incentives and an Investment Boost scheme launched in 2025 for additional CAPEX tax deductions.[21] Recent reforms to the overseas investment approvals process are significantly shortening application processing times, reducing investment friction.[22]

New Zealand also has a large base of iwi and Māori institutional-grade investors, with the top ten post-settlement iwi holding around $8.2 billion in assets.[23] With decades of investment governance experience and long-term intergenerational mandates well aligned to the 20–30-year asset lives of data centres, this makes iwi bodies ideal co-investment partners.

New Zealand runs a low or zero tariff regime – in part underpinned by numerous free trade agreements, including with the EU, ASEAN, Australia, China, UK and the wider CPTPP agreement. Many countries use economic incentives to attract investment, but those incentives often just approximate the enabling settings that New Zealand already has.

Physical environment: Favourable cool climate, ample water resources and land

New Zealand has strong conditions for data centre development: abundant water resources (needed for some cooling systems), a relatively cool climate and ample land. In regions such as Southland, where the median annual temperature is below 12°C, ambient conditions allow for more efficient cooling, reducing energy and water use.[24] Unlike markets such as Singapore, which face high computing demand but limited land, New Zealand has ample capacity for greenfield development.[25]

New Zealand ranks 36th on the World Risk Index, which measures exposure to natural hazards (e.g. earthquakes, tsunamis, cyclones, flooding) and vulnerability (socio-economic susceptibility and capacity to cope and adapt). This is a lower overall risk level than that of the United States, Australia, Japan and Canada.[26] It should be noted this is a country-level metric and specific site risk varies by region.

The primary natural hazard risk to data centres in New Zealand is seismic activity. The country is well set up to manage risk, with building standards and design principles to improve post-disaster operability and resilience.[27] New Zealand also has established institutions dedicated to natural hazard risk, supporting preparedness and recovery.

Capital investment: Data centre establishment costs are on par with peers

Land and construction costs (including electricity and cooling services) in New Zealand are US$7–11m per MW which are on par with developed market peers such as Australia, cheaper than Singapore (US$9–14m per MW) which is facing land and energy constraints, and generally higher than many South-East Asian countries (US$6–9m per MW) which benefit from lower labour and build costs.[28]

19. The Economist, Democracy Index, 2024; Transparency International, Corruption Perceptions Index, 2024
20. World Bank, Ease of Doing Business rankings, 2020
21. Tax Foundation, International Tax Competitiveness Index, 2025; Inland Revenue Department, Investment Boost, 2025
22. NZ Government, Overseas investment decisions twice as fast, 2025; LINZ, Reform of the Overseas Investment Act, 2025
23. TDB Advisory, Iwi Investment Report 2024, 2025
24. NIWA, Overview of New Zealand's climate, 2025
25. CNA, Singapore puts 'temporary pause' on new data centres: Why and what it means for the industry, 2021
26. Ruhr University Bochum, World Risk Report, 2024
27. Natural Hazards Commission, New guidance to help design buildings that bounce back, 2025
28. Cushman and Wakefield, Asia Pacific Data Centre Construction Cost Guide, July 2025

Given core equipment (servers, electrical and cooling) is globally sourced, procurement costs are consistent across markets. New Zealand can face incremental challenges in logistics and lead times due to its distance from major supply chain hubs when compared to highly connected locations, such as Singapore or mainland Europe, where many equipment manufacturers and distribution networks are concentrated.

New Zealand's competitive advantages present a compelling case for investment

New Zealand is one of few stable liberal democracies with abundant untapped renewable energy resources, well-connected fibre-optic networks, a predictable political, regulatory and business environment with investment-friendly economic policies, and an ideal physical environment with a cool climate, with ample water and land resources. This unique combination of advantages positions the country to win global market share as the AI infrastructure buildout accelerates.

Additionally, New Zealand also gives hyperscaler developers the opportunity to diversify their portfolios from congested and constrained foreign markets, and free up their computing capacity overseas by shipping large AI training and batch computing workloads to New Zealand.

Local example: Datagrid

Datagrid is a hyperscale data centre currently under development in Invercargill, Southland, and is intended to become New Zealand's first purpose-built AI Factory.[29] Located in close proximity to the South Island's major hydroelectric generation assets, the facility is designed to deliver up to 280 MW of capacity in its initial phase and will operate primarily on renewable, hydro-sourced electricity.

Invercargill's naturally cool average temperatures of 9–10 °C support highly efficient cooling strategies, enabling a targeted PUE of below 1.1. The site is further strengthened by robust international connectivity, supported by Datagrid's parallel development of the Tasman Ring Network, which will establish the South Island's first direct sub-sea fibre landing and provide low-latency links to Australia and global markets.

The project has received Overseas Investment Office approval, underscoring that large-scale, energy-intensive digital infrastructure developments are actively advancing in New Zealand.

Datagrid

29. Datagrid, Datagrid: The natural advantage for global AI, 2025; Baxtel, Datagrid buys another six hectares for data center expansion in New Zealand, 2024; NZTE, Datagrid takes their carbon neutral vision south, 2022

3. The economic impact of a data centre industry in New Zealand

The development of data centres in New Zealand has the potential to unlock substantial economic benefits (see Exhibit 11). Building an export industry centred around computing capacity would also generate new revenue streams, create jobs and stimulate construction activity.

As the sector scales, New Zealand's base of critical digital infrastructure would expand – securing onshore computing capacity to underpin an AI-enabled, highly digitised domestic economy. This would enable increased productivity across industries and strengthen sovereignty and national digital resilience by reducing reliance on offshore computing, particularly for critical government functions.

Exhibit 11: Expanding data centres can deliver broad national benefits

Benefits of data centres		
Direct	**Indirect**	**National interest**
Export revenue from computing capacity services, with associated tax revenue	**Support for local economic ecosystems,** providing computing capacity and digital infrastructure	**Local secure hardware and facilities** to improve national digital resilience and sovereignty
Economic activity from large capital spend and ongoing operations	**Local talent** attraction and retention, including in regions	**Sovereign and locally hosted AI models**
Construction-related jobs to develop data centres and new power plants	**Local infrastructure investment** through partners and data centre providers	
Steady-state jobs to operate and maintain the data centres	**Local AI capability uplift** to boost domestic productivity	
Supply-chain-related jobs in both hardware and supporting IT services and software		

A data centre export industry would stimulate local capital investment, unlock export revenues and create local jobs

Capital investment in new data centres and supporting energy infrastructure would generate significant economic activity in New Zealand, directly driven by construction and indirectly driven by stimulated upstream supply chain activity. For example, the construction period for a single 100 MW data centre is typically 2–3 years and supports approximately 500 full-time equivalent construction jobs.[30] Additional skilled construction jobs, often in regional areas, would be created to build the new energy generation and transmission infrastructure required.

Once operational, ongoing general maintenance, technical maintenance of servers and energy expenditure will stimulate domestic economic activity across the lifetime of the data centre, which is at least 20 years. Typically, around 50 full-time equivalent jobs are required to directly support the day-to-day running of a 100 MW data centre, including skilled IT technicians, mechanical engineers, critical environment managers, administrators and security staff.[31] Beyond the data centre itself, maintenance contractors, cleaners and other civil services would also support operations.

30. BCG, Breaking Barriers to Data Center Growth, 2025
31. BCG, Breaking Barriers to Data Center Growth, 2025; expert interviews; BCG experience

Constructing 600 MW of data centre capacity under our export base case scenario would unlock up to $70 billion in economic activity to 2035. This would be a result of the construction of data centres and new matched electricity generation, IT equipment installation and renewals, energy spending, ongoing facility management and indirect spending along the upstream domestic supply chain stimulated by direct spending (see Exhibit 12).[32] Constructing 1,300 MW of data centre capacity under our high export scenario would unlock up to $160 billion in activity by 2035.

Exhibit 12: Developing 600 MW of compute capacity under our base case scenario can generate up to $70 billion in economic activity to 2035

Illustrative economic impact from capital investment	
600 MW of data centre compute capacity requiring ~3.5TWh of energy per year[3]	
Data centre construction	$8.6–11.4b[4]
Indirect upstream supply chain impact *(additional supply chain activity triggered by direct project spending, including materials, manufacturing, professional services, logistics etc.)*	$5.9–7.9b[2]
IT equipment *(typically replaced every ~6 years)*	$8.2–13.6b[5]
New energy generation construction	$4.3–5.3b[1]
Indirect upstream supply chain impact *(additional supply chain activity triggered by direct project spending, including materials, manufacturing, professional services, logistics etc.)*	$6.7–8.2b[2]
Direct economic impact from capital investment	$21.1–30.3b
Indirect economic impact from capital investment	$12.6–16.1b

Illustrative economic impact from data centre operations	
General maintenance *(general facility and mechanical maintenance)*	$6.0–7.6b[6]
Indirect upstream supply chain impact *(additional supply chain activity triggered by direct maintenance spending, including materials, manufacturing, professional services, logistics etc.)*	$4.4–5.6b[2]
IT equipment maintenance *(maintenance and repairs of servers and network infrastructure)*	$2.4–4.1b[7]
Indirect upstream supply chain impact *(additional supply chain activity triggered by direct maintenance spending, including contractors, professional services, logistics etc.)*	$1.2–1.9b[2]
Energy OPEX	$1.7–2.4b[8]
Indirect upstream supply chain impact *(additional supply chain activity triggered by energy opex spending, including transmission, maintenance, professional services, logistics etc.)*	$1.2–1.8b[2]
Direct economic impact from operations	$10.1–14.1b
Indirect economic impact from operations	$6.8–9.3b

Total ten-year economic impact	$50.6–69.8b

1. Average $/MW capex spend for NZ 2020-2025 generation developments; 2. Indirect impact multipliers derived from Statistics NZ I-O tables, weighted to domestic-only spend; 3. Assumes average IT uptime load factor = 0.62, PUE = 1.2, occupancy factor = 0.9; 4. Benchmarked $/MW capex spend for NZ developments (Cushman and Wakefield, Turner and Townsend); 5. Assumes capex benchmark of $15m-26m/MW, six-year replacement cycle, capex amortised over replacement period; 6. Assumes annual maintenance and management opex benchmark of $1.9m-2.4m/MW/yr; 7. Assumes annual maintenance opex at 5% of IT capex p.a.; 8. Assumes $90-120/MWh PPA energy cost

Note: Assumes all IT equipment imported and excluded from domestic indirect impacts. Assumes data centre capacity incrementally built to 2035 aligning to BCG forecasts. Assumes two-year construction period + remaining to 2035 operational. Indirect upstream supply chain impacts account for activities stimulated along the supply chain resulting from direct investment. Indirect downstream value-chain impacts and induced impacts are not considered.

Source: Gartner, The Datacenter as a Computer: Designing Warehouse-Scale Machines, Cushman and Wakefield, Statistics NZ, desktop research, expert interviews, BCG Global Data Centre model, BCG analysis

32. BCG analysis, see Exhibit 12 footnotes

A local data centre industry will support New Zealand's AI uptake, unlocking productivity improvements for domestic economic ecosystems to drive growth

Data centres are critical infrastructure for a digital economy. Scaled local computing capacity has the potential to underpin productivity improvements and growth across New Zealand's economic ecosystems (agriculture 4.0, space and satellites, green tech, future of medicine, and creative industries).[33]

New Zealand's labour productivity has sat below the early OECD average for decades, and growth has slowed substantially: reducing from 1.4% per year between 1993 and 2013, to just 0.2% per year over the last ten years.[34] A key driver is New Zealand's slow uptake of productivity-enhancing technologies.[35]

The OECD estimates AI adoption has the potential to add 0.25–0.6% to annual total-factor productivity growth over ten years by automating and augmenting tasks to reduce output times, improving quality assurance, more efficiently allocating resources and accelerating innovation efforts, to name a few. AI adoption therefore presents New Zealand with an opportunity to address its declining productivity.[36]

Expanding domestic data centre capacity can lower practical barriers to AI adoption help New Zealand capture more of these potential productivity benefits. Local data centres are essential to support the adoption of AI – particularly inferencing workloads with strict latency requirements, which are the use cases needed for everyday productivity improvements.

Across the high-growth economic ecosystems outlined in the Future of NZ Inc: What Will New Zealand Be Known for in 2050?, New Zealand companies are already using the computing power of data centres to build their products and services for global markets (see Exhibit 13).

Exhibit 13: New Zealand companies already leverage data centre computing capacity to support their operations

Ecosystem	Description	Example use cases	
Agriculture 4.0	Supporting more sustainable and efficient food production	Halter	Developed smart collars and a mobile platform to improve farm productivity with virtual fencing, herding and continuous animal health monitoring
Space and satellites	Designing and manufacturing componentry, launch vehicles and satellites	ROCKET LAB	Expanding into space software, constellation management and ground data management – activities that rely on secure, high-throughput data process and compute
Green tech	Developing new technologies and expertise to support the global energy transition	vector	Piloted Tapestry's GridAware toolset, applying computer vision and machine learning to accelerate inspections
Future of medicine	Improving medical outcomes with new practices, pharmaceutical discoveries, health IT advances and novel medical devices	Volpara HEALTH	Using AI-powered image analysis to support radiologists
Creative industries	Leveraging New Zealand's unique talents and expertise to produce new content, products and experiences for the world	wētāFX	Using advanced digital tools to create content and exploring AI use cases to accelerate production

33. BCG, Future of NZ Inc: What Will New Zealand Be Known for in 2050?, 2025
34. New Zealand Treasury, The productivity slowdown: implications for the Treasury's forecasts and projections, 2024
35. IMF, New Zealand's Productivity Challenge, 2025
36. OECD, Miracle or Myth? Assessing the macroeconomic productivity gains from Artificial Intelligence, 2024

International case study: Ireland's data centre hub – opportunity and lessons

Over the past decade, Ireland has become a European data centre hub. Its Information and Communications sector its largest service export, representing 58% of service exports in 2023, and the second largest contributor to its national gross domestic product.[37] Leading technology companies including Google, AWS, Meta and Microsoft have hubs in Dublin – for AWS, this was its first cloud region outside of the United States.[38] As of April 2024, 82 data centres were operational with a combined power load of over 700 MW, and a further 14 were under construction.[39] Many companies within Ireland's data centre ecosystem are now providing expertise to Europe and beyond.

Investment was attracted to Ireland due to favourable tax settings, a stable business environment, a cool climate and strong sector advocacy. 'Host in Ireland,' an industry initiative, was specifically developed to drive awareness of Ireland as a data centre hub. It has now merged into Digital Infrastructure Ireland which continues to act on behalf of more than 80 partners with a mandate to position Ireland as the premier destination for global digital infrastructure.

However, the rapid growth in data centres has put increasing pressure on the national electricity grid and led to growing public scrutiny. Data centre electricity demand grew from 5% of metered national electricity consumption in 2015 to 22% in 2024.[40] In response to grid constraints in Dublin, the national grid operator introduced a de facto moratorium on most new data centre grid connections from 2021.

Ireland's experience highlights both the scale of the opportunity in becoming a data centre hub and the need to align data centre growth with incremental electricity generation and transmission capacity to avoid a constrained power system and rising electricity costs for consumers.

Aerial view modern data center campus Dublin Ireland

37. Central Statistics Office Ireland, Services Trade by Enterprise Characteristics 2023, 2025
38. A local cluster of data centres that delivers cloud services to customers
39. GT Market Intelligence, Dublin: The Heart of Ireland's Data Centre Boom,
40. Central Statistics Office Ireland, Data Centres Metered Electricity Consumption, 2024

4. Challenges of rapid data centre development

Rapidly scaling local data centres won't be without challenges

For New Zealand to capture more than its fair share of the global data centre market, a step-change in the pace and scale of data centre developments will be required. This will bring about challenges and risks that will require careful management:

- **Energy affordability and security:** ensuring new data centres are matched to new electricity generation to maintain affordable and reliable supply for all electricity users
- **Consenting timeliness:** securing timely, predictable approvals for data centres and the supporting energy infrastructure, making it easier to invest
- **Water management:** minimising the impact of construction and operations on local waterways and natural habitats
- **Community co-design:** co-designing with communities and iwi from the inception to ensure projects align with aspirations and maximise local economic benefits
- **Clear global narrative and investment pathway:** coordinating a unified narrative and global promotional activities, and removing barriers for international investors so New Zealand isn't overlooked in favour of other countries in the race for global digital infrastructure investment

These challenges are surmountable – but if poorly managed, they risk slowing development, increasing costs for electricity consumers, undermining international investor confidence and eroding public sentiment.

Electricity demand growth must be matched with new electricity generation to maintain system balance and price stability

Data centres are energy intensive, with computing servers and their associated cooling systems drawing significant power. Under our base export scenario, an additional 600 MW of data centre capacity by 2035 would require ~3.5 TWh of additional annual electricity generation – equivalent to about 9% of 2024 demand. Our high export scenario would see an additional 1,300 MW of data centres, requiring an additional ~8.0 TWh of annual electricity generation.

New data centres need to be paired with incremental growth in firm electricity supply. If demand from data centres grows faster than new generation and transmission capacity, the electricity system could tighten and cause wholesale electricity prices to rise. Higher prices and any perceived erosion of electricity supply security could trigger public backlash against development, undermine data centre economics, and fuel perceptions that data centres are competing with other electrification priorities such as industrial and transport decarbonisation.

International experience shows how quickly this can become a point of contention. For example, the Pennsylvania–New Jersey–Maryland (PJM) interconnection in the United States – one of the world's largest data centre hubs – has seen end-user electricity prices rise, driven in part by surging data centre demand. Capacity prices increased nearly ten-fold, from an average of $29 per MW-day in 2024/25 to roughly $270 per MW-day in 2025/26, as the system attempted to scale rapidly to meet demand.[41] Eroding public sentiment prompted the regulator to introduce a price cap in 2025 to protect consumers from rapidly rising electricity bills.[42]

A mismatch between the time it takes to develop a data centre and develop new supporting electricity infrastructure compounds this challenge. A new 50–100 MW data centre can typically be delivered in 2–3 years, from decision to operation.[43] In contrast, new wind or geothermal generation and associated grid upgrades can take 3–6 years. Much of this timeline is driven by consenting and design, but once generation projects are 'shovel-ready', construction can be executed in timeframes closer to that of data centres (e.g. 12–18 months for solar, 24 months for wind).

As a result, a pipeline of 'shovel-ready' generation projects is critical to better align delivery timelines and ensure data centre demand can be matched with incremental supply. Securing a PPA early, often ahead of data centre construction, can help underwrite generation investment and de-risk financing for new builds.

41. IEEFA, Projected Data Center Growth Spurs PJM Capacity Prices by Factor of 10, 2025
42. Congressional Research Service, PJM's Electric Capacity Market, 2025
43. BCG, Breaking Barriers to Data Center Growth, 2025

Already, the local energy sector is responding to demand signals, with a strong pipeline of renewable generation projects across the country. Projects under construction or committed are expected to add 4.1 TWh of annual generation, equal to around 10% of current supply, while a further 3.7 TWh is consented (see Exhibit 14).[44] Taken together, these projects exceed the 7.4TWh required by 2030 to meet rising electricity demand (excluding data centres) and displace thermal generation as the grid moves beyond 95% renewables.

However, the picture changes once incremental demand from data centres is included. If an additional 1.8–4.0 TWh of demand is realised by 2030, this would create a 1.4–3.6 TWh shortfall between the current renewable generation pipeline and the level of electricity supply growth required. As a result, more projects will need to gain consent and progress to 'shovel-ready' in the coming years to build market confidence and provide the flexibility required to absorb additional demand from data centres.

Another consideration is how electricity system costs are impacted by different load profiles. Much of the electricity system is built to meet peak demand, while costs are largely recovered on a volumetric per unit basis. As a result, the system cost impact of new demand depends on its effect on peak demand relative to annual energy consumption.

For example, households use heaters infrequently, typically on winter mornings and evenings, meaning they contribute disproportionately to demand peaks relative to their annual energy use, therefore increasing system costs. Electric vehicles can be charged off-peak and are used throughout the year, increasing total energy demand while having relatively little influence on peak demand, which can reduce average system costs.

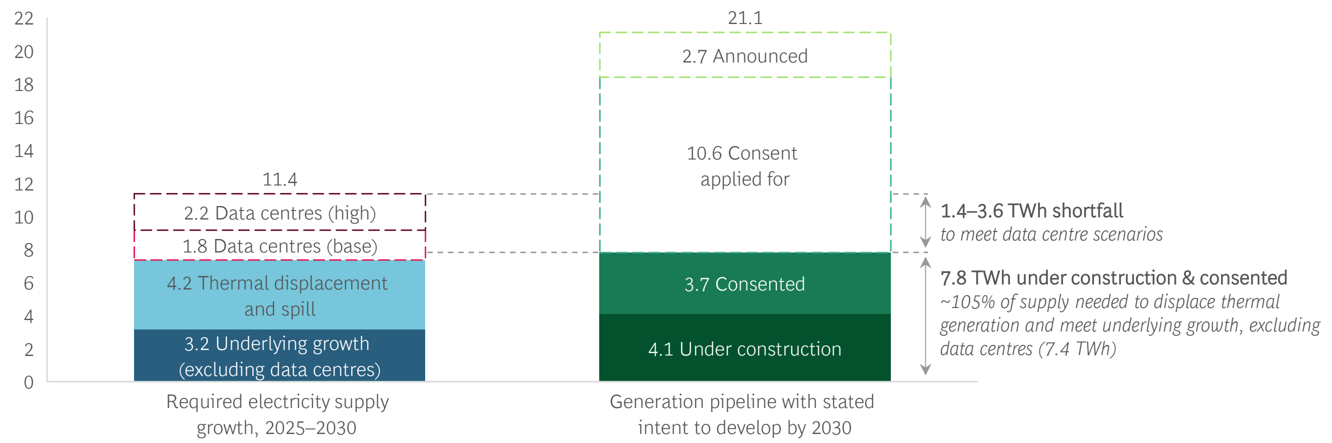
Data centres are largely 24/7 loads, meaning they tend to increase annual energy demand more than peak demand. All else equal, and assuming this additional demand is met with matched incremental supply, this can put downward pressure on average system costs. However, if supply does not keep pace and the system tightens, wholesale prices could rise for all consumers despite the relatively flat demand profile of data centres.

Greater transparency across both the data centre and generation development pipelines, combined with forward contracting mechanisms (e.g. long-term PPAs) can help share risk, underwrite new incremental generation and increase investor confidence. Where feasible, co-locating data centres with generation assets can further reduce transmission costs and efficiency losses.

Alternative development pathways that do not directly affect wholesale electricity prices, such as 'behind-the-meter' on-site generation, are also becoming increasingly common for data centre developments.[45] For example, a data centre co-located with a geothermal generation plant that operates largely independently of the national grid, drawing from it only infrequently for maintenance purposes, would have a limited influence on system balance and wholesale electricity prices.

Exhibit 14: More renewable generation consents will be required for additional data centres to 2030

Required electricity supply growth forecast vs. renewable generation pipeline, 2025–2030
(TWh)



Source: BCG, Energy to Grow: Securing New Zealand's Future, 2025; Electricity Authority; Concept Consulting; BCG analysis

44. BCG Generation Modelling, Energy to Grow: Securing New Zealand's Future, 2025
45. Data Center Knowledge, Data Centers Bypassing the Grid to Obtain the Power They Need, 2025

Consenting timelines influence the pace of data centre and supporting infrastructure development

For global investors and anchor data centre tenants (e.g. AWS) considering a number of investment locations, long and uncertain approvals processes can be a meaningful deterrent. For example, if it is faster to build a data centre in Sydney than Auckland, then Sydney will be selected as developers seek to deploy capital and add capacity quickly.

Complexities in navigating multiple approval processes, such as the Resource Management Act (RMA), Building Act and local bylaws can add significant cost and time to projects. While new regulation including the Fast-track Approvals Act 2024 and announced reforms of the RMA are encouraging signs for the industry and investors, the effectiveness of these reforms in practice to accelerate major infrastructure projects is yet to be proven.

Water resource management and advanced technologies will minimise environmental impacts and support faster consenting

Data centres can require significant volumes of water for cooling, particularly where water-intensive evaporative systems are used. This has led to public concern overseas when potable water supply is perceived to be diverted from communities.[46] New Zealand's temperate climate reduces cooling requirements, enhancing data centre water efficiency. Operators in New Zealand, such as CDC, are world-leading in water efficiency, using advanced closed-loop systems that are filled once and then recirculate the same water throughout the life of the facility. This means local water infrastructure is effectively unimpacted by data centres using these systems.[47]

If water offtakes are required, consultation with iwi is essential and may be a regulatory requirement.[48] Early engagement with iwi partners over water resource needs and management approaches supports sustainable development outcomes for local communities and reduces the risk of consenting delays.

Stormwater discharge is a common consenting and environmental consideration in New Zealand, as large rooves can increase runoff and carry sediment to local waterways and ecosystems. These impacts are not unique to data centres and can be managed with careful site selection and design, including erosion and sediment controls during construction, on-site stormwater detention and treatment, and native planting.

Co-design with community and iwi is essential for successful development

Large data centre and energy developments can have real local impacts on land use, natural landscapes and employment. Success therefore depends on proactive co-design with local communities and iwi from the outset, not consultation after plans are formed.

For iwi, this means genuine engagement at the strategic level exploring areas such as: what does this opportunity mean for whānau? How does it align with iwi development plans? What form of participation honours both commercial and cultural aspirations?

This engagement should be supported by regular forums to enable community and iwi to support shaping key development choices (e.g. site layout, visual screening, water use and recycling, noise and traffic management) before plans are finalised. It should also include a clear construction management plan, regular updates and a dedicated community liaison to resolve issues quickly during construction.

Visible local benefits also matter. Prioritising local construction teams and suppliers where possible builds public support and strengthens regional economic impact. Once operational, establishing job pathways (e.g. partnering with local education providers using models like Microsoft's Datacenter Academy) can help place locals into longer-term operational roles, while programmes that lift digital capability across local businesses can ensure communities share in ongoing benefits.

Iwi also bring significant value and capabilities to data centre development: land holdings in strategic locations, proven governance of intergenerational assets, existing energy partnerships (e.g. Tauhara North No.2 Trust with Mercury), and networks extending across Te Moana-nui-a-Kiwa (Pacific region).[49] Iwi partnership models should be co-designed to reflect aspirations, whether as land stewards, infrastructure investors, energy partners or strategic co-venturers.

46. The Guardian, Thirsty work: how the rise of massive datacentres strains Australia's drinking water supply, 2025
47. CDC, Saving water on an epic scale, 2025
48. Ministry for the Environment, National Policy Statement for Freshwater Management, 2026
49. Tauhara North No. 2 Trust, Geothermal, 2026

Competing globally requires a unified and compelling data centre narrative and a barrier-free investment pathway

Given the rapid pace of growth in data centre demand and development globally, New Zealand risks being overlooked for established data centre hubs with well-understood economics and operating conditions (e.g. the United States, Ireland) or emerging markets that actively attract developers and anchor customers (e.g. Brazil). A coordinated global marketing effort can communicate a clear and consistent narrative: New Zealand is an advantaged destination for AI training and other high-value workloads, powered by abundant renewable energy in an open business environment and liberal democracy. This would raise the country's profile among investment committees and hyperscaler leadership across the United States, Singapore and Europe.

To convert interest into commitments, New Zealand also needs a clear investment pathway that removes friction across site and land readiness, consenting timeframes, power connection certainty, early iwi and community engagement, and foreign investment approvals. This is particularly important because major infrastructure investment and workload allocation decisions are typically made by central global teams, rather than in-country offices.

International case study: Brazil

Brazil has positioned itself as Latin America's flagship destination for hyperscale data centres, powered by renewable energy. By combining a clear national narrative with a targeted incentives package, it has managed to attract substantial foreign investment. TikTok's recently announced $65 billion data centre is the first major outcome of Brazil's strategy and will be powered by new dedicated wind farms and a closed-loop water cooling system.[50]

Brazil's approach required relatively limited intervention: it focused primarily on signalling that it was open to investment by shaping investor perceptions with a clear, investment-ready proposition. For example, the Brazilian government:

- **Framed data centres as strategic national infrastructure.** The government positioned data centres as the centre of Brazil's digital economy and a pillar of digital sovereignty.[51]
- **Created a dedicated tax scheme.** The REDATA scheme provides tax exemptions for data centre developments.[52]
- **Linked tax incentives to renewable energy.** To be eligible for tax exemptions, new data centres must run entirely on new renewable energy.
- **Set up special economic zones and streamlined approvals**. Existing export processing zones were expanded to accommodate data centres, reducing regulatory friction.[53]

Brazil's experience shows that a well-constructed, unified narrative signalling openness to investment, combined with renewable energy and enabling policy settings – both of which already largely exist in New Zealand by default – offer a straightforward path to attracting substantial global investment.

Aerial view of the Scala data centre, Brazil

50. The Latin Times, TikTok choose Brazil for First Latin American Data Hub, 2025; Silicon, TikTok To Build US$38bn Data Centre in Brazil, 2025
51. International Bar Association, Brazil's leading position in data centre and cloud computing investments, 2025
52. Martinelli, REDATA – Special Regime for Data Centers, 2025
53. Reuters, Brazil launching data center incentives next month to woo big tech, 2025

5. Recommendations to build a thriving data centre industry in New Zealand

A bold reform package can enhance New Zealand's existing advantages and promote the country as a global data centre hub

With its inherent advantages, New Zealand is well placed to win more than its fair share of the growing global data centre market. However, deliberate, proactive action is needed to further consolidate these advantages, signal that New Zealand is open to investment and make it easy for investors to choose New Zealand.

A holistic reform package that reduces friction and promotes New Zealand internationally – while ensuring domestic development challenges are adequately managed – will help to secure global investment and accelerate a sustainable, market-led buildout of infrastructure in the coming decade. We propose ten actions as part of this reform package.

Data centre acceleration package

Adopt an enabling policy framework to reduce friction and mitigate scaling challenges

1. Clearly include data centres in Fast-track pathway
2. Create regional energy and data centre precincts
3. Introduce energy supply incrementality testing
4. Modernise NZ's data sovereignty settings
5. Clarify 'Investment Boost' for data centres
6. Align innovation and growth sector incentives

Establish a sector-led orchestrator to coordinate the ecosystem and promote NZ

7. Unify NZ's data centre investment narrative
8. Partner with Invest NZ to attract investment
9. Develop enabling policy recommendations
10. Connect the sector ecosystem and remove barriers

Adopt an enabling policy framework to reduce friction and mitigate scaling challenges

New Zealand has a number of strengths that position it to win data centre investment. But with the global market moving at pace, **winning will require policies that enable rapid development of renewable generation and data centres,** while mitigating the challenges associated with scaling the industry. Given the global race for investment, **New Zealand should signal these reforms now** to unlock investor momentum, rather than waiting until implementation details have been fully worked through.

The following options together form a broader enabling policy framework:

1. **Clearly include data centres in the fast-track consenting pathway:** The Fast-track Approvals Act 2024 created a permanent, one-stop-shop consenting path for major infrastructure and development projects, administered by the Environmental Protection Authority (EPA). While data centres would be eligible if they demonstrate regional or national benefits, they are not explicitly named in the Act and no standalone data centre projects were included in the initial list of projects, or referred since the pathway's launch.[54] An amendment to the legislation that officially includes a data centre project category in the fast-track pathway would clarify criteria and simplify the approval process for data centres. This would also signal to international investors that New Zealand is open for business and ready to accelerate development.

54. Environmental Protection Authority, Fast-Track Project List, accessed 16 December; Noting Auckland Surf Park Community Stage 2 is a residential and commercial development that incorporates a data centre, this project was referred by the Minister in June 2025. While the Datagrid Sustainable Data Centre Park was initially considered for listing on Schedule 2B of the Act but was not ultimately included in the 149-project list.

2. **Create regional energy and data centre precincts:** Data centre developments in locations with existing electricity generation and transmission capacity can be more cost efficient, while pooling talent and stimulating regional economies. Our initial screening identified three high-potential regions for energy and data centre precincts:

    – **Southland** offers a cool climate, existing electricity generation (e.g. Manapouri hydropower scheme, operating and consented windfarms) and existing transmission infrastructure, including the recently upgraded Clutha Upper Waitaki Line. Data centre developers are already assessing sites in Southland and investing in connectivity, including a proposed trans-Tasman fibre-optic network cable landing at Invercargill. Southland also offers a cool climate and significant further wind and solar potential, with multiple projects currently seeking consent.

    – **Wairakei's** existing geothermal generation assets and untapped energy resources create a pathway for renewable generation expansion and data centre development. This precinct could also attract investment from local iwi trusts and commercial entities with geothermal interests, aligning investment with regional economic outcomes.

    – **Taranaki** has existing electricity generation and a growing pipeline of solar and wind projects, providing a credible electricity supply pathway for new loads. A data centre precinct in Taranaki could employ the skilled workers in the region that work in the gas industry as it faces further contraction, supporting the regional economy through transition.

3. **Apply an energy supply incrementality test:** Matching new data centre electricity demand with incremental growth in new generation is critical to maintaining affordable and secure energy for all users. A test that requires data centre developers to demonstrate that their energy contracts (e.g. long-term PPAs) are backed by incremental generation growth will encourage forward contracting, help underwrite new renewable generation investment and better align data centre development with the buildout of new supply.

4. **Modernise New Zealand's data sovereignty settings:** The Australian Government, with its data strategy and procurement settings, is encouraging sovereign data hosting and the development of secure local sites. New Zealand can do the same by modernising its data strategy with a focus on sovereignty in the AI age, building on existing work including the Government Data Strategy and Roadmap (2021), and New Zealand Strategy for Artificial Intelligence released by MBIE in 2025.

5. **Clarify 'Investment Boost' for data centres:** Budget 2025 introduced a new 'Investment Boost' accelerated-depreciation incentive allowing businesses to claim an additional upfront deduction on qualifying capital assets. Specific guidance for data centre developers (constructing and depreciating the building and plant) and operators (procuring and depreciating servers and chips) would clarify eligibility for the incentive and further signal openness to investment.

6. **Align innovation and growth sector incentives:** Each year, around $1.2 billion in government funding is invested in New Zealand's science, innovation and technology system.[55] To maximise the payoff from data centre investment, this funding (along with complementary incentives such as screen production and game development rebates) should be aligned to priority growth ecosystems, such as space and satellites, and agriculture 4.0 (see our Future of NZ Inc report). Ecosystems are valuable because concentrating activity and investment in a few priority areas builds scale and density in talent, research, firms and capital, accelerating knowledge transfer and commercialisation. This will help to ensure the buildout of local data centre infrastructure translates into domestic business activity, generating high-value digital exports and broad-based economic growth.

Together, these initiatives would reduce investment friction by accelerating consenting and delivery of new data centre sites, mitigate the challenges of rapid growth on energy, land and water resources, and encourage local AI innovation and adoption.

55. MBIE, New Zealand's AI Strategy: Investing with confidence, 2025

Establish a sector-led orchestrator to coordinate the ecosystem and promote New Zealand to the world

Global peers are actively promoting their data centre hubs to investors and anchor tenants. Without a unified narrative, coordinated global promotional activities and a clear investor pathway, New Zealand risks being overlooked in favour of other countries – even if an enabling policy framework is delivered. Policy reforms alone will not be sufficient to secure investment: a **combined sector and government effort is needed to translate policy reforms into investor conviction and projects.**

This is time-critical: hyperscalers and data centre developers are securing sites and capacity commitments now to support growth through 2030. Once a regional hub is established, it becomes significantly harder for new locations to generate interest. **Now is the time to promote New Zealand.**

It is difficult and inefficient for individual data centre developers to fund and deliver sustained promotion of New Zealand as a destination of choice. A dedicated, sector-led orchestrator would be more effective, working in partnership with Invest New Zealand to amplify New Zealand's proposition and provide a clear entry point for global investors.

Invest New Zealand already plays a critical role in attracting renewable energy and data centre investment. This role could be complemented by a sector-led orchestrator focused on coordinating the national narrative, aggregating sector capability and supporting targeted promotion and engagement.

This orchestrator could take inspiration from export-focused entities such as Beef + Lamb New Zealand: an industry body that promotes New Zealand red meat internationally, manages quality marks and promotes a consistent brand. A data centre orchestrator would play a similar role in coordinating the national narrative, partnering with Invest New Zealand to run promotional activities and tours, hosting sector-wide discussions, connecting international investors and operators with local opportunities, and providing an ongoing policy feedback loop to government. The orchestrator could be industry funded, with government co-funding in the establishment phase, governed by a board representing developers, energy sector players, fibre network operators and iwi, and supported by a small secretariat.

The orchestrator's core functions would include:

7. **Unify New Zealand's data centre investment narrative**: Consolidate and amplify a single, unified narrative for data centres in New Zealand.
8. **Partner with Invest New Zealand to attract investment**: Collaborate with Invest New Zealand to promote the unified narrative and New Zealand data centre investment opportunities. Activities could include investment summits, roadshows to technology hubs such as San Francisco, Seattle and Singapore, and inviting investors to New Zealand for study tours.
9. **Develop enabling policy recommendations:** Convene a data centre and digital infrastructure working group that brings together local data centre developers, iwi organisations, energy generators and sector experts to develop policy white papers and coordinated submissions to inform the design of enabling reforms.
10. **Connect the sector ecosystem and remove barriers:** Build capability by hosting networking and educational events and supporting talent pathways. Orchestrate connections across New Zealand firms, investors, iwi and community groups. Use these relationships to accelerate project development and reduce barriers, particularly for international investors.

Measures of the orchestrator's success could include leading indicators such as qualified investor leads, conversions to site due diligence, anchor tenant engagements and international visibility of New Zealand's data centre proposition.

6. Conclusion

Data centres are a global growth industry as the world becomes increasingly digitised and rapid advancements in AI open up new possibilities. Over the next decade, if New Zealand captures just 0.25% of the rapidly growing global market, it could generate up to $70 billion in economic activity to 2035 from data centre construction and operations, renewable energy expansion, and activity along the supply chain – and that is just the starting point. A local data centre hub could bring lasting benefits to New Zealand's growth ecosystems by building capability, catalysing innovation, and lifting AI adoption across the wider economy.

While New Zealand has a number of unique advantages that position the country to seize this opportunity, other economies are also vying for share. **Hesitation could mean New Zealand misses this investment cycle, capital and high-value workloads flow to competing hubs, and New Zealand is left a downstream consumer of AI and cloud services – rather than a regional leader in this strategic industry.**

The priority now is to consolidate the country's position and promote its advantages to the world, while managing the challenges associated with rapid data centre development. With an industry orchestrator and package of enabling reforms to remove friction and mitigate challenges, New Zealand will not only signal to international investors and technology companies that it is open for business, but that it is the destination of choice for the infrastructure so integral to the modern digital economy.

About the Authors

Kelly Newton is the Managing Director and Partner of the Auckland office of Boston Consulting Group. Contact Kelly by email at newton.kelly@bcg.com

Richard Hobbs is a Partner of the Auckland office from the Frankfurt office of Boston Consulting Group. Contact Richard by email at hobbs.richard@bcg.com

Matthew McQueen is a Principal of the Auckland office of Boston Consulting Group. Contact Matthew by email at mcqueen.matthew@bcg.com

Blake Nicholson is an Associate of the Auckland office of Boston Consulting Group. Contact Blake by email at nicholson.blake@bcg.com

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