US Data Center Daily Briefing

December 27, 2025

KEY THEMES

- AI/HPC demand remains strong in hardware supply chains (Taiwan output +16.42% YoY)
- India formalises VPPA framework for corporate renewable compliance with two-way settlement
- Malaysia solar + storage pipeline strengthens; LSS5/LSS5+ 4GW and potential LSS6 with BESS
- MoU for 250MW solar in Malacca targeting AI data centres via long-term PPAs
- Regulatory scrutiny on data-centre wastewater: Ohio EPA extends comment period to Jan 16
- District heating and data-centre waste heat highlighted as decarbonisation/flexibility lever (Europe up to 300 TWh by 2030)

Market overview (Global | 27 Dec 2025)

AI/HPC demand signals remain strong, with upstream electronics and server supply chains in expansion while policymakers and regulators sharpen scrutiny on data-centre externalities (water) and accelerate frameworks for corporate renewable procurement.

- **Demand/supply-chain momentum:** Taiwan industrial output surges on AI-driven electronics demand — November 2025 industrial production **+16.42% YoY** (21st consecutive month of growth), led by electronics/computers/optoelectronics output (notably **servers** and **semiconductor equipment**), while traditional industries (base metals/autos) declined.
- **Enterprise AI adoption:** India's AI Shifts: From Pilots to Critical Infrastructure 2026 — enterprises are moving AI into production; founders expect **2026** to treat AI as "critical infrastructure," with increased focus on **AI FinOps, governance, and data-centre/GPU investments**.

Risks and watchpoints

Near-term risks skew to permitting/regulatory friction and execution bottlenecks in power procurement; upside comes from new corporate procurement tools and build-out of renewables + storage.

- **Water/wastewater permitting risk (US):** Concerns about Ohio EPA's data centers draft wastewater permit — Ohio EPA extended the public comment period to **Jan. 16** while reviewing a draft general wastewater permit intended to **fast-track approvals** for new data centres. Concerns include draft language allowing a **"lowering of water quality"** and worries over **anti-corrosive chemical discharges**.

- **Contracting complexity / basis risk (India):** India notifies VPPA framework for corporate renewable compliance — the new VPPA structure introduces **two-way financial settlement** and shifts **market risk/reward** to the consumer, while physical supply remains with discoms/captive. This can improve bankability for renewables demand, but creates hedging/accounting and risk-management requirements for corporates.
- **Execution risk in utility-scale solar + land:** VCI Energy, DPS Energy to develop 250 MW solar — a proposed **~600-acre** development indicates land and permitting coordination risk; timelines and financing were not detailed.
- **Policy delivery risk (Malaysia):** Analysts expect Malaysia's energy transition momentum into 2026 — multi-program pipeline (auctions, FiT, storage) is supportive, but timing/implementation (including potential **2026 carbon tax**) remains a key uncertainty.
- **Heat reuse opportunity vs. delivery constraints:** District heating unlocks waste heat, flexibility, and decarbonisation potential — significant theoretical potential for data-centre waste heat in Europe, but practical delivery depends on heat mapping, zoning, and targeted policy support.

Key deals and projects (DC-adjacent power)

Malaysia: 250 MW solar MoU targeting AI data centres

- VCI Energy, DPS Energy to develop 250 MW solar:
  - **Parties:** VCI Energy and DPS Energy (subsidiary of DPS Resources).
  - **Scope:** MoU to develop up to **250 MW** utility-scale solar PV in **Malacca, Malaysia**.
  - **Footprint:** ~**600 acres**.
  - **Output:** target **~350–450 GWh/year**.
  - **Commercial angle:** "**BESS-ready**" and intended to supply **AI data centres**, utilities and industrial customers via **long-term PPAs**.

Power, grid, and interconnection highlights

Malaysia: accelerating renewables + storage pipeline (NETR-linked)

- Analysts expect Malaysia's energy transition momentum into 2026 highlights an expanding utility-scale pipeline relevant for data-centre power sourcing:
  - **LSS5/LSS5+**: **4 GW** solar rollout.
  - Potential **LSS6** auction: ~**2 GW**, with **BESS requirements** expected.
  - Proposed **300 MW FiT** program for **biogas/biomass/minihydro**.

- **MyBEST** storage program: **400 MW / 1,600 MWh** grid-scale storage.
- Policy/market signals: possible **carbon tax in 2026**; regional opportunities referenced via **APG/LTMS PIP**.

District heating as an efficiency lever for data centres (Europe focus)

- District heating unlocks waste heat, flexibility, and decarbonisation potential (IEA commentary):
  - Argues district heating can recover waste heat from multiple sources, including **data centres**, and provide system flexibility via **thermal storage**.
  - Quantifies potential: data centres could supply **up to 300 TWh by 2030 in Europe**.
  - Cites MW-level project examples in **Stockholm, Espoo, Christchurch, Qingdao and Hamburg**.
  - Recommends enabling actions: **heat mapping**, **zoning**, and **targeted policy support**.

Policy and regulation

India: VPPA framework notified for corporate renewable compliance

- India notifies VPPA framework for corporate renewable compliance:
  - **Regulator:** Central Electricity Regulatory Commission (**CERC**).
  - **Instrument:** VPPA framework enabling designated large consumers to enter **non-tradable, non-transferable bilateral contracts** with renewable generators.
  - **Tenor:** minimum **1 year**.
  - **Settlement:two-way financial settlement**; generator can sell physical power on the exchange.
  - **Risk allocation:** transfers **market risk/reward to the consumer**; physical supply remains via **discoms or captive generation**.
  - **Relevance:** expands procurement toolkit for large-load customers (including data centres) seeking renewable compliance without direct physical wheeling in the contract structure described.

US (Ohio): draft general wastewater permit under review

- Concerns about Ohio EPA's data centers draft wastewater permit:
  - **Process update:** public comment period extended to **Jan. 16**.

- **Intent:** a draft general wastewater permit that would **fast-track approvals** for new data centres.
- **Issues raised:** standard NPDES wording and language allowing a **"lowering of water quality"**; concerns about **anti-corrosive chemical discharges**.
- **Stakeholders:** water advocates raised objections; Ohio Chamber of Commerce requested more time to evaluate.

What to watch

- Ohio EPA outcome and any revisions to the draft data-centre wastewater permit ahead of the **Jan. 16** comment deadline.
- Early corporate uptake of India's **VPPA** framework and how two-way settlement is treated in procurement and risk management.
- Progress from MoU to executed contracts (PPAs/financing) for the **250 MW Malacca solar** project targeting AI data-centre loads.
- Malaysia's expected **LSS6** design details (especially **BESS requirements**) and the rollout cadence of **MyBEST 400 MW / 1,600 MWh**.
- Continued AI/HPC-driven hardware cycle strength indicated by Taiwan's electronics output trend and implications for data-centre capacity planning.
- Policy traction on district heating measures (heat mapping/zoning) that could unlock data-centre heat reuse at scale in Europe.

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