TELBORG

Data Center Briefing

January 20, 2026

Global

Key themes:
EPA tightens air-permit rules for data-centre gas turbines (xAI precedent); EU sovereign cloud expansion vs US ownership/legal risk (AWS); Local permitting and resource constraints (Pennsylvania water/energy debate); Grid storage and connection milestones (South Australia 140MW BESS); Transformer supply-chain demand for large-load data centres (CG Power export order); LLM serving efficiency and KV-cache optimization could reshape infrastructure utilisation; Agentic workload security risks can drive severe compute/energy cost amplification

Data centres infrastructure briefing (Global) — 20 Jan 2026 (UTC)

Top news (3 developments that matter)

1. **US emissions permitting risk for on-site generation at AI data centres**: The EPA's final rule requires air permits for gas turbines even when used "temporarily," following findings that xAI ran **at least 35 turbines** without required permits at its Memphis "Colossus" site. See: EPA Rules xAI's Gas Turbines Illegal at Colossus.
2. **Europe: AWS launches a "sovereign" cloud footprint, but ownership questions remain**: AWS launched the **AWS European Sovereign Cloud**, starting with a data centre in **Brandenburg, Germany**, with plans for **Belgium, the Netherlands, and Portugal**. Analysts highlighted unresolved legal risk given US ownership and the 2018 US Cloud Act. See: AWS launches European Sovereign Cloud, raises ownership concerns.

3. **Local pushback on US hyperscale builds**: A planned **US$20bn** AWS buildout for **two data centres in eastern Pennsylvania** is intensifying debate over **water use, energy demand, and oversight**, including proposals for reporting requirements and moratoria. See: Pennsylvania debates data centers amid water and energy concerns.

Key deals and projects

Supply chain / equipment

- **Transformers (US data centre project, supplied from India):**CG Power wins ₹900 crore US data centre transformer order
  - Export order of approximately **₹900 crore** for **high-capacity power transformers** for a “large data centre project” in the US.
  - Implication: continued tightness/strategic value in grid and substation equipment supply chains for large-load projects.

Cloud / data centre platform expansion

- **EU sovereign cloud footprint:**AWS launches European Sovereign Cloud, raises ownership concerns
  - Initial facility: **Brandenburg, Germany**.
  - Expansion plans: **Belgium, Netherlands, Portugal**.
  - Service scope: access to **90 AWS services**.
  - Operating model: run by a **Germany-incorporated legal entity**, staffed by **EU residents**.
  - Concern raised: subsidiary remains **US-owned**, creating potential continuity/legal exposure under the **US Cloud Act** and possible US sanctions.

AI ecosystem / partnerships (demand-side signal)

- **Pre-summit coordination on compute equity and resilient data centres:**Advancing Multilateral AI Partnerships Ahead of 2026 Summit
  - Official pre-summit event in **Washington, D.C. (20 Jan 2026)** feeding into the **India AI Impact Summit (New Delhi)**.
  - Panels include **AI adoption**, **compute equity and resilient data centers**, and a shared AI policy roadmap.
  - Speakers include **OpenAI**, **Google Cloud**, and **FICCI**, plus multiple think tanks (event sponsored by Google).

Power and grid / interconnection highlights

Storage and grid connection milestones

- **Australia (South Australia) — 140MW BESS enabling step:**1414 Degrees secures AEMO approval for 140MW Aurora
  - **AEMO approval** for Generator Performance Standards for the **140MW Aurora BESS**.
  - Next steps enabled: finalising **transmission connection agreements** and **PPAs**.
  - Target: **commercial operation in 2026**.
  - Site: **15.8-hectare Crown Lease near Port Augusta**, held by SiliconAurora.
  - Capex to date: **AU$3.5m (US$2.34m)** invested.
  - Includes a **SiBox/SiBrick thermal energy storage pilot**.

Storage as a data centre adjacency (India)

- **Developer/EPC pipeline pointing at data centres:**Waaree RTL Targets Growth via Storage and Data Centres
  - Executing a **BESS** project; seeing strong demand for **1-hour and 2-hour storage**, often bundled with solar EPC.
  - Evaluating **BESS-led EPC** work for **data centres**.
  - Disclosed backlog/pipeline: **2.92GW unexecuted order book** and **29GW project pipeline**.

Policy and regulation changes (and permitting risk)

United States — air permitting for gas turbines at data centres

- **EPA final rule on "temporary" turbines:**EPA Rules xAI's Gas Turbines Illegal at Colossus
  - Final rule issued **15 Jan 2026**: **air permits required** for gas turbines even when used temporarily.
  - Triggered by findings xAI operated **≥35 turbines** without required permits.
  - Site detail: xAI "Colossus" data centres in **Memphis**; **Colossus 1 uses 150MW**; xAI said it scaled to **200k GPUs**.
  - EPA estimate: up to **296 tons of annual NOx reductions by 2032**.
- **EPA clarification on exemption claims:**EPA Clarifies Turbine Rules Affecting xAI's Memphis Data Centers
  - EPA clarified stationary gas turbines used by xAI are **not exempt** as "non-road engines," therefore require **federal air quality permits**.

- Noted context: installation reportedly grew to **35 turbines** and previously relied on a **local 364-day loophole**.

United States — local oversight pressure for hyperscale builds

- **Pennsylvania debate:**Pennsylvania debates data centers amid water and energy concerns
  - Proposed measures include **regulatory measures, reporting requirements, and moratoria** tied to water/energy impacts and permitting.

UK / geopolitics (relevance: transatlantic policy uncertainty)

- **UK statement on tariffs and Arctic security:**UK statement on Greenland, tariff threats and Arctic security
  - UK condemned a US announcement of **10% tariffs** on goods from several NATO allies including the **UK and Denmark**.
  - While not data-centre-specific, this signals broader policy friction that can feed into cross-border supply chains and technology alignment.
- **UK dependency debate (opinion):**UK urged to disentangle from US amid Greenland security crisis
  - Argues for steps including repatriating **UK Digital ID hosting** and cites UK public-sector spending with US companies of about **£10bn annually** (projected toward **£12bn**). Treat as commentary rather than policy.

Operations, efficiency, and risk (selected research signals)

Data centre utilisation / power efficiency

- **Rack placement to reduce “power stranding”:**Online Rack Placement in Large-Scale Data Centers via OSO
  - Proposes an online optimization approach for rack placement; reports deployment across **Microsoft’s data centers**.
  - Reported impact: **1–3 percentage point reduction in power stranding** (econometric analysis).

LLM serving efficiency (compute density and infrastructure load)

- **KV-cache and serving improvements:**
  - AdaptCache KV-cache storage hierarchy for low-delay LLM serving: reports **1.43–2.4x delay reductions** at equal quality and **6–55%**

quality improvements at equal delay.

- ORBITFLOW: SLO-Aware Long-Context LLM Serving with KV Reconfiguration: reports up to **66%** and **48%** improvements in SLO attainment (TPOT/TBT), **38%** reduction in p95 latency, and up to **3.3x** throughput versus existing offloading methods.
- TetriServe: Efficient Step-level DiT Serving for Heterogeneous Images: reports up to **32% higher SLO attainment** for DiT image generation serving.

Security / cost blowout risk for agentic workloads

- **Economic DoS via tool-calling chains:**Stealthy Resource Amplification via Tool Calling Chains in LLMs
  - Describes an attack that can inflate costs up to **658x**, increase energy use **100–560x**, and raise GPU KV-cache occupancy from **<1% to 35–74%**, cutting co-running throughput by ~**50%**.

Macro linkage (investment cycle risk)

- **AI capex vs GDP contribution framing:**AI and the US Economy: Accounting Investment and Production
  - Notes the 2025 surge in AI investment (especially data centres) boosted aggregate demand, but GDP contribution is muted after accounting for high import content.
  - Flags **short reinvestment cycles** and **demand uncertainty** as medium-term risks.

2-line wrap-up

Near-term execution risk is rising around permitting (on-site generation) and local approvals (water/energy), even as hyperscalers expand footprints and suppliers scale to meet demand.

Separately, efficiency and security research continues to point to meaningful swings in utilisation, latency, and operating cost—important for underwriting power and capacity needs.