

Data Centers MythBusters Series

PART 2

Energy Implications of Digital & AI Infrastructure

By The REA's Data Centre Coalition



A close-up, low-angle shot of a server rack. The rack is filled with various electronic components, including circuit boards and connectors. The lighting is a cool blue, creating a high-tech, futuristic atmosphere. The perspective is looking up into the rack, emphasizing its depth and complexity.

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Executive Summary

The debate about data centres and energy has become increasingly muddled. Critics warn that AI infrastructure will drain an already under pressure power grid, push up electricity bills and set back climate ambitions. Supporters counter that without home-grown data centres Britain risks being left behind in the global race for digital sovereignty. Both camps often argue past the central fact: the grid investment the UK needs to reach its Clean Power 2030 commitments is necessary irrespective of data centres. The real question is not whether to build it, but who helps pay for it.

This myth-buster, the second in a three-part series, following on from [Part 1: Community & Economic Benefits](#) makes the compelling case that attracting well-designed, clean-powered UK data centres is not a burden on the energy system but rather one of the most effective levers the country has for lowering the per-unit cost of the grid for everyone.

Four key arguments drive this central conclusion.

- ◆ The grid must be built regardless of additional data centres. [Ofgem has already approved £28 billion in grid](#)

[investment](#), rising to £90 billion by 2031.

Every new large electricity user sharing those fixed costs reduces the per-unit charge for households and businesses.

- ◆ Data centres can bankroll future energy investments. As the single largest source of corporate power purchase agreements (PPAs) globally, hyperscale operators provide the long-term revenue certainty that makes otherwise-marginal energy projects financeable, cutting the cost of energy for everyone over time. In turn, this growing pool of committed corporate PPAs strengthens the investment case for new renewable capacity, helping to bring forward projects that might otherwise have remained on the drawing board and accelerating the wider shift away from fossil fuels.

- ◆ High UK energy prices are the enemy, not the consequence. [OpenAI recently paused its Stargate UK plans](#). UK power prices must come down. The cost of inaction is a Britain that pays more for its grid while attracting less investment to help fund it.



Executive Summary

◆ AI is becoming an increasingly important part of the economy.

The IMF, IEA and Oxford Economics all place advanced AI infrastructure as a prerequisite for meaningful productivity growth. Countries that host significant data centre infrastructure will pull ahead, those that do not will import the gains at a price.

Done well (powered by clean energy, designed with flexibility, located near existing grid capacity and heat users) UK data centres are not a drag on net zero, but rather they are its industrial foundation.



Introduction

Data centres rarely make the news on their own terms. When they do, it is usually as a proxy for something else: the energy crisis, the planning backlog, or the AI hype cycle. Each story captures a partial truth, while obscuring a larger one.

The partial truth is that modern AI data centres are large consumers of electricity. The IEA's landmark [Energy and AI report](#) cited that "global data centre electricity consumption has more than doubled since 2022, reaching around 415TWh in 2024...(and) data centres could consume up to 945TWh of electricity in 2030."

IEA modelling depicts global data centre demand in 2030 to be roughly equivalent to total **Japanese electricity demand today**. The IEA estimates that "half of the global growth in data centre demand is met by renewables, supported by storage and the broader electricity grid... (with) renewables generation... projected to grow by over 450TWh to meet data centre demand to 2035." Modern data centres are not only increasingly energy efficient, but they can also provide additional [vital flexibility](#) to the grid. By providing stable, long-term customers for energy, data centres provide the certainty and creditworthiness necessary to drive

new renewable projects, helping the energy system to decarbonise faster.

The larger truth is that this additional energy demand (from data centres) is coming (globally) regardless of whether, or not, the UK builds its own domestic data centre capacity. If the AI workloads are not processed in Scotland, England or Wales, they will instead simply be processed in France, China, the US, India or Dubai. Without its own domestic data centre infrastructure, the UK will still rely on these data centres, it will simply not capture domestically the associated [economic returns](#), grid-support benefits, heat reuse or the renewable energy stimulus that comes with hosting them, i.e. a huge economic loss.

This myth buster article addresses five myths that are unfairly distorting the policy debate, drawing on research from the IEA, IMF, Oxford Economics, Lawrence Berkeley National Laboratory, Ofgem and leading technology companies. Its central argument is relatively simple, that building more UK-based, clean-powered data centres will, over time, lower energy bills for everyone, by spreading grid costs across a much larger pool of consumers, by bankrolling new renewable capacity and by enabling the AI tools that will cut energy waste across the whole economy to be located in the UK.

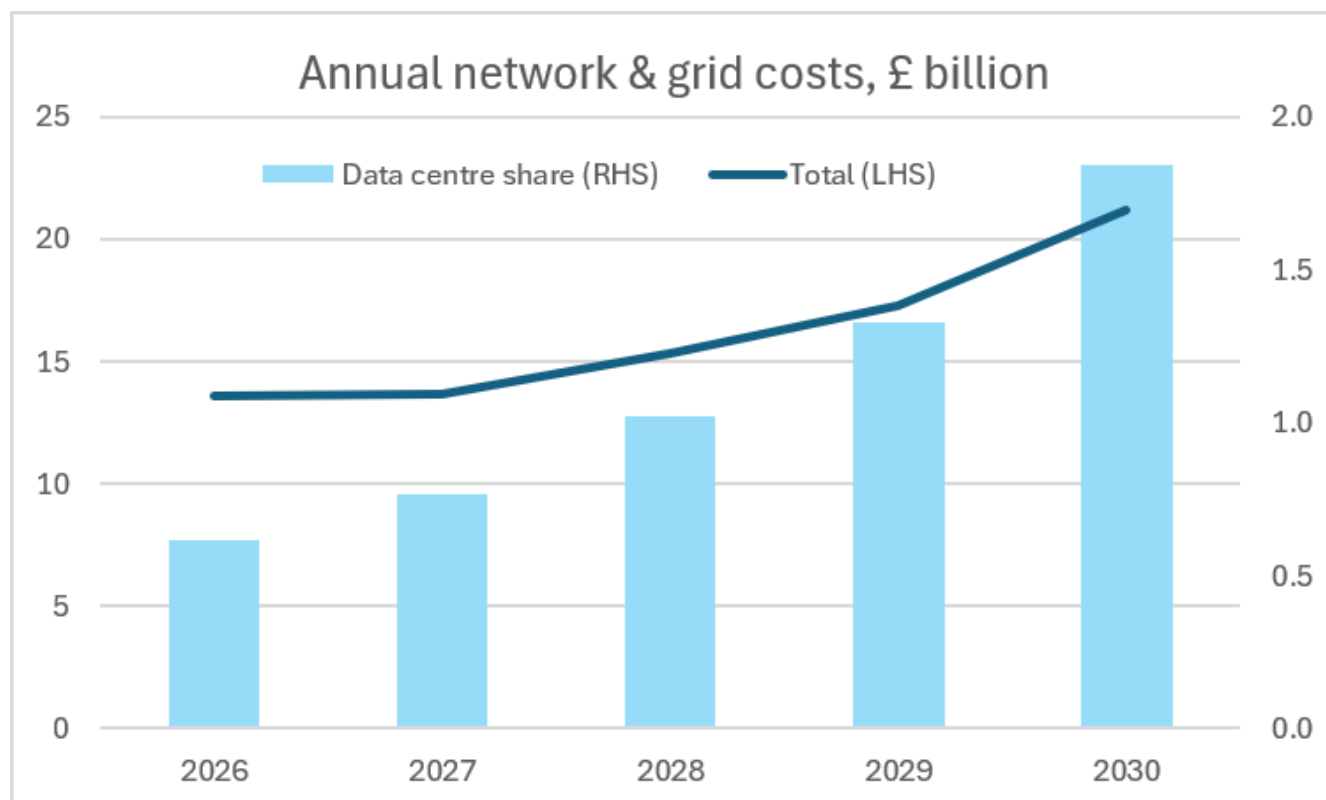
Myth 1

“More data centres mean higher energy bills for households”

This is the most persistent myth and stems from an oversimplification of energy economics. The instinct is understandable. Big new electricity users mean more demand and, with all else held equal, higher demand tends to mean higher prices. The logic, however, breaks down when applied to infrastructure with very high fixed costs, which is exactly what the electricity network is.

A large and growing share of what households pay in their electricity bill is not the cost of generating electricity but rather the wires, substations, poles and transmission lines that deliver it. These are fixed costs,

which are largely the same whether shared by forty million or eighty million consumers. When you have more consumers, like additional data centres, connecting to the grid and contributing to the revenue base, those fixed costs are spread more thinly across every unit of electricity consumed. For example, a £20 billion cost shared by 40 million consumers is, very crudely, £500 each, whereas split by 80 million consumers it falls to just £250 per consumer.



This crucial point is best explained with a simplified model of the UK economy.

“More data centres mean higher energy bills for households”

REA modelling (based on NESO estimates) puts the annual bill for upgrading the grid/network at roughly £13.6 billion in 2026, rising to over £21 billion by 2030 (i.e. [NESO's transmission estimate](#) alongside [NESO's balancing estimate](#)), infrastructure investment that is required regardless of how much data centre capacity the country builds. That fact makes data centres useful additional bill payers. Utilising DESNZ's optimistic assumption that UK data centre capacity grows from 2.4GW in 2025 to 6.3GW in 2030, additional data centres essentially equate to more 'consumers' over which to spread a fixed cost. The arithmetic is unglamorous but real, in this model of the UK economy roughly £1.8 billion is carved off the bill for all non-data centre consumers in 2030 alone (i.e. data centres account for 8.7% of UK power demand in 2030, and 8.7% of the total £21.2 billion grid/network cost in 2030 is £1.8 billion). Were households hypothetically to pocket all of that saving, additional data centres could reduce bills by nearly £63 a household (i.e. a £1.8 billion saving shared by 28.6 million households). Similarly, the [Lawrence Berkeley National Laboratory](#) found that, between 2019 and 2024 in the US, “a 10% increase in statewide load reduced overall average prices by 0.5 cents/kwh.” The research concluded that “spreading such costs over a broader base reduces the per-unit

share of the cost burden” and that growing consumption, far from driving up bills, was the strongest single correlate with falling rates.

[California's largest utility, PG&E's, own modelling](#) similarly concluded “that every new gigawatt of data centre demand could reduce the average household electricity bill by 1-2% over time.” PG&E outlined how in California (in 2025) “a typical 100 megawatt Amazon data centre is expected to give utilities about \$3.4 million in extra revenue. By 2030, that number could grow to \$6.1 million. Utilities can use this money to help lower bills for other customers.” Of course, there have been numerous examples where power prices have risen when data centres have been built, but the commonality is often a lack of clear strategic planning - to stop this (indeed encourage lower prices) the REA's Data Centre Coalition recommends prioritising the construction of data centres in unison with renewable capacity, heat reuse programmes and flexibility. The not-for-profit [Reason Foundation](#) found that “in northern Virginia, large data centre customers cover roughly 9% of transmission costs, helping keep residential transmission rates below the national average... most of what consumers pay for isn't the power itself, but the infrastructure that produces and delivers it: generation, transmission, substations, and distribution. Once

“More data centres mean higher energy bills for households”

that infrastructure exists, the marginal cost of serving additional load is relatively low. What makes electricity expensive isn't use. It's underuse.”

The UK is about to spend up to £90 billion upgrading its grid. More large paying consumers means lower bills per unit for everyone. Data centres help pay for infrastructure households need anyway.

[Ofgem's Final Determinations, in December 2025](#), approved £28 billion in initial network investments, with total commitments projected to reach £90 billion by 2031. Ofgem's analysis showed that grid expansion, on net, saves households money as it lowers constraint costs and reduces the gas import bill. John Pettigrew, the CEO of National Grid, outlined that “getting on with the investment is very beneficial to consumers because it ultimately reduces the cost for them.” The more large, creditworthy customers (for example, data centres)

that there are to share paying for these network costs, the lower the per customer charges will be for everyone else. The classic chicken before the egg dilemma, however, is that without first encouraging additional demand (like data centres, to help bring down the per consumer share of network costs) some initial price supports might be necessary.

This does not mean that data centres should be exempt from fairly bearing their share of connection and reinforcement costs. Data centres should, and most reputable operators accept that, but the underlying truth is that their presence on the grid is a benefit to other households and businesses, not a burden, collectively making a larger paying base to lower bills on a per customer basis. Properly located, and equipped to respond to signals from the system, data centres can offer a further dividend. Sitting flexible demand near areas of abundant wind generation would absorb power that might otherwise be wastefully curtailed because networks are constrained, increasing the use of zero-carbon electricity and reducing the need for more expensive marginal generation elsewhere. That should, at the margin, further lower wholesale prices while cutting the grid's emissions.

Myth 2

“Data centres drain renewable energy rather than driving it”

There is a version of this concern that has some merit in specific, poorly managed circumstances: if a data centre connects to a grid that is heavily dependent on fossil fuels and does nothing to procure clean power (i.e. explicitly not the current UK situation), it adds carbon emissions in the short run. The answer to that is better policy, not fewer data centres. But the broader myth is not just wrong, it is almost exactly backwards. Data centre operators are now the single largest corporate buyers of renewable energy in the world (essentially bringing large chunks of renewable energy to market without subsidies). According to [BloombergNEF](#), technology companies accounted for around 50% of all corporate PPAs for renewables signed globally in 2025. In Europe, data centres have become so dominant in PPA markets that they now represent roughly a third of the entire European PPA market with 19 GW, or roughly 70%, of European data centre capacity already contracted through clean energy deals, according to [Pexapark's PPA Tracker](#).

PPAs are not just 'green' credentials on a piece of paper (physical or virtual), they are a genuine financial mechanism that makes new renewable projects bankable (and effectively subsidy-free). A solar or energy-from-waste developer trying to secure project finance needs to demonstrate long-term revenue certainty to a lender. A 15- or 20-year

(or longer) PPA with a creditworthy technology company does exactly that.

A third of all European PPAs are signed by data centre operators. They are the primary mechanism by which new renewable capacity is financed. More data centres, built under strong clean energy conditions, means more solar, wind, geothermal and tidal energy resources are built domestically.

Without that additional anchor many power projects would not be built. The [IEA's Energy and AI report](#) (2025) projects that renewables will be the fastest-growing source of electricity for data centres globally, with generation increasing at an average rate of 22% per year between 2024 and 2030, with “some of the new capacity financed through PPAs with technology companies.”

“Data centres drain renewable energy rather than driving it”

The dynamic is already visible in the UK. In November 2025, [Downing Renewable Developments signed a long-term PPA with Kao Data to build a 40MW solar farm](#) in Essex specifically to power the firm’s AI data centre campus in Harlow. Matthew Harris, the CFO at Kao Data, outlined how Kao Data’s “collaboration with DRD demonstrates how companies like Kao Data can take proactive action to solve some of the UK’s renewable energy challenges directly, and deliver green power at-pace and scale.”

At the system level, the IEA’s updated 2026 projections confirm that renewables will meet nearly half of the growth in global data centre electricity demand through to 2030, a figure that will be easily exceeded in economies with more stringent clean power targets (like the UK). The UK’s AI Growth Zone strategy, which co-locates data centre investment with new clean energy generation, is precisely designed to capture this dynamic. Aligning data centre demand with renewable supply in post-industrial areas, where wind and/or solar resources are strong and grid connection capacity already exists, is not a compromise; it is the right way to build both industries at once.



Myth 3

“UK energy prices will stay high regardless, and data centres just make it worse”

This myth contains a troubling half-truth that policy makers need to take seriously: UK industrial electricity prices are too high. Powering a 100 MW data centre in the UK would cost around £227 million per year, dramatically more than France (£156 million), Sweden (£67 million) and the US (£57 million), according to analysis cited by the [House of Commons Library's 2026 briefing on data centres](#) (based on analysis by the Social Market Foundation). What is certainly true is that we have to try to get UK electricity prices down, and this is where additional UK-based data centre capacity will play a key role, as sharing the hugely expensive grid and transmission costs by more consumers reduced prices for all consumers, not just data centres.

The consequences of the relative price gap are already materialising. In April 2026, for example, [OpenAI paused its Stargate UK data centre investment](#), citing high energy costs and regulatory uncertainty. [Microsoft, meanwhile, has committed \\$6.2 billion in Norway, \\$3.2 billion in Sweden and \\$3 billion in Denmark](#), investments at least partially due to the availability of lower relative electricity prices in the Nordics (a consequence of abundant hydropower and wind). The [UK needs to continue to invest heavily in the 'cheaper' renewables, like solar, onshore wind and BESS, to similarly unlock lower prices](#), while embracing additional demand (like data

The UK's high industrial electricity prices are causing data centre investment to go elsewhere, to countries where renewables have already brought prices down (or to countries that are very rich in cheap domestic fossil fuel reserves, unlike the UK). The solution is to use data centre demand as an anchor for more UK renewable capacity, not to discourage both.

centres) to help share the required transmission/grid costs with a larger consumer base, effectively lowering prices for all UK consumers.

High UK electricity prices are primarily a product of three structural factors: decades of underinvestment in transmission infrastructure (regardless of the fuel used to power

**Myth 3
cont...**

“UK energy prices will stay high regardless, and data centres just make it worse”

the UK grid); a heavy dependence on imported gas for setting the marginal power price; and an energy system that has not yet been able to deploy enough renewable capacity to displace fossil fuel generation at scale. Data centres built in the right way, in the right locations, under the clean energy conditions, help to directly address these issues.

New, well-planned, data centres stimulate additional renewable capacity, helping an economy reduce its gas dependency which in turn reduces the amount of time that gas sets the marginal power price. Furthermore, data centres provide the large, stable demand base that makes transmission investments more economically efficient, reducing the per unit cost of the grid. Building more domestic data centre capacity would allow the UK to shift from a position of importing many AI services (and thus the associated energy costs from countries with higher-carbon grids) to a position of hosting them under the UK's own, increasingly clean, power system. The real risk to energy affordability is not building too many UK data centres but too few.



Myth 4

“AI and data centres have nothing to do with the energy transition; they just consume power”

This myth misses one of the fundamental impacts that AI is already having on energy systems. The Alan Turing Institute's [State of AI for Decarbonisation 2025](#) report documents that AI is already having “a measurable impact on the UK's ability to operate a low carbon electricity grid. (In 2025) AI-powered solar... reduced emissions by an estimated 300,000 tonnes, smart EV charging lowered peak electricity usage from EVs by 42% and virtual power plants helped balance the grid.” These benefits run on data centres, the algorithms, the real-time control systems, the predictive models that let network operators route power more efficiently and dispatch storage intelligently (to avoid expensive constraint events), they all require compute infrastructure. A paper, from the [Institute of Electrical and Electronics Engineers](#), concluded that “the AI system can make intelligent judgements to maximise the balance between energy supply and demand... exhibiting a considerable increase in frequency stability compared to standard regulating techniques. Key advantages include...cheaper operating costs and enhanced resilience to changes in renewable energy generation. Furthermore, the system can adjust to altering grid conditions.”

NVIDIA's Head of Sustainability, Josh Parker, outlined that AI-powered infrastructure “can act as a grid-aware

asset, modulating demand in real-time to support stability. By making AI workloads responsive, we accelerate deployment while reducing the need for costly grid upgrades.” [ECA Insight's modelling estimates](#) that flexible data centre demand could increase available grid flexibility capacity by between 1.6 and 3.3GW by 2035 (representing 9-16% of total flexibility capacity), a vital tool in the UK's ability to manage a high-renewable power system.

The IEA's updated 2026 report notes that energy efficiency per AI task is improving at a rate unprecedented in energy history. The same tasks that required a given amount of energy in 2022 now require a fraction of that. As models become more efficient and as hardware generations improve, the energy intensity of AI computation will continue to fall. That trend does not make data centre demand disappear, as usage is generally growing faster than efficiency gains, but it does mean that the energy cost per unit of economic value created by AI is on a downward path.

Myth 5

“The UK doesn’t need its own data centres; it can just use overseas capacity”

This myth is perhaps the most strategically dangerous. The implicit assumption behind much UK planning hesitancy is that digital infrastructure is somehow placeless, that it does not matter where a server sits, only that the service it provides is accessible. That assumption is wrong in ways that touch economic resilience, national security, energy security and long-term productivity.

Starting with the economics. The IMF’s April 2025 working paper, [The Global Impact of AI: Mind the Gap](#), concluded that AI’s productivity gains will be deeply unequal across countries, with advanced economies likely seeing growth impacts more than double those of lower-income nations. The key differentiating factor is not which country’s citizens have access to AI tools, but which countries have the infrastructure, skills and institutional readiness to integrate AI into their productive sectors. Countries that host data centres, train engineers, develop AI applications and embed AI into their industries will capture the largest productivity dividends. Countries that merely import AI services will be left behind. This opportunity is too large for Britain to risk being left behind. The [UK’s Compute Roadmap](#), published in July 2025, explicitly made this point, stating that UK data centres would be “a critical enabler of scientific excellence, industrial competitiveness, and sovereign capability. Countries

that can deliver and direct world-class compute infrastructure will shape the future of AI, not just consume it.”

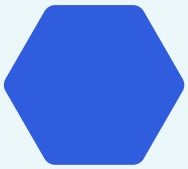
Then there is the energy dimension. Every AI workload the UK sends offshore is also, in effect, an energy decision. If Britain offshores its AI workload it also exports the associated energy demand, forfeiting control over the resulting emissions, and handing overseas the economic value of meeting this demand. The countries on the receiving end pocket the benefits of the grid upgrades, the domestic energy investments, the jobs, the business rates and the long-term anchor investments that comes from hosting data centre infrastructure. If Britain fails to build sufficient domestic data centre capacity, it is left holding the bill for a network reinforcement it needs regardless, but without the large new users who would otherwise help spread, and so reduce, that cost. Bills would stay stubbornly high, since the grid upgrades are needed regardless. If the UK is serious about breaking free of high energy costs, the answer is not to shy away from data centres but to court them. More large-scale demand, properly sited, is what turns an expensive grid upgrade into an infrastructure bill worth having.

“The UK doesn’t need its own data centres; it can just use overseas capacity”

A country cannot lead in AI without domestic compute infrastructure. Every hyperscale data centre that goes to India, Norway or Texas, instead of the UK, takes with it jobs, grid revenue, the renewable energy stimulus and the strategic resilience that would otherwise stay in Britain.

competitive prices, alongside a skilled workforce and a stable geopolitical environment, will win the investment. Countries that do not will watch it leave.

The comparison with other industrial infrastructure is instructive. Britain does not propose to rely entirely on overseas pharmaceutical or defence capacity on the grounds that it is cheaper to source these products from overseas. It builds domestic capacity, sometimes at a premium, because the strategic, employment and resilience benefits justify the investment. Digital infrastructure warrants the same logic. As [Oxford Economics summarised in its January 2026 analysis](#), data centres require “access to reliable, continuous power”. Countries that can offer that, at



The risks of getting this wrong

The costs of a permissive, pro-investment data centre policy are visible and attract opposition. The costs of an overly restrictive one are diffuse and rarely make headlines. Both deserve honest accounting. The energy price risk is the most immediate. The UK's industrial electricity prices are amongst the highest in the developed world. If the UK fails to attract data centre investment at scale, it forgoes a major source of stable, high-volume demand that would help amortise the huge cost of the planned grid upgrade ([£89 billion through the 2030s, according to NESO](#)). Without data centres, the UK has a smaller pool of customers sharing essentially very similar fixed network costs, meaning higher bills per unit for households and businesses. Simple physics highlights that the UK grid must be built, and upgraded, but without additional data centres those consumers still left in the UK each pay more.

The renewable energy risk is closely related. The UK has ambitious targets (Clean Power 2030, i.e. only 5% unabated natural gas in the power mix by 2030), which will require a rapid uptick in renewable investments, but many of these projects require long-term anchor demand to be financeable. Data centre PPAs provide that anchor. Without them, some projects will not secure debt finance, others will require higher government subsidy through Contracts for Difference.

Additional data centre capacity allows huge swathes on unsubsidised renewables to come to market, keeping costs down for everyone.

The productivity risk is longer-term but potentially even larger. The [IMF's March 2026 Finance & Development analysis](#) describes AI as "the defining driver of global economic conversation and, increasingly, of economic growth itself," noting that "Europe risks missing out unless it retools its industrial and digital policy." As agentic AI becomes more capable, the productivity gains from embedding it into healthcare, education and public administration will be substantial. A country that cannot access affordable domestic compute will realise those gains more slowly, and at a higher cost.

The water consumption risk is real but frequently overstated and can easily be abated by new regulation that bans evaporative water use. Cooling large server halls requires water, and in a handful of poorly sited, water-stressed developments overseas this has strained local supplies. UK data centre design is increasingly moving away from evaporative cooling altogether, relying instead on closed-loop or air-based systems that can cut water use by around 90% compared to older facilities, a move that should be adopted into the legislature for the UK to end concerns about water use.

The risks of getting this wrong

The land use risk is smaller than critics assume. Data centres are considerably less land-hungry, per pound of economic output or per MW connected, than most of the energy needed to power them, and much of the emerging UK pipeline is being steered towards brownfield and former industrial sites, precisely because such land often already has grid capacity and existing infrastructure. A planning framework that prioritises brownfield reuse and co-location within industrial clusters, rather than greenfield expansion, keeps this risk manageable.

Another important risk is grid prioritisation. Data centres are fast becoming a test of how Britain allocates scarce grid capacity. In recent years, speculative connection requests have clogged queues. [Ofgem's proposed non-refundable application fee](#) is intended to deter queue-hoarding, but risks replacing one crude filter with another: the ability to pay. A better approach for the long-term health of the UK economy would be to rank projects by what they contribute to the electricity system and the communities hosting them: credible flexibility that reduces pressure at peak times, a high proportion of hourly matched renewable power, firm and deliverable plans to reuse waste heat, and meaningful local employment commitments. Grid access should not simply go to the deepest pockets, but to the data

centres that make the most useful contribution to the UK power system.

Finally, there is the investment confidence risk. Once a hyperscale operator chooses Mumbai over Manchester, that decision is not easily reversed. The data halls, the power infrastructure, the cooling systems, the associated jobs (not just in data centres but also in energy) and the long-term land commitments follow. So do the supply chains, the specialist engineering firms and the downstream economic activity. The OpenAI Stargate UK pause in April 2026 is a warning, and not just an anecdote. If the UK is seen as a difficult place to build digital infrastructure (because of high energy prices, planning delays or policy uncertainty) the investment will migrate to jurisdictions that are easier, and it will not come back quickly.



Conclusion: the case for getting it right

The energy implications of data centres are real, but they are routinely misread. The question is not whether to accommodate large-scale AI infrastructure or to protect the electricity system and household bills from pressure. Both goals point in the same direction. A UK that successfully attracts clean-powered, well-sited, grid flexible data centres is a UK with lower grid costs per consumer, more bankable domestic renewable projects, a more competitive energy price and a stronger position in the global AI economy.

The policy framework that achieves this is not complicated in principle, though it requires coordination across planning, energy regulation and industrial strategy. Ideally data centres should be directed to sites with existing grid capacity (for example, post-industrial areas), but if that isn't available the energy network provider should act quickly to plan for forthcoming projects. Well-planned data centres should be required to procure credibly additional renewable energy (for example, solar and storage can be built more quickly than a data centre), encouraged to

offer [demand-side flexibility](#), and to plan for heat recovery where district heating networks exist or are planned. The alternative will leave the UK with a large, expensive infrastructure bill, a shrinking pool of industrial customers to help pay it, and a growing dependence on overseas AI capacity.

The UK has the ingredients to be one of the world's foremost destinations for responsible, clean-powered AI infrastructure: a strong (and growing rapidly) renewables base, established technology clusters, a mature finance sector and a regulatory framework that, with the right calibration, can deliver investment at speed. What it needs is the policy confidence to use those advantages. The evidence is clear: building more UK data centres, increasingly powered by clean energy, will over time mean lower electricity bills, more renewable capacity, additional jobs and stronger growth for everyone. The myth that it means the opposite is costing the UK billions in lost investments, lower employment and strategic ground that will be hard to recover. The time to act is now.





REA DATA CENTRE COALITION

Thanks to the founding members of the REA Data Centre Coalition for their contributions that have helped inform and produce this report.



Find out more and support the sector

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