SIERRA CLUB
LONE STAR CHAPTER

To: The Honorable Cody Harris, Chair, House Committee on Natural Resources
The Honorable Armando Martinez, Vice-Chair, House Committee on Natural Resources
Honorable Members, House Committee on Natural Resources

From: Evgenia Spears, Water Program Coordinator, Sierra Club Lone Star Chapter, evgenia.spears@sierraclub.org, 979-739-1097
Cyrus Reed, Legislative and Conservation Director, Sierra Club Lone Star Chapter, cyrus.reed@sierraclub.org, 512-740-4086

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Comments from the Sierra Club Lone Star Chapter Regarding Data Center Water Use and Conservation in Texas

The Sierra Club Lone Star Chapter representing more than 21,000 members across Texas submits the following comments to the House on Natural Resources Committee. As the state chapter of the nation's oldest and largest conservation organization, we have long been engaged in water policy issues affecting Texas communities and the environment.

We appreciate the Committee's attention to data center water use and conservation. In recent years, many of our members have become increasingly engaged in discussions about data center development in their communities. Concerns about water come up very often. Texans are worried about growing water demand, limited access to information, and potential impacts of data centers on local and state water supplies. People are concerned not only about the direct use of water by data centers, but also about the potential increase of water use associated with new thermal power plants that may be built to serve those data centers, cryptomines, and AI facilities. As the Committee evaluates policy options, we encourage careful consideration of measures that improve

water planning and reporting, water conservation, and public transparency as the data center sector continues to expand in Texas.

We are also a member of the Texas Living Waters, a coalition of conservation groups working together to ensure that we have water for thriving communities and abundant fish and wildlife in Texas. Recently, along with the Houston Advanced Research Center (HARC), we released a new report titled *Balancing the Water Needs of Data Centers and Large Water Users in Texas with the State's Vision for Long-Term Water Security.* Our recommendations below align closely with the policy recommendations found in that report, available here at *https://texaslivingwaters.org/wp-content/uploads/TLW_HARC_Data-Center-Policy-Recommendations_Final_2026.pdf*.

I. Texas should require data centers to report their water and energy use. It's estimated that existing data centers in Texas consume approximately 25 billion gallons of water annually, and that demand could increase to as much as 161 billion gallons per year by 2030 as more data centers continue to become operational.[1] However, the recently released Draft 2027 State Water Plan does not specifically account for the growing water demand by data centers.[2] This lack of information creates challenges for communities, utilities, and water planners that rely on the state water planning process to identify future needs and secure funding for water infrastructure and supply projects to meet the local water demand. Part of the issue is because Texas doesn't have mandatory water and energy reporting requirements for data centers, and instead relies on voluntary reporting.

We strongly encourage the state to move beyond voluntary surveys and require data centers to report both direct and indirect water and energy use:

- *Direct water use reporting:* Data centers should specifically report the types of cooling technologies used, total and peak water consumption (both current and projected), and water sources (including the amount diverted). This information should be reported to the Texas Water Development Board (TWDB) and made publicly available to support water planning and assessment of potential impacts.

[1] Thirsty Data and the Lone Star State: The Impact of Data Center Growth on Texas' Water Supply. Houston Advanced Research Center, January 2026. Available at: https://harcresearch.org/wp-content/uploads/2026/01/Thirsty-Data-Water-Use-and-The-Projected-Data-Center-Boom-in-Texas.pdf

[2] Draft 2027 State Water Plan. Texas Water Development Board, 2026. Available at: https://www.twdb.texas.gov/waterplanning/swp/2027/index.asp

- *Indirect water use reporting:* Since data centers require large amounts of electricity, water demand created by electricity generation must be reported as well. Data centers should report their energy use, projected energy demand, and power sources to the Public Utility Commission (PUC) and Electric Reliability Council of Texas (ERCOT). This information should also be publicly available and be incorporated in the state water planning efforts.

- *Energy use reporting*. While outside the scope of this committee, energy reporting of both monthly peak use, overall energy use, the use of onsite and backup generation is key for PUC and ERCOT planning.

Mandatory reporting requirements should also be applicable to data center projects in development. Data center developers should provide realistic estimates of anticipated direct and indirect water and energy consumption. Similarly to the requirements for existing facilities, these estimates should include anticipated average use, peak demand, water sources, and proposed cooling technologies. This information should be publicly available during permitting and project review and inform decisions regarding project approval and regional water supply planning.

Finally, the Legislature should direct the TWDB to begin specifically tracking data center water demand and incorporating it into the state water planning process. Given the pace of data center development across Texas, this effort should begin immediately rather than waiting until the next planning cycle.

II. Texas should ensure that data centers are good stewards of water resources in communities. Many of the factors that influence how much water a data center uses are determined long before a facility comes online. Texas should encourage approaches that reduce pressure on potable water supplies and make better use of water that has already been withdrawn:

- *Use non-potable water sources to reduce pressure on drinking water supplies.* Data centers should prioritize reclaimed water, treated wastewater, and highly saline groundwater over drinking water supplies. The Legislature should also explore the potential use of treated produced water as an alternative supply source for data centers, but only after Texas Commission on Environmental Quality (TCEQ) establishes protective standards for its treatment, discharge, and reuse.

- *Maximize reuse and recycling of water already in circulation.* The Legislature should encourage data centers to reduce wastewater through on-site reuse and

recycling before water leaves a facility. These practices can lower the total water demand by a facility and reduce the amount of wastewater that must be managed and disposed of. Furthermore, Texas should ensure that wastewater generated by data centers is regulated and managed appropriately, whether this wastewater is used for landscape irrigation, released into surface waters, or managed through other means. Depending on facility operations and cooling systems, this wastewater may contain salts, metals, biocides, PFAS, and other constituents of concern. The Legislature should direct TCEQ to review whether existing standards and treatment requirements are sufficient to address wastewater generated by data centers.

- *Establish statewide water-efficiency design standards for data center cooling systems*. Data center developers consider several variables when selecting a facility's cooling technology and may find themselves choosing between options with varying levels of efficiency in their use of water. We recommend establishing statewide design standards requiring the default selection of the most efficient feasible technology and other processes that typically utilize or consume water, including the utilization of dry cooling technologies where possible.

III. Counties need additional regulatory authority and certainty to deal with the sudden growth caused by data centers, and the state needs some minimum building code standards.

- *Expand counties' authority to address flooding and drainage impacts from large data center developments.* Counties should be given additional authority to manage impervious cover, stormwater and drainage, landscaping standards, and other land use issues associated with large industrial developments, including data centers. We recommend counties be given the authority to collect drainage fees and manage impervious cover to mitigate the impacts of large industrial developments on flood severity, and also have more authority over building code standards and enforcement.

- The Legislature should also update county building code standards for residential and commercial development – including expanded county authority – and direct the State Energy Conservation Office (SECO) to adopt a statewide minimum building code for large industrial loads that would be a state minimum, and require large loads to meet certain building code standards, including water and energy

efficiency. The code should be based on codes developed by the International Code Council.

IV. Texas should recognize and evaluate opportunities to reduce the water demands associated with powering data centers. Data centers consume large amounts of electricity, and some forms of power generation require substantial amounts of water for cooling. We believe that Texas has several opportunities to meet the growing energy demand associated with data centers in ways that require much less water than traditional power generation:

- *Data centers should be encouraged to support energy sources that don't require large amounts of water, such as wind, solar, and solar plus storage.* Unlike many traditional forms of power generation, wind, solar, and solar plus storage require little to no water. The state should encourage investments in the development of renewable energy sources to help meet growing demand without creating additional pressure on Texas water supplies.

- *Texas should consider potential water savings in the power sector to offset some of the new demands by data centers*. According to a recently published report, thermal power plants in Texas – including coal, gas, and two nuclear plants – have consumed roughly 100 billion gallons of water every year since at least 2015[3] (we have included a copy of the executive summary of our recent report). While gas plants use the most water in total, coal plants on a per MWh basis use much more. As coal plants retire and renewable energy continues to expand, the amount of water needed to generate electricity in Texas may decline. Importantly, these potential reductions in water use are not reflected in the Draft 2027 State Water Plan projections, which generally assume relatively stable water demand from thermal power generation through 2080. Further, there could be some regions that experience an increase in water use because of the increased development of gas plants specifically to serve new data center development. The Legislature should take a closer look at how changes in the power sector may affect future water availability and evaluate whether these water savings can help offset some of the additional demand associated with data center development, or how policy can encourage data centers to rely on power sources that use less water, like solar plus battery storage. Directing the TWDB to look specifically at how to change their methodology for water use of thermal power plants and steam

[3] *Watts Wasting Texas Water.* Lindsay Mader & Noah Ver Beek, Sierra Club, 2026 https://www.sierraclub.org/sites/default/files/2026-05/texaswaterreport_final.pdf

electric power is important as part of the final version of the 2027 State Water Plan, if possible.

V. Texas should ensure transparency and public access to information about water consumption by data centers. Communities should be informed in a timely manner how much water a proposed data center is expected to use, where that water will come from, and how the project may affect local water supplies. Water belongs to all Texans, yet many Texas residents are being asked to accommodate major new demands on their water supplies without having access to basic information about the projects that are driving those demands. Data center developers shouldn't be allowed to hide information about how their projects would impact local water resources.

- *Limit the use of non-disclosure agreements (NDAs)*. NDAs have frequently been used in the data center sector to keep information about water consumption and energy demand secret from the public. We're deeply concerned about this lack of transparency and believe that Texans shouldn't be left in the dark about projects that could affect their water supplies in the long term. While there could be some legitimate trade secrets that might make sense to protect, we recommend the Legislature make provisions of NDAs unenforceable or void when they restrict the disclosure of information necessary for public participation and informed decision-making related to data center projects, including:
    - Water use, cooling technology, and water sources;
    - Energy use and sources;
    - Wastewater discharge; and
    - Use of backup generators.

- *Create a publicly accessible database of the water and energy use of all data centers in Texas, existing and under development*. The Legislature should require the PUC to develop and maintain a publicly accessible website with information about existing and proposed data centers in Texas, including each facility's water use, water sources, cooling technologies, and energy demand. Information about these projects is currently scattered, difficult to obtain, or unavailable to the public altogether. Texans shouldn't have to rely on rumors, public records requests, media reports, or industry announcements to learn about projects that may affect their water supplies and quality of life. A centralized database is needed to improve transparency, support water and energy planning, and help communities understand how data center development may affect local resources.

VI. Texas should ensure that costs for new infrastructure needed to supply water for data centers aren't shifted onto existing customers. Large electric loads must be required to pay separately for 100 percent of the costs necessary to service them, including water use, wastewater treatment, water distribution, and financing costs.

- *The Legislature should direct the PUC to conduct a statewide study for the development of regionally specific guidance on rates for data centers and other large industrial water users.* Currently, public water utilities and water supply corporations have the ability to establish separate customer rate classes. Before a new class can be implemented, PUC must approve studies of the utility's rate structure and cost of service, a process that protects customers from unfair rates but incurs a cost (both financial and administrative) for the utility which may be less feasible in under-resourced communities or circumstances where growth threatens to outpace local capital planning.

- Alternatively, *the Legislature could also consider passing a requirement that all water utilities develop a specific large load tariff schedule*, which is the official pricing structure set by utility companies, including rates based on water consumption and other charges (such as service fees). Large-load customers must be subject to a tariff schedule that is equal or proportional to the costs of serving them, mitigating the risk that other classes of retail consumers are paying unwarranted costs. This may include instituting a new tariff schedule or amending an existing tariff schedule.

Utilities can also set rate surcharges for capital improvements such as the capacity expansions and other work often needed to serve large new industrial customers, but those costs are distributed among all ratepayers. We recommend updating statute to ensure current ratepayers are not asked to foot the bill when data centers and other large new facilities come to town.

VII. Data centers should be encouraged to make community investments that offset their water and energy demands. To offset resource consumption and balance the impacts of development with long-term benefits, data center developers should be encouraged to contribute to programs that reduce energy and water use, including weatherization, energy efficiency, and water conservation programs. We recommend exploring either (or both):

- Requiring data center developers to contribute to programs overseen by a state agency such as the SECO, Texas Department of Housing and Community Affairs (TDHCA), TWDB, or PUC in amounts commensurate with the amount of water and energy these facilities consume (based on the data submitted annually to the PUC), so that their footprint can be reduced with reductions in residential and small commercial use. Programs could be specifically designed to assure that those Texans least able to pay for increased water and energy costs are the most protected through specific projects to conserve water and energy.

- *Requiring data center developers to implement Community Benefit Agreements (CBAs) with local or regional entities.* These agreements can help balance the impacts of large data center developments with benefits for the communities hosting them. CBAs should be publicly available, developed with community input, and legally enforceable, and help fund projects such as repairing leaking water lines, improving drought preparedness, upgrading aging infrastructure, or helping residents reduce water and energy use at home.

Thank you for the opportunity to provide these comments.