



PO Box 4998
Austin, TX 78765
512.477.1729
lonestar.chapter@sierraclub.org

sierraclub.org/texas

To: The Honorable Charles Perry, Chair, Senate Committee on Water, Agriculture, and Rural Affairs
The Honorable Members, Senate Committee on Water, Agriculture, and Rural Affairs

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

September 1, 2026

Re: Comments from the Sierra Club Lone Star Chapter Regarding Water Demands from Energy-Intensive Technologies in Texas

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

We are also a member of the Texas Living Waters, a coalition of conservation organizations working together to ensure that Texas has water for thriving communities and healthy ecosystems. Earlier this year, 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.¹

We appreciate the Committee's attention to the growing water demand of energy-intensive technologies in Texas as the state continues to grow and the scale of industrial water use changes. Emerging large water users, including data centers, are adding demand that was far less significant just a few years ago. Now, according to the invited testimony by Texas Water Development Board (TWDB) at the interim hearing of the House Natural Resources Committee

¹ [Balancing the Water Needs of Data Centers and Large Water Users in Texas with the State's Vision for Long-Term Water Security](#). Houston Advanced Research Center and Texas Living Waters, 2026.

in June, data centers have become one of the state's primary water users.² The recently released Draft 2027 State Water Plan (Phase II) acknowledges, however, that limited data were available to project water use from digital infrastructure facilities like data centers during this planning cycle, and that forecasting this sector remains difficult because of rapid growth and changing technology.³

It is clear that the state needs to do a better job of tracking, planning for, and managing these growing demands while keeping water available and affordable for Texans. We outline our specific recommendations below.

I. Texas should require better reporting for large industrial water users

Through the existing Water Use Survey, TWDB collects annual water use data from industrial facilities, but far from all large water users choose to report. For example, at the House Natural Resources Committee hearing in June, TWDB testified that only 17% of 341 data center facilities surveyed in 2025 actually responded. While reporting is required by law, TWDB has limited ability to enforce that requirement, which exposes another problem with the current approach to reporting: requiring facilities to report their water use does little good if there's no practical way to make sure that they actually report. We believe that the Legislature should address this issue and give TWDB tools necessary to improve compliance with existing reporting requirements. However, because the PUC also has some authority over water, and is a regulatory agency, we believe that it is ultimately more effective to require annual reporting – looking backward and forward – to the PUC.

An additional issue with the current water use reporting is that it only focuses on the present water consumption and doesn't collect projected water use or details related to a type of cooling technology used by a facility. As a result, local water providers and state planners don't have a complete picture of what future demand may look like. In areas where water resources are limited or existing infrastructure may not be able to handle a new large user, this may be especially problematic.

We recommend requiring large industrial water users that are over 25 MWs in total energy demand to report both current and projected energy demand - including both peak, use, and source - water demand (including average and peak use), water sources, and types of cooling

² Texas House Committee on Natural Resources. Interim Hearing, June 23, 2026. Recording available here: <https://house.texas.gov/videos/22709>

³ [Draft 2027 State Water Plan, Phase II](#). Texas Water Development Board, 2026.

technologies. Proposed facilities should provide this information early enough for local water providers and regional planning groups to be able to account for the anticipated demand in a timely manner. This information should be reported to the Public Utility Commission of Texas (PUC), which has already been directed by the Texas Legislature to collect water consumption data for certain industries, including data centers. In addition, in reaction to both the so-called “Batch process” at the PUC and ERCOT and a recent directive from the Governor, PUC has also begun collecting information from large loads over 25 MWs. The PUC then should be required to share the relevant data with TWDB for regional and state water planning, Electric Reliability Council of Texas (ERCOT) for energy planning, and Texas Commission on Environmental Quality (TCEQ) to inform their regulatory functions. Sierra Club would also support that this information be made available to the public, with some consideration for keeping some information related to business information confidential.

II. Reporting goes hand in hand with planning: Texas should improve state and local planning for large new industrial water demands

Better reporting is critical to better regional and state water planning. The recently amended Draft 2027 State Water Plan states that there was “limited data available” on water use by digital infrastructure facilities like data centers to inform future demand projections, and none of the 16 regional planning groups made adjustments specifically for these facilities during this planning cycle.⁴ TWDB has also indicated that the agency is already working to improve its projections for this sector. We specifically recommend that the Legislature direct TWDB to incorporate data center water demand into state and regional water planning as soon as better data and projections are available, rather than waiting for the next five-year planning cycle. The same approach should apply to other large new industrial demands that could significantly affect local water supplies.

Planning for new large industrial users should also consider where water may become available as existing demands change. Our recent *Watts Wasting Texas Water* report found that 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 2015.⁵ 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 aren’t reflected in the amended

⁴ [Draft 2027 State Water Plan, Amendment 1](#). Texas Water Development Board, 2026.

⁵ [Watts Wasting Texas Water](#). Lindsay Mader & Noah Ver Beek, Sierra Club, 2026.

Draft 2027 State Water Plan projections, which assumes a relatively stable water demand from thermal power generation through 2080, “primarily due to a combination of anticipated factors like a projected increase in wind and solar power generation and increased water efficiencies at existing facilities.”⁶ In fact, under the draft plan, water use from thermal electric power plants is only assumed to increase two percent over the 50 year time-horizon.

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. While many of these plants have not begun construction, there are announced plans to build major combined cycle gas plants, particularly in North and West Texas. 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 large industrial water users. We recommend the Legislature direct TCEQ to review water rights held by plants that have retired or reduced their operations and identify where unused or underused water could be made available for other needs. In addition, the Legislature should direct TWDB to make sure that reductions in power sector water use are reflected in state and regional water planning, so that planners have a more accurate picture of where water may be available to meet future needs, including growing demand for industries. At the same time, requiring large computational loads to report information about how they plan to power their facility could be used in the development of the state water plan.

III. Texas should require large water users to conserve water and prioritize non-potable water sources

As Texas improves planning for large industrial water users, we should encourage practices that reduce demand on drinking water supplies and make better use of water that has already been withdrawn:

- Prioritize non-potable water sources. Large industrial water users should use reclaimed water, treated wastewater, highly saline groundwater, and other non-potable sources where feasible, rather than relying on drinking water supplies. The Legislature should also explore the potential use of treated produced water for industrial operations, but only after TCEQ establishes protective standards for its treatment, discharge, and reuse.

⁶ [Draft 2027 State Water Plan, Amendment 1](#), page 11. Texas Water Development Board, 2026.

- Maximize onsite water reuse and recycling. Large industrial facilities should be encouraged to reuse and recycle water before it leaves the facility. This can reduce both the amount of new water a facility needs and the amount of wastewater it generates. The Legislature should direct TCEQ to review whether existing treatment and discharge requirements adequately address wastewater from emerging large industrial users, particularly where it may contain salts, metals, biocides, PFAS, or other constituents of concern.
- Establish statewide water efficiency standards for large industrial facilities. Water use is often embedded in design decisions, including the cooling technology a potential facility would use. 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. This could be important both for industrial users like data centers, but also for thermal steam electric power plants, whose water needs can vary widely depending on cooling technologies.

IV. Texas should ensure public transparency and access to information about water consumption by large users, including data centers

Communities should be informed in a timely manner how much water a proposed large industrial facility is expected to use, where that water will come from, and how the project may affect local water supplies. We recommend the Legislature consider the following:

- Limit the use of non-disclosure agreements (NDAs). This has been a particular concern with data centers, where NDAs have frequently been used to keep information about water consumption and energy demand secret from the public. We're very concerned about this lack of transparency and believe that Texans shouldn't be left in the dark about proposals that could affect their water supplies over 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 large industrial 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 large industrial facilities in Texas, including data centers, existing and under development. The Legislature should require the PUC to develop and maintain a publicly accessible website with information about existing and proposed large industrial facilities 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 would improve transparency, support water and energy planning, and help communities understand how large industrial development may affect their lives

V. Texas should ensure that costs for new infrastructure needed to serve large industrial water users aren't shifted onto existing customers.

Large industrial water users should be responsible for the costs of the new infrastructure needed to serve them, including water supply, wastewater treatment, water distribution, and associated financing costs. We recommend the following:

- The Legislature should direct the PUC to conduct a statewide study for the development of regionally specific guidance on rates for 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. The Sierra Club has been recommending a similar approach on the energy side.

- 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.

VI. 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 facilities should be encouraged to contribute to programs that reduce water and energy use, including weatherization, energy efficiency, water and land conservation programs. We recommend exploring either (or both):

- Requiring data center developers to contribute through a mitigation fee to programs overseen by a state agency such as the SECO, Texas Department of Housing and Community Affairs (TDHCA), TWDB, TPWD and/or PUC in amounts commensurate with the amount of water, energy and land 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.
- As an alternative to a state mitigation fee, data center developers could be encouraged 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.