Reining in Big Tech:

Policy Solutions to Address the Data Center Buildout

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TABLE OF CONTENTS

Key Takeaways

Big Tech is rapidly building out a vast network of data centers to power artificial intelligence—without adequate oversight, transparency, or accountability. Further unchecked expansion threatens to raise consumers' electricity bills even higher, drive more climate-warming emissions, harm local communities, drain water resources, and impact grid stability.

- Electricity prices in some data center-heavy regions have surged over 250% in five years, with estimates predicting data center electricity demand could double—or even triple—by 2028.
- Tech giants like Amazon, Google, and Microsoft are securing massive tax breaks and cutting sweetheart deals to avoid paying their fair share for the buildout—while shifting the financial burden to consumers.
- These same companies are frequently hiding behind non-disclosure agreements to evade public scrutiny, bypass local input, and obscure critical details about energy use, water consumption, and even the identity of the data center operator.
- Over half of the electricity used to power data centers currently comes from coal, oil, and gas, undermining many states' clean energy goals and worsening the climate crisis. The Trump administration's 2025 AI Action Plan doubles down by fast-tracking fossil-powered development and weakening environmental oversight.
- Data center developers often promise local job creation to win political and public support, but those promises rarely hold up.
- While state and local-level policies are essential to rein in Big Tech, there are virtually no federal laws in place governing the data center buildout. Policymakers at all levels of government must act with urgency to confront the harms already unfolding from unregulated data center expansion.

Introduction

Big Tech is rapidly expanding a nationwide network of data centers to power artificial intelligence—fueling corporate profits while leaving the public to shoulder the costs. Built at breakneck speed and with little to no government oversight or public input, this development is unfolding without necessary guardrails to protect the public interest. Further unchecked expansion threatens to drive more climate-warming emissions, harm local communities, and impact grid stability and the cost of living with estimates predicting data center electricity demand could double—or even triple—by 2028.

Big Tech should pay for the buildout. Despite record profits, tech giants like Amazon, Google, and Microsoft are securing massive tax breaks and cutting sweetheart deals with utilities to avoid paying their fair share and shifting the financial burden of the buildout to consumers. Many data center deals are struck behind closed doors, with non-disclosure agreements keeping impacted communities and ratepayers in the dark and denying them any say in ensuring the development will serve the public—not just corporate interests at the expense of everyone else.

Working families across the country are stuck paying more for electricity, and many are being hit with incessant noise, light pollution, and toxic emissions. Residents' electricity costs in some data center-dense areas have surged over 250% in just five years. At PJM—the world's largest power market—capacity auction prices spiked 800% in 2024, in part due to data center growth. That same year, consumers across seven PJM states paid $4.3 billion more in electricity costs to cover data centers' new transmission infrastructure.

A more robust public debate is required to determine whether Big Tech's proposed AI deployment is contrary to the public interest. Instead of addressing the risks, the Trump administration's 2025 AI Action Plan doubles down on unfettered data center growth by bypassing environmental review and fast-tracking permitting, while using dirty energy like coal and gas to fuel the energy demand. This comes at a time when the U.S. needs to dramatically scale back its reliance on fossil fuels and instead deploy clean, renewable energy that is cheaper and quicker to build in most places.

Meanwhile, the AI industry is in the midst of the largest financial speculative bubble in global history, with myriad circular financing deals that suggest the data center buildout hype may implode. OpenAI's founder recently implied the industry could be the

recipient of federal bailouts in the event of a speculative collapse—the same tech tycoon who once declared that "AI will probably, most likely, sort of lead to the end of the world."

We need strong guardrails to prevent data centers from becoming new engines of destruction, worsening the climate crisis, driving up costs for ratepayers, and hitting countless American communities with long-lasting environmental and health harms. This guide outlines actionable steps for policymakers at all levels of government to rein in Big Tech and protect consumers, workers, and the climate from the data center buildout.

State and Local Policy Solutions for Communities and the Climate

Foundational Protections

1. Prohibit, restrict, or temporarily pause new data center development.

The Problem: As detailed throughout this guide, Big Tech often locks local and state officials into restrictive non-disclosure agreements (NDAs) to keep communities in the dark while companies negotiate massive tax breaks and other financial deals behind closed doors. The proliferation of NDAs limits public engagement until projects are all but locked in. Given the breakneck speed of this development, the reliance on dirty fuels like on-site diesel generators, and the mounting harms communities are already experiencing, state and local governments should consider blocking new projects until data center operators commit to full transparency and disclose essential details such as the identify of the operator, expected water usage, noise and light pollution impacts, and how the facility intends to meet its massive electricity demand.

Recommendation:

- **State and local governments should consider placing temporary moratoriums on new data center projects until baseline protections are put in place.** Policymakers should also consider issuing ordinances that ban new data centers or the expansion of existing data centers. (See GA example here and MD example here.)

2. Create baseline requirements for all data centers.

The Problem: Many data center deals advance without any binding protections for consumers and communities. Big Tech is dictating the terms, while regular people face higher electricity bills, health risks from air pollution, threats to property values, and other harms associated with the buildout. Rather than merely give in to Big Tech, state and local policymakers should enact consumer and community protections for all new and existing data centers.

Recommendation:

- **Establish conditional commitments from data centers:** Policymakers should establish baseline criteria prior to considering any data center proposal or request for proposal (RFP), approving a permit, or agreeing to any tax breaks or

other financial incentives (note that we also suggest limiting or repealing tax incentives and requiring Big Tech pay its way in recommendation 6). These criteria should include: banning non-disclosure agreements, ensuring robust and sustained community engagement, requiring minimum operational commitments and decommissioning bonds, implementing strict water conservation measures, procuring renewable energy, and committing to local hiring and high-quality apprenticeship programs that offer good-paying jobs.

The following recommendations build on this framework, offering guidance for states and localities as they negotiate enforceable commitments with data center developers.

Community, Climate, and Consumer Safeguards

3. Enact transparency and accountability standards.

The Problem: To weigh the costs and benefits of data centers and set the ground rules for any potential development, state and local governments should empower the public with the information necessary to oversee and participate meaningfully in the decision-making process. At present, many data center developers operate under a veil of secrecy, hiding even the name of the tech company behind the development, and using non-disclosure agreements (NDAs) to keep the community in the dark, stifling public debate and avoiding accountability. State and local policymakers should reverse this harmful and anti-democratic trend, instead ensuring transparency and accountability around existing and proposed data centers.

Recommendations:

- **Prohibit or strictly limit non-disclosure agreements:** Prohibit non-disclosure agreements (NDAs) from binding any public official in a manner that prevents communities and local governments from knowing who is building facilities or what the impacts will be.

- **Require transparent, online disclosure:** Require states to post the following information publicly for at least 90 days before issuing or responding to an RFP, project application, or permit request:
    - the identity of the developer/operator;
    - any proposed or approved tax incentives or subsidies;
    - expected water and energy use;

- local environmental impacts including from land use conversion and pollution;
- claims regarding short- and long-term job creation, and any supporting evidence from the developer; and
- potential harms like noise and light pollution.

This information should be accessible on a state website or other public channels, with monthly reporting requirements to ensure up-to-date information.

- **Notify and directly engage impacted communities:** In addition to public reporting, government officials must notify impacted communities directly and require that each project include opportunities for meaningful community engagement (see examples of community benefits programs here).

- **Require minimum durational commitments:** Data centers should be required to operate for a minimum number of years at any approved site to prevent companies from abandoning facilities after short-term use. This ensures communities and utilities aren't left with stranded infrastructure costs or environmental damage when tech firms relocate.

- **Require decommissioning bonds.** Data centers should be required to post a decommissioning bond or similar financial assurance to cover the full cost of future site cleanup, infrastructure removal, and environmental remediation. This ensures that local or state governments are not left with stranded assets and forced to pay the cleanup costs if a company shuts down or abandons a data center.

4. Commission an independent study to estimate energy and water demand.

The Problem: Most states are approving data centers before studying the projected impacts to the grid and water resources, even as our grid struggles to keep up with rising energy demand and as climate-driven droughts threaten water supplies in many regions of the U.S.

Recommendation:

- **Commission an independent study on energy and water impacts:** State-commissioned independent studies should estimate both short- and long-term energy demand, water use, operational costs, and required

infrastructure linked to data center growth. Studies should also outline how local decision-making can be integrated into statewide oversight and approval processes. Virginia's statewide study found that data centers could increase the state's energy use 183% by 2024, illustrating why such analyses are essential before allowing new facilities to move forward.

5. Repeal or limit tax incentives.

The Problem: Data centers often seek state and local financial incentives such as tax breaks, grants, loans, or other financial support in exchange for the promise of economic growth and job creation. They rarely deliver on these promises. Data centers create few permanent, high-paying jobs, and generous tax breaks deprive communities of critical revenue needed to fund schools, infrastructure, and other public services.

Recommendation:

- **Repeal or limit financial incentives:** States and localities should avoid offering data centers blanket tax breaks, property tax abatements, millage rate preferences, or other giveaways that enable unchecked growth and shift costs to consumers. Any incentives should be strictly conditional and meet the demands in this guide, such as preventing increases in consumer electricity prices, using 100% clean and cheap renewable energy, paying for water use while implementing strict conservation measures, and hiring locally and investing in workforce development.

6. Require big tech to pay its fair share.

The problem: In regions dominated by data centers—some of which consume as much electricity as entire cities—monthly electricity bills have skyrocketed 267% or more in just five years. Public utility commissions oversee rate approvals, but state and local policymakers must step in to protect consumers from runaway energy costs.

Recommendations:

- **Establish a new rate class where data centers pay full costs of energy needs:** Through state legislation, policymakers should establish a data center "rate class" that charges data centers a rate per kilowatt-hour that is equal to the full cost of procuring the energy needed to serve them—including the costs of new or upgraded grid infrastructure—instead of passing those costs onto ratepayers. (See Oregon example here.) New rate classes can protect households and small

businesses from footing Big Tech's bill, but some proposals, like Dominion Energy's in Virginia, are being criticized as not doing enough to shield ratepayers from rising costs.

    - **Additionally, require data centers to cover the full cost of power infrastructure:** Tech companies should be required to pay the full cost of any new generation, transmission, or distribution infrastructure needed to power a data center. If a data center is unable to pay for these costs upfront, states and utilities should negotiate a rate structure or other scheme that prevents those expenses from being passed on to consumers or causes electricity bills to rise beyond a set percentage year over year.

- **Prohibit any rate classes for data centers that would transfer cost to other consumers:** Through legislation or regulation, utilities should be prohibited from creating any special rate class or power purchase agreement that would push costs onto residential or small business ratepayers.

7. Require clean energy and energy efficiency.

The Problem: Data centers' energy demand is extending the life of polluting, fossil-fuel electricity plants, undermining states' clean energy goals and worsening the climate crisis. As of March 2025, roughly 56% of the electricity used to power data centers comes from fossil fuels, and the Trump administration is actively pushing to revive the coal industry to power the buildout and promote co-location of data centers with gas power plants. To protect public health, avoid deepening our reliance on dirty energy, and hasten the clean energy transition, states and localities must require any data center development or expansion to align with their clean energy, energy efficiency, and climate commitments.

Recommendations:

- **Require data centers to meet energy demand with renewable energy paired with storage:** Data center operators should be required to power their facilities with 100% renewable energy, as seen in other domestic and international examples, paired with on-site or grid-connected storage. States can require or incentivize companies to bring online sufficient clean generation to match their full electricity needs, while contributing to new renewable buildout both on-site and on the grid.

- **Prohibit new fossil fuel infrastructure:** Policymakers should phase out the use of existing on-site fossil backup generators while prohibiting new fossil fuel infrastructure such as gas pipelines, new gas interconnections, and on-site fossil fuel generation.

- **Adopt baseline energy efficiency standards:** States and localities should adopt energy standards for data centers, similar to those outlined in the EU's Energy Efficiency Directive, which requires energy audits, performance standards, and public reporting. Energy efficiency standards could utilize existing frameworks such as through LEED building standards, ENERGY STAR equipment and buildings, or ANSI/ASHRAE Standard 90.4-2022.

8. **Protect grid reliability by requiring load flexibility and authorizing forced curtailment.**

The Problem: Data centers operate around the clock. When the grid is strained during heat waves, cold weather, or other peak demand periods, data center energy demand can threaten grid reliability and drive up costs for consumers.

Recommendation:

- **Require load flexibility and authorize forced curtailment:** Require data centers to reduce or shift their electricity usage during peak demand periods and times of grid stress, and empower state regulators and grid operators to temporarily limit data center electricity consumption during emergencies. To protect household ratepayers, data centers should not be compensated for compliance in either instance.

9. **Conserve water resources.**

The Problem: Data centers require enormous amounts of water for electricity generation, cooling, construction, and ancillary uses. A single large data center can use up to 5 million gallons of water a day—equivalent to a city of 50,000 people. This demand can place immense strain on water systems across the country from the Northeast to Georgia to historically drought-prone states like Arizona and Texas, and can pit corporate operations against current and future community water needs.

Recommendations:

- **Require full transparency regarding water usage:** Require full public disclosure of anticipated and actual water usage. Large tech companies' public disclosures often exclude "secondary" water use—water used in generating the electricity to power their data centers—which results in massive underreporting and can lessen their public ambitions for water efficiency.

- **Require strict water conservation measures:** Measures should include implementing closed-loop cooling or zero-water cooling systems and using renewable energy, which is much less water-intensive than fossil fuel operations.

- **Make Big Tech pay for the water it uses:** Impose an annual fee on data centers for every centum cubic feet or thousand gallons of potable water used in operation.

10. Disclose fossil fuel-enabling contracts.

The Problem: In addition to the direct impacts of the data center buildout, some tech companies use these facilities to power the AI tools sold to fossil fuel companies to expand fossil fuel extraction and production. In U.S. oil fields, AI software and cloud computing are reducing production costs, unlocking previously inaccessible reserves, and tripling output in places like the Permian Basin, while keeping fossil fuels competitive with clean and cheap renewables. These "enabled emissions" are absent from Big Tech's carbon accounting standards and corporate sustainability frameworks, and they risk locking us into decades more climate-warming pollution and delaying the clean energy transition.

Recommendation:

- **Disclose fossil fuel expansion-enabling contracts:** When considering a data center proposal, require the data center operator to disclose whether it is selling AI-driven tools or services to fossil fuel companies for the purpose of expanding fossil fuel production. Require the operator to publicly report this information so communities and policymakers can assess whether the facility aligns with state and local clean energy and climate goals.

11. Require local hiring and workforce development commitments.

The Problem: Data center developers often promise local job creation to win political and public support, but those promises rarely hold up. Construction jobs are only temporary

and often filled by people with prior experience, and data center operations are often staffed with contract positions with few long-term, good-paying opportunities. This incentivizes jobs that lack union protections, benefits, or job security rather than support long-term career opportunities for local residents.

Recommendations:

- **Require high labor standards:** Require data centers adhere to high labor standards, pay workers prevailing wages, and support the right to unionize.

- **Require local hiring:** Require local hiring commitments for construction and operations, including requiring full-time, permanent job creation for each facility.

- **Establish pathway programs:** Require data center operators to invest in local workforce development by establishing apprenticeship and training programs in partnership with local high schools, community colleges, and labor unions. These programs should prepare residents for long-term careers in the digital infrastructure and skilled trades sectors (*i.e.*, electricians, computer technicians, and engineers). Data center operators should commit to hosting quarterly open houses on-premise, inviting students and the community to learn about the data center's operations.

Federal Reforms Needed to Protect the Public Interest

The Problem: State and local-level policies are essential for keeping data centers' climate and community harms in check, but federal action is also urgently needed to hold Big Tech accountable. However, there are virtually no national laws governing data centers and their expansion. Congress has held hearings but only limited bills have been introduced, like Senator Whitehouse and Senator Fetterman's Clean Cloud Act and Representative Obernolte's Liquid Cooling for AI Act. Much more is needed to ensure federal oversight that protects consumers, communities, and the climate.

Recommendations: Congress should enact the following reforms, at a minimum, to help rein in unregulated expansion:

1. **Regulate data centers under federal bulk power market reliability standards.** Designate certain large loads (*i.e.*, data centers) as *Registered Entities* subject to the

North American Electric Reliability Corp (NERC) and the Federal Energy Regulatory Commission (FERC) federal electricity reliability standards.

   a. In March 2025, internal NERC and FERC documents were leaked to a journalist reporting that 30% of the data centers in Virginia's "data center alley" suddenly went offline, nearly triggering catastrophic rolling blackouts close to the nation's capital. This leak forced a NERC official to provide a public presentation to FERC weeks later that confirmed two separate reliability events involving data centers, prompting NERC to recommend that data centers be subject to federal electric reliability standards. Requiring data centers to register with NERC—just as more than 1,400 other large energy users already do—would ensure accountability, improve oversight, and help prevent future threats to grid stability.

2. **Require load flexibility and forced curtailment.** To prevent grid strain and electricity price hikes during peak demand, Congress should direct FERC to require load flexibility programs and forced load (*i.e.*, energy demand) curtailment procedures for data centers, without compensation.

3. **Create new authorities for EIA and FERC related to data center energy use.** Congress should authorize the U.S. Energy Information Administration (EIA) to collect and publish current and projected data center electricity use and energy sources. Other information outlined in the Clean Cloud Act should also be considered. Congress should also authorize FERC to require disclosure when power sellers are affiliated with data centers.

   Additionally, Congress should direct the Environmental Protection Agency to collect and report data center emissions under the Clean Air Act (CAA), including establishing a specific reporting category for data centers. This would enable regulators and communities to assess large-load emissions impacts, improve transparency, and ensure data centers meet CAA requirements—and halt projects that do not.

4. **Codify the November 2024 FERC order.** Codify the November 2024 FERC order that determined shifting existing generation away from the bulk power market to serve a data center is unjust and unreasonable. A politicized FERC controlled by the Trump administration may seek to nullify this order.

5. **Prohibit federal preemption to build data centers.** Congress should restrict any president from using emergency authority to preempt state, county, or municipal laws—including zoning regulations—that govern where and how data centers and related energy facilities can be built. Congress should also disallow a currently politicized FERC from rewriting market rules for Regional Transmission Organizations (RTOs). For example, FERC should be prohibited from issuing blanket 206 orders that would prioritize coal and natural gas generation or place co-location proposals at the front of the queue.

6. **Subject data center computer systems to federal energy efficiency standards.** While Congress has directed sweeping energy efficiency mandates for thousands of household consumer products and automobiles, no such efficiency mandates exist for large microprocessing computer networks featured in data centers or cryptomining facilities.

In addition to these reforms, Congress should pause FERC's proposed rulemaking on interconnecting large loads—including data centers—until FERC works directly with state regulators and consumer advocates to ensure grid reliability and protect ratepayers from rising costs. State regulators are already pushing back against this rushed rule over concerns that increasing connection of data centers to the grid could "impose undue costs on retail customers" and threaten state regulators' ability to promote flexible systems and equitable cost allocation. Before approving new data center connections, FERC should consider fast-tracking connections of clean and cheap renewables that can meet energy demand and lower energy prices for consumers.

Conclusion

Policymakers must act with urgency to confront the harms already unfolding from unregulated data center expansion. By enforcing strict transparency and accountability mechanisms and community protections—alongside the requirement for clean and cheap renewable energy to power this expansion—policymakers can reduce the cost of electricity for consumers, strengthen grid reliability, protect public health, and supercharge the clean energy transition.

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