

Texas directs pause on data center permits

What is known, what remains uncertain, and how project teams can respond now.

On 21 September 2026, Governor Greg Abbott directed the Texas Commission on Environmental Quality (TCEQ) to halt issuance of permits related to data center projects until ERCOT completes its review of the interconnection queue. The language is broad and agency implementation is still developing.

ERM Take: This is more than a temporary permitting interruption. Texas is likely moving toward a more holistic assessment around grid reliability, water stewardship, infrastructure cost, transparent reporting, and community protection. Early field intelligence indicates that how the order is implemented may vary by authorization type and reviewing agency. Clients should avoid assuming that every approval is stopped or that a particular project is exempt without project-specific confirmation. It appears that multiple aspects of work touching data center builds are affected by the order.

Key takeaways

- 1 The direction is broader than the ERCOT queue** The Governor's direction reaches permits "related to" data center development. This may include infrastructure directly supporting a data center, including on-site or behind-the-meter generation, even where a separate entity is the permit applicant.
- 2 Scope is not yet settled in practice** TCEQ has not yet published complete implementation guidance. ERM has received direct indications that some authorizations, such as certain fuel-tank registrations, may continue, while other reviews are being elevated or paused.
- 3 October 19 is a status date, not an end date** The directive requires TCEQ to report on compliance by 19 October 2026. It does not establish when permit approvals will resume. Project schedules should therefore be tested against multiple timing scenarios.
- 4 The near-term issue is uncertainty, not a proven permanent regime** The pause may be temporary, but it creates immediate uncertainty for permitting, financing, procurement, and public commitments. ERM recommends a conservative, fact-based response while agencies clarify scope and process.

Implications for project development

Project Question	What we know	Practical response
Which approvals are affected?	New permits related to data center projects are within the directive. Treatment of amendments, registrations, and applications already in review requires agency confirmation.	Create an authorization-by-authorization exposure register and confirm status directly with the relevant reviewing group. For non-expansion projects (e.g., administrative revision), clearly document that the work is unrelated to data center expansion.
Are on-site or third-party power projects outside scope?	Do not assume so. The wording may reach infrastructure directly supporting a data center, regardless of ownership or ERCOT interconnection status.	Map the purpose, applicant, equipment and dependencies for each authorization. Obtain project-specific regulatory and legal advice.
Can teams keep advancing design and procurement?	Yes, but commitments based on an assumed permitting date may create avoidable risk.	Maintain application readiness while re-baselining procurement, financing, and construction decisions under multiple permitting scenarios.
What evidence will regulators expect?	The Governor's memoranda emphasize grid impacts, infrastructure costs, water supply and reporting, efficiency, setbacks, and community protection.	Reconcile power, water, cooling, phasing, community-impact, and public-facing assumptions across submissions and commercial materials.

What ERM is currently doing for clients affected

Rapid exposure review Map permits, reviewing groups, ERCOT status, water reporting, generation, commercial milestones, and critical dependencies.	Agency-facing permitting strategy Develop focused questions, confirm authorization status and maintain application readiness as implementation evolves.
Integrated information assurance Reconcile power, water, cooling, phasing, community, and public-facing data before submission or disclosure.	Schedule and investment scenarios Test permitting, procurement, financing, and construction pathways without assuming a fixed resumption date.
Stakeholder and community readiness Identify concerns early and develop measurable commitments supported by defensible project data.	Investor and lender support Translate regulatory uncertainty into clear diligence questions, decision gates, and monitoring triggers.

Client priority

Establish what is actually affected, preserve flexibility, and build a consistent evidence base while agency practice develops.

What's next

What we are monitoring and validating for clients as new information comes in

- TCEQ FAQs or implementation guidance
- Treatment of pending applications, amendments, renewals, and registrations
- How TCEQ determines whether infrastructure is related to a data center
- ERCOT and TWDB information requirements and review milestones
- Signals affecting project finance, utility, and supplier decisions

ERM follow-up

ERM will continue engaging technical, permitting, power, water, and stakeholder specialists to test the directive against actual agency practice. We will provide a follow-up update within the next 1-2 weeks, or sooner if material guidance changes the practical implications for projects.

Until then, clients should treat this as a project-specific exposure assessment rather than a one-size-fits-all conclusion.

SOURCES AND IMPORTANT NOTE

Primary sources: Office of the Texas Governor, "Governor Abbott Directs TCEQ To Halt Data Center Permits," 21 September 2026; Governor's letter to TCEQ Executive Director Kelly Keel, 21 September 2026; and "Governor Abbott Directs TWDB To Penalize Data Center Reporting Failures," 14 September 2026. Agency implementation guidance may further define the scope and administration of the pause. This alert provides general information and ERM's perspective, not legal advice. Clients should obtain project-specific legal advice before acting on the directive.



ERM can help you navigate these complexities

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