

Governor Abbott Directs TCEQ to Halt All Data Center Permits Pending ERCOT/TWDB Audits

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KEY POINTS

- Governor Greg Abbott's September 21, 2026, directive orders TCEQ to halt all permits sought by data center projects until ERCOT and TWDB complete their audits, with no fixed end date beyond an October 19, 2026, TCEQ compliance reporting deadline.
- The pause is not limited to ERCOT interconnection-related approvals and may extend to all TCEQ permit applications for data center projects, including those for non-grid-connected or island-mode generation.
- Data centers must satisfy six substantive conditions — including covering electrical infrastructure costs, water conservation, and setback compliance — before the state will allow projects to proceed.
- Abbott's September 14, 2026, TWDB directive requires data centers to report water usage and imposes consequences for noncompliance, coordinated with the ERCOT audit.
- Abbott has stated his intent to work with the Legislature in the next session to eliminate financial incentives currently available to data centers in Texas.

On September 21, 2026, Governor Greg Abbott directed the Texas Commission on Environmental Quality (TCEQ) to suspend action on all permits sought by data center projects until the Electric Reliability Council of Texas (ERCOT) completes its ongoing audit of data centers in the ERCOT interconnection queue. The directive is broad: TCEQ “shall issue no permits sought by data center projects” and must align its permitting decisions with forthcoming audit results from ERCOT and the Texas Water Development Board (TWDB).

KEY DIRECTIVES

- **Blanket TCEQ permit pause:** No state agency, including TCEQ, may move forward with regulatory approvals related to data center development until ERCOT and TWDB complete their audits and that information is available to inform agency decisions.
- **ERCOT/PUCT audit:** The Public Utility Commission of Texas (PUCT) and ERCOT are directed to audit all data centers currently in ERCOT's interconnection process to assess impacts on grid reliability and security.
- **TWDB audit:** Per Abbott's September 14 directive, TWDB must compel data center water-use reporting compliance, impose consequences for past and future noncompliance, and coordinate with ERCOT to gather water-use data as part of the joint audit.
- **Substantive conditions on data centers:** Projects must (1) cover all electrical infrastructure costs, (2) demonstrate that their development results in lower residential electricity bills, (3) complete the ERCOT audit, (4) avoid using water needed by local communities, (5) report electricity and water usage, and (6) comply with setback requirements protecting host communities.
- **Reporting deadline:** TCEQ must report to the Office of the Governor on its compliance with the directive by Monday, October 19, 2026.

- **Legislative follow-up:** Abbott has signaled he will work with the Legislature next session to eliminate financial incentives currently available to data centers.

UNCERTAINTY ARISES

The governor's directive is framed around the ERCOT interconnection audit, but as issued, the pause on TCEQ permits could potentially affect those data centers pursuing "island mode" or non-grid-connected on-site generation (*i.e.*, projects designed specifically to avoid drawing on or interconnecting with the ERCOT grid). Many industry observers initially assumed that the governor's actions relating to data centers (which began with his August 3 directive initiating the ERCOT audit) would not affect island mode data centers.

However, the governor's directive is not limited to interconnection-related approvals — it directs TCEQ to halt all permits sought by data center projects, which could include data centers not otherwise affected by the ERCOT audit. The directive creates uncertainty around the following:

- What is the scope of permits to be paused?
- The governor's order focuses on impacts to the grid; to the extent a data center is not interconnected, and thus not impacting the grid or included in the ERCOT audit, is that data center's permit included in the purview of the governor's order?
- If an air permit is included, will data center "bring your own power" initiatives be included? For example, if a data center permits either primary or backup generation to supply its own power to reduce impacts on the grid, will that permit also be paused?

PRACTICAL IMPLICATIONS

It remains to be seen whether TCEQ will issue clarifying guidance narrowing the pause's scope to exclude non-grid-connected projects, or whether the agency will apply the halt uniformly to all pending and future data center-related permit applications regardless of grid interconnection status.

- **Pending TCEQ applications:** Data center developers and operators with pending air, water, or other TCEQ permit applications — including those for non-grid-connected/island-mode generation — should anticipate delays and should confirm the status of their applications directly with TCEQ.
- **New applications:** Developers should evaluate timing for new permit filings and consider whether project schedules need to be adjusted to account for the pause, which is currently tied to audit completion with no fixed end date other than the October 19, 2026, TCEQ reporting deadline.
- **Agreements:** To the extent possible, parties to data center development agreements should consider the impacts of ERCOT and TCEQ delays and consider building those delays into force majeure provisions or other excused-delay conditions.

For questions about the implications of Abbott's directive on data center permitting, ERCOT interconnection, or environmental compliance, please contact Troutman Pepper Locke's [Energy + Infrastructure](#) or [Data Centers](#) teams.

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