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BUSINESS

Water woes threaten to rain on the Texas economic miracle

A boom in data centers and a growing population is demanding more and more H2O.



By **Javier E. David**
Business Editor

Sep. 7, 2025 | Updated 6:00 a.m. CDT | ⌚ 2 min. read



Jerry Jones touch turns to gold The \$13B Midas Touch: Why

The Trammell Crow Lake at Trinity Park in Dallas, Texas is experiencing drought t of August 01, 2023.

IRWIN THOMPSON / STAFF PHOTOGRAPHER



Water water everywhere, nor any drop to ... power a large state with a growing population, and massive energy needs?

You might recognize the adapted line above, made famous by [Samuel Taylor Coleridge's epic poem, *Rime of the Ancient Mariner*](#). It also aptly describes the natural resource situation in Texas, where two mega trends — artificial intelligence and a wave of inbound migration that's helping to power a high-flying state economy — are beginning to collide.

In the coming days, you'll be reading a lot about natural resources in the pages of *The Dallas Morning News*, and with very good reason. As new people and sectors move in, the underpinnings of Texas' energy-intensive economy are starting to change, as I explain in [this week's cover story](#). However, the AI boom is causing hundreds of new data centers to flourish, and many of those are located in North Texas — which are causing some worries about putting more strain on an already troubled grid.

Rick Pederson, Bow River's vice chairman and chief strategy officer, told me in an interview that Texas' grid reliability is "the number one" issue cited by some of his firm's clients as a risk to Texas' rosy growth scenarios. "And so I worry about ERCOT."

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The Lone Star State is an energy-producing powerhouse, but is prone to harsh weather and demand surges that make it hard to keep the lights on. Along with power, abundant water resources are a key input of power generation, and economic growth. Unfortunately, there's also a dearth of good news on that front.

As our energy and natural resources reporter Lana Ferguson has reported, Texas water supplies are being depleted by overuse, sweltering heat, and decrepit infrastructure that's in dire need of an upgrade.

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The state plans to allocate at least \$1 billion per year from 2027 until 2047 to solve the problem, but it may not be sufficient to keep pace with blossoming data centers, which require lots of energy to process all that information.

“I mean ... if you look at all the data centers coming online, that's going to be massive, like, we're gonna need tons of water for that,” Edward Crawford, co-founder and CEO of Coltala Holdings, told me in an August interview.

“That's not talking about going from 30 million people to 50 million people in the population.”

The obvious solution is for public and private officials to build more water supplies. But as the [battle over the \\$7 billion Marvin Nichols Reservoir](#) demonstrates, big public works are seldom executed in a seamless fashion — and they almost always come with painful sacrifices between growth and the status quo.

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By [Javier E. David](#)

Javier is a veteran financial journalist who has covered markets, Wall Street and the economy for over two decades.

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Susan 1 DAY AGO

Thank you for instigating the conversation of water scarcity, especially due to AI. It is a huge issue that will severely impact Texas as well as many regions across the globe. AI is here to stay, and brilliant minds and leadership worldwide will quickly need to provide solutions. I look forward to reading your upcoming articles about the topic.

REPLY  2

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PETER 1 DAY AGO

I don't know how a data center's going to use much water. They only have about 10 people working in them. It's all racks of GPU's.

REPLY  0

MA

Matthew 1 DAY AGO

"The obvious solution is for public and private officials to build more water supplies."

No. The obvious solution is to stop this AI nonsense and quit building these data centers...

REPLY  4

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