

DCI Annual Report

For executive year 2017/18



Chairman of the board

Jóhann Þór Jónsson, Advania

Other board members

Björn Brynjúlfsson, Borealis Data Center

Dominic Ward, Verne Global

Key issues and need of action highlighted in 2017/18

This past year was marked by an analysis of the competitiveness of the data center industry in Iceland, with two major reports highlighting key issues and challenges for the sector.

The data center industry has been growing at a fast pace in Iceland and if we play our cards right it will play a key role in the transition of the Icelandic economy, in relation to the industrial revolution in the years to come.



In order to highlight the status of the data center industry in Iceland, major effort and resources were directed during the last term to invest in a comprehensive report on the competitiveness of the the industry in comparison to our competing countries. A broad group of companies and other stakeholders joined forces to make this report a reality, marking the need for a comprehensive analysis of the market which had not been done for quite some time.

The report will serve as a fundament supporting the industry's challenge towards the Icelandic government to act swiftly to correct the areas identified as relative weaknesses and to provide guidance on how to act. It is evident, in the view of the board of DCI, that without a clear call for action the industry will gradually loose its competitive edge towards other countries that have reacted by ways of amending legislation, tax reforms and created other incentives to attract data centers and clients and hence benefitted from the increasing global demand for carbon neutral data centers.

The task at hand is to further capitalise on the key points identified in the report and make sure that the data center industry in Iceland can maintain a competitive edge. In order for that to happen, a clear action plan created in close co-operation between the industry stakeholders and the government is needed.

Jóhann Þór Jónsson

Chairman of DCI // Advania Data Centers



DCI (Data Centers Iceland) operates within the Federation of Icelandic Industries (SI) and represents the interests of data centers in Iceland. At the end of 2017 there were eight member companies in DCI. The companies are: Advania Data Centers, Borealis Data Center, Origo, Opin Kerfi, Sensa, Síminn, Verne Global and Sýn. Board meetings with the participation of all members have been held on a regular basis since the last AGM, along with multiple meetings with KPMG and government officials.

Report on the Competitiveness of the Icelandic Data Center Industry

DCI, along with other key stakeholders, issued a request for proposal in August 2017, with the aim of commissioning a consulting company to produce a comprehensive report on the data center industry in Iceland. The goal of the report was to analyse the competitiveness of the data center industry in Iceland and identify areas of strengths and weaknesses. After receiving a few offers, KPMG Iceland was commissioned to write the report. After extensive research, which required input from various stakeholders, including members of DCI, a draft report was delivered to DCI and other key stakeholders in January 2018. The final report, along with a summary report highlighting the key results, was issued by KPMG in March 2018, with a stakeholder meeting on 18 March and a closed meeting with the ministers of Tourism, Industry and Innovation and Transport and Local Government on 22 March. In the meeting with the ministers, DCI highlighted that the government needed to have a clear vision on the future of the data center industry, and that without decisive action, opportunities in the industry would be missed. Key topics of focus in the dialogue with the government are the need of enhancing the competitive landscape for electrical energy, to create a competitive connectivity setup and increase investment in sales and marketing. DCI will continue to follow up on these issues and a meeting is due to take place with the Foreign Minister to highlight the importance of enhancing marketing and promotional efforts abroad, to attract high value clients that can benefit from the green energy in Iceland along with its unique climate conditions for energy intensive data centers.



Ministries report

In August 2017, Þórdís Kolbrún Reykfjörð Gylfadóttir, Minister of Tourism, Industry and Innovation, commissioned a cross ministerial working group to analyse the development and key challenges of the Icelandic data center industry. The working group was led by government officials which produced a report for the minister on 2 March 2018. DCI participated in the consultation phase of the report to ensure that the correct issues would be captured in the final version of the report. The results of the working group were broadly in line with the results of the KPMG report. The working group emphasized the importance of increasing competitiveness on the connectivity side and noted that the current price setup of the electrical energy market was in fact working against the interest of data centers, that the supply of electrical energy was limited and that future plans on the supply side were uncertain. This created challenges for the data center industry. The government is following up on these matters, in consultation with DCI.

Publicity

Members of DCI have had the opportunity to highlight opportunities and challenges of the industry in various media outlets in the last months. The Managing Director of SI has also spoken out about the need of a clear government policy on the electrical energy side. Board members of DCI and other members have been active in speaking publicly on the status of the industry at official forums, through articles and TV interviews which are gradually increasing the public awareness on the importance of the industry.

Focus on actions to foster innovation

SI issued a comprehensive report on the competitiveness of Iceland in March 2018, focusing on education, innovation, infrastructure and the business environment. Improvements in those four fields will lead to an increase in the overall competitiveness of Iceland and future prosperity. SI continues a dialogue with the government on the need of fostering innovation and will appoint representatives in the government's steering committee for an innovation



policy for Iceland. SI has also emphasized the importance of enhancing the articles of the innovation bill, passed in 2016, and will continue doing so with a direct message on what needs to be done to further foster innovation in Iceland. This relates to, for example, tax incentives for investors in startup companies, a rise in the R&D tax return and a tax discount for foreign specialists.