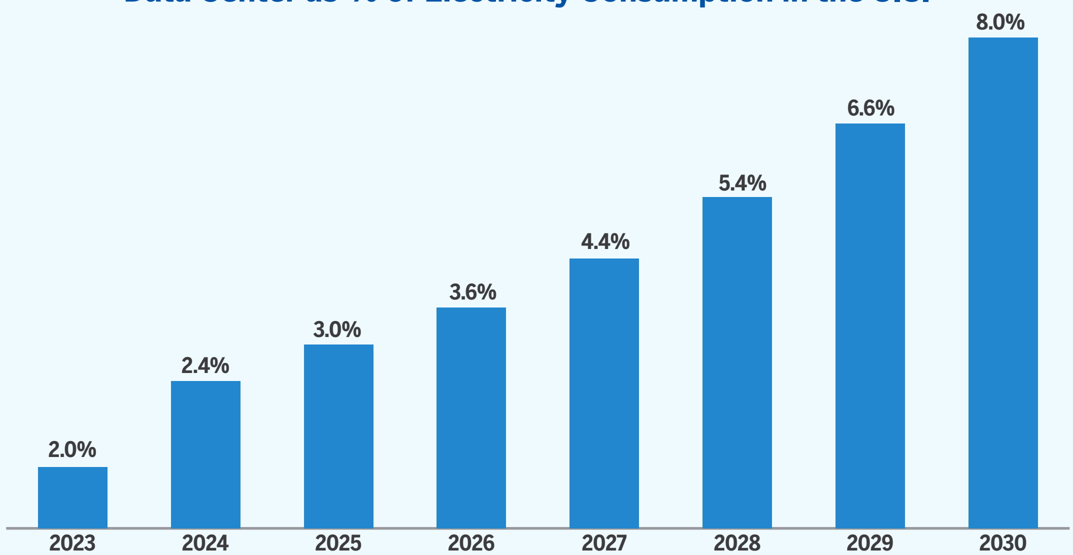
Power Play

As artificial intelligence (AI) continues to advance, investors are closely monitoring companies that facilitate this paradigm-shifting technology. While many focus on large-cap semiconductors and cloud service providers, we believe there may be other opportunities to position portfolios to potentially benefit from the growth in AI.

Data Center as % of Electricity Consumption in the U.S.



Source: Edison Electric Institute and Alger estimates from 2023 through 2030.

- Enterprises running AI programs need data centers equipped with high-performance computing clusters, which are servers interconnected by fast networks, enabling parallel processing that speeds up AI training and inference. Due to the surge in computing requirements for AI, data centers consume a vast amount of electricity for running servers and cooling systems.
- In the chart above, data centers consume approximately 2% of total electricity in the U.S. today. However, given the intensifying demands from AI workloads, we estimate that data centers could potentially consume roughly 8% of total electricity in the U.S. by the end of the decade, posing significant challenges for electric grid operators, in our view.[1] On top of that, we believe the increasing adoption of electric vehicles may also place additional strain on the power grid.
- With an acceleration in demand growth, utility companies may need to significantly upgrade their grid infrastructure to accommodate the rising electricity demands. Therefore, we believe that companies engaged in grid-related equipment and services as well as those engaged in sustainable power generation may be well positioned to potentially benefit from the rising electricity demand from intensifying AI workloads (see also Amped Up).

[1]Estimates are from Edison Electric Institute and Alger.

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