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6 KEY TAKEAWAYS

Navigating the Risk Associated with AI-Fueled CAPEX and Energy Development

Kilpatrick Partner John Pierce and Secretariat's Neil Gaudion recently discussed the topic of **"Navigating the Risk Associated with AI-Fueled CAPEX and Energy Development"** at Kilpatrick's Annual In-House Counsel Summit in Houston.

Mr. Pierce offers the following takeaways from the presentation:

1. AI/Data Center energy demand is the largest increase in energy demand in the US since the advent of the steel and automotive industries.

2. AI/Data Center energy demand, at present, is speed sensitive and price insensitive, with speed being a principal driver in investors and developer minds.

3. While technological improvements are making AI/Data Center energy and water use (for cooling) more efficient, such efficiencies are out paced by energy demand.

4. Beyond the need for more power generation, the existing and planned grid infrastructure is not sufficient to meet industry needs presently and into the future and is having direct consumer impacts on pricing and quality of service.

5. Consequently, behind the fence energy developments tied to AI/Data Centers are becoming more relevant and frequent, with gas-fired generation being easier, faster, and less expensive to develop as opposed to many renewables which have supply chain and procurement issues, as well as permitting and other regulatory problems.

6. Texas and other jurisdictions are benefiting from an inflow of substantial investments in AI/Data Centers and related energy developments.

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