Powering artificial intelligence (AI) in an age of anxiety

Jon Treitel, CFA | Portfolio Strategist, Senior Director, Listed Real Assets
Jeremy Anagnos, CFA | Chief Investment Officer, Listed Infrastructure
Sean Bones, CFA | Senior Analyst, Listed Infrastructure

In a period of uncertainty and elevated inflation, the rapid expansion of generative AI and the data centers that house it has heightened anxiety over the availability of power and rising costs to consumers. We see progress from utilities and local stakeholders as underappreciated, and current solutions to infrastructure deployment as overlooked. As we review today's data center development, we find:

01 Federal policy favorable to data centers, with executive actions focused on permitting and affordability

02 At the state level, a rapidly expanding network of "large load tariffs" protecting residential ratepayers from infrastructure costs that could result from the power demands of new data centers

03 Data center moratoriums limited to less than 70 of the 20,000 municipalities in the U.S.

04 Utilities continuing to sign agreements projecting customer savings and promoting broad community investment.

Taken together, federal support, state tariff frameworks, and utility-hyperscaler partnerships support a generational-level infrastructure buildout. We remain constructive on the utility investment opportunity that data center growth represents.

Federal support

The data center buildout carries backing at the highest levels of the federal government. In July 2025, the U.S. administration signed an executive order directing federal agencies to streamline permitting reviews, provide financial support, and utilize federal land for the development of data centers.

Equally important is the federal government's recognition of the ratepayer concern that often underpins local opposition. In March 2026, the White House brokered a Ratepayer Protection Pledge, calling on leading hyperscalers and AI companies to build or bring the power needed for development and cover the costs of their infrastructure. While both the Federal Energy Regulatory Commission and individual states are coordinating implementation, the pledge signals a federal posture that seeks to align data center growth with broader consumer affordability and solve one of the most common objections to the new large load opportunities that utilities are expecting.

Equally important is the federal government's recognition of the ratepayer concern that often underpins local opposition.

State support through large load tariffs

While the federal government has set the tone, individual states have been using existing regulatory frameworks to facilitate their data center buildouts and protect residential customers.

The primary mechanism has been the "large load tariff," which is a special rate structure designed to ensure that data centers, rather than existing ratepayers, bear the infrastructure and capacity costs associated with development. In 2025, state regulators approved 29 large load tariffs, compared to just 14 approved between 2018 to 2024.[1]

Tariffs vary in specifics but share a common architecture. Most require large customers to commit to minimum contracts of 10 to 20 years, pay for a majority of or all new generation and transmission infrastructure, and post security deposits to protect against stranded costs if a project fails to materialize. The structure serves a dual purpose: it shields existing ratepayers and allows utilities to focus on their highest quality opportunities, excluding more speculative developments that could otherwise inflate their interconnection queues.

Characteristics of large load tariffs include:

Minimum thresholds for deployment

- Example: 25-100MW

Minimum contracts lengths:

- Example: 10-20 years

Additional features

- Termination fees
- Required collateral
- Pre-defined load ramp

Minimum demand charge (capacity payments):

- Example: 10-20 years

1. Smart Electric Power Alliance, Sepapower.org.

Source: CBRE Investment Management as of May 2026. Large load tariff structures based on analysis of listed public utility disclosures. Specific individual tariff structures may differ from these examples.

Local and state opposition

Opposition to data centers is real, driven by consistent concerns across geographies. Rising utility bills and a strain on water and land resources can outrun local planning frameworks. In the past year, 12 states introduced legislation that would temporarily ban data center construction, but these efforts have stalled, and moratoriums remain largely at the municipal level. When considering the extent of the current U.S. active/announced/under-construction pipeline, we estimate only 2% of builds have been withdrawn due to community opposition, siting or other factors.[2]

Local opposition is and will continue to be a factor in data center siting and permitting. But the overall direction of the buildout is not in doubt. Where proper tariff structures are put in place along with early community engagement and customer focused planning, development continues.

Where proper tariff structures are put in place along with early community engagement and customer focused planning, development continues.

Examples of Customer Benefits from Large Load Tariff Structures include:

Entergy

A leading utility with 2.3 million customers in Arkansas, Louisiana and Mississippi, Entergy has estimated that hyperscaler agreements are generating an estimated $7 billion in total savings over the next 20 years for its customers.[3]

NiSource

A utility with a large presence in Indiana, NiSource is signing long-term energy agreements with Amazon and Alphabet projected to generate approximately $1.4 billion in system-wide savings for existing customers. Savings will be as direct credits on monthly bills.[3]

Xcel energy

A Midwestern utility based in Minneapolis, Xcel recently affirmed that a Google data center is expected to provide up to $1.5 billion in customer savings over the length of its contract.[3]

American electric power

A large utility serving 5.6 million customers across 11 states, AEP estimates that large load commitments will total 63 GW by 2030 and can offer up to $16 billion in cost offsets for existing customers.[3]

Recently, Pacific Gas & Electric, a large California utility serving areas including Silicon Valley, found more than 10GW of large load demand and estimated **every 1 GW of new data center load can reduce existing customer monthly electric bills by 1% or more.**

2. Wood Mackenzie, “Newly added U.S. data center capacity slows down considerably in Q4 2025, as market struggles to keep up with explosive demand.” —March 2026.

3. Source: CBRE Investment Management as of May 2026.

Conclusion

Rapid data center development is one of the most consequential economic investments in over a generation. It impacts utilities, existing consumers and broader stakeholders. As we examine the landscape, we see government, regulators and local utilities working to build the tariff frameworks that can ensure consumer protection. We expect data center development to continue advancing at an accelerating pace, driving a sustained wave of utility investment that represents one of the most compelling long-term growth opportunities in the sector's history.

Rapid data center development is one of the most consequential economic investments in over a generation.

DISCLOSURES

All the data contained within this document is as of May 31st, 2026 unless otherwise noted. The material is intended for informational purposes only, does not constitute investment advice or analysis, or a recommendation, or an offer of solicitation, and is not the basis for any contract or other agreement to make any investment, or for CBRE Investment Management to enter into or arrange any type of transaction. Assets under management (AUM) refers to the fair market value of real assets-related investments with respect to which CBRE Investment Management provides, on a global basis, oversight, investment management services and other advice and which generally consist of investments in real assets; equity in funds and joint ventures; securities portfolios; operating companies and real assets-related loans. This AUM is intended principally to reflect the extent of CBRE Investment Management's presence in the global real assets market, and its calculation of AUM may differ from the calculations of other asset managers and from its calculation of regulatory assets under management for purposes of certain regulatory filings.

Past Performance: Any performance data or comments expressed are an indication of past performance. Past performance is not indicative of future results, and no representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided.

Forward-Looking Statements: The contents of this website may contain forward -looking statements that are based on management's beliefs, assumptions, current expectations, estimates, and projections about the real assets industry, the financial industry, the economy, CBRE Investment Management itself or its investments. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what may be expressed or forecasted in such forward- looking statements. Furthermore, CBRE Investment Management undertakes no obligation to update, amend or clarify forward- looking statements, whether as a result of new information, future events or otherwise.

Investments in utilities, infrastructure, and companies supporting AI and data center development are subject to market, regulatory, technological, interest rate, operational, and economic risks. There can be no assurance that anticipated infrastructure development, customer savings, or investment opportunities will be realized.

NEW YORK LIFE Investment Management

For more information
800-624-6782
nylim.com