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Three reasons to invest in power and resources

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Explore the transformational investment opportunity of *Power and resources*, a key driver of future equity markets and technological advancements.

CIO believes there are three transformational innovation opportunities (TRIOs) that will drive equity markets in the coming decade: *Artificial intelligence*, *Power and resources*, and *Longevity*.

The *Power and resources* TRIO focuses on opportunities related to power infrastructure and industrial technology—parts of the value chain that are essential for the energy transition, development of AI, and expansion of energy infrastructure to support rising electricity demand.

With a focus on electrification, we expect this theme to generate long-term investment returns for three main reasons:

Electrification requires major investment across the value chain: CIO estimates the electrification of the global economy will require around USD 3 trillion in annual investments by 2030. This surge is primarily due to increasing electricity demand from sectors such as artificial intelligence (AI) data centers, electric vehicles (EVs), and the electrification of heating and industrial processes. Demand for electricity is projected to grow at an annual rate of 3.4% from 2024 to 2026, according to the International Energy Agency (IEA), significantly outpacing the overall energy demand growth of 1.4% per year observed over the past decade.

Data centers are integral to AI—but will require infrastructure: The rapid growth of AI and cloud computing is leading to a significant increase in data centers, which are substantial consumers of electricity. In the United States, data centers accounted for 4% of total electricity consumption in 2023, with projections indicating this figure could rise to

9% by 2030 (according to the Electric Power Research Institute). Major tech companies are expected to invest over USD 250 billion in capital expenditures (capex) in expanding data center capacity by 2025, with leading firms anticipating a year-over-year growth rate exceeding 45%. This growth will necessitate considerable investments in transmission and distribution equipment, as well as cooling technologies to maintain the low-humidity temperature required for optimal chip operation.

Electrification depends heavily on critical raw materials, where demand is set to rise: The demand for essential materials such as copper, lithium, and aluminum is set to rise thanks to electrification and energy transition demands. The IEA anticipates that global demand for certain metals could increase nearly tenfold by 2050. For example, demand for copper alone could rise by an additional 100,000 metric tons annually due to the expansion of data centers. Supply bottlenecks and geopolitical factors may limit metals' availability, putting upward pressure on prices.

So, we believe investors should focus on sectors that are integral to the electrification value chain, such as companies involved in the production of electrical equipment and grid infrastructure. Additionally, investing in firms that are expanding data center capabilities and those developing advanced cooling technologies will be crucial. Finally, targeting companies engaged in the extraction and processing of critical raw materials, like copper and lithium, can position investors to benefit from growing demand driven by global electrification and technological advancements.

For more details, please see *Themes: Power and resources* (18 November, 2024).

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