The convergence of digital and clean power infrastructure

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> "The cost of intelligence should eventually converge to near the cost of electricity..."

The Gentle Singularity, Sam Altman, 2025

Executive summary

- Digital and clean power infrastructure are both expanding rapidly, driven by artificial intelligence (AI) adoption, cloud computing, and electrification. We believe these trends can create structural growth opportunities for investors and are accelerating convergence between these asset classes, viewed through both physical and financial lenses.
- Physical convergence involves matching data centre demand with hourly-matched power purchase agreements (PPAs) from battery-hybridised renewable sources.
- Rising energy use in data centres challenges decarbonisation goals. Clean power assets can help reconcile environmental impact, especially in Europe where low-carbon penetration is higher than in the US.
- Transmission constraints are slowing growth for both asset classes, pushing data centre development into secondary markets with lower power costs, higher renewable penetration, and strong fibre connectivity.
- Supply chains for critical components remain concentrated in Eastern Asia, exposing assets to geopolitical risk.
- AI's growing power requirements are becoming a joint demand driver. While efficiency gains in AI training and inference currently outweigh power price differences, power price sensitivity could increase as AI technology matures.
- In the short term, digital and clean power assets may offer diversification[1]: data centres could benefit from rising cloud and AI demand, while renewables gain from higher power prices. Over the longer term, we believe power price and volatility may become central drivers of portfolio returns as institutional exposure grows[2].
- Asset owners may wish to monitor concentration risk where data centres and clean power assets are functionally linked but invested separately.
- Investing across the value chain, from data centres and fibre to solar and battery storage, offers exposure to two interconnected themes. Success demands energy and tech expertise, making partnerships with managers skilled in both essential for navigating complexity and creating long-term value.

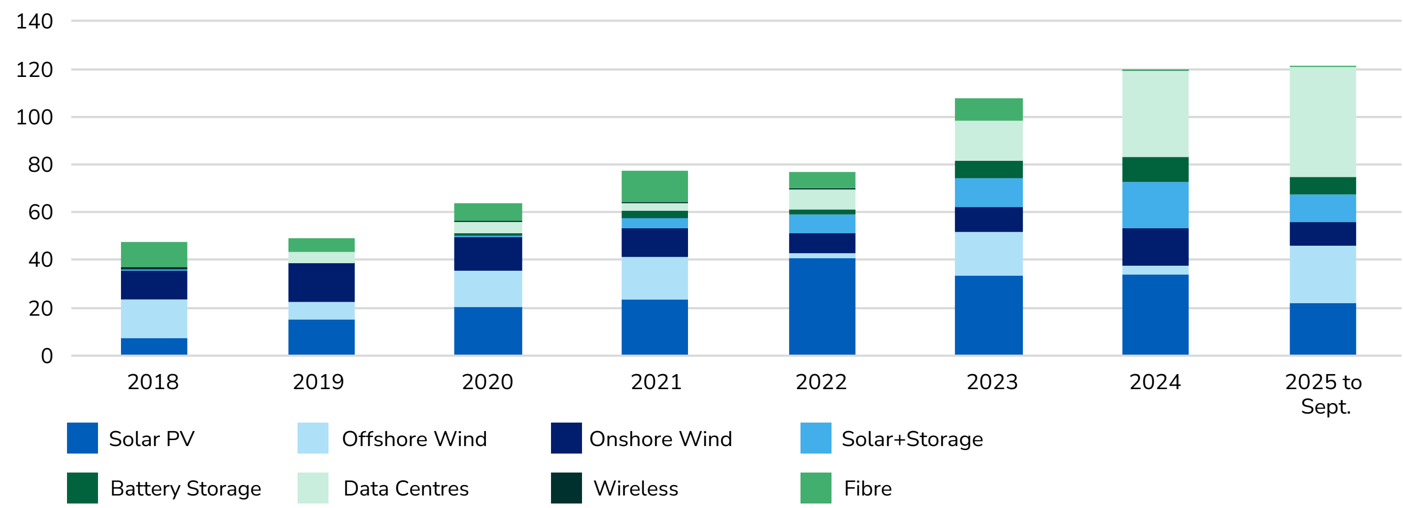
1. **It should be noted that diversification is no guarantee against a loss in a declining market.**
2. Assumptions, opinions, and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

Introduction

Digitalisation and decarbonisation are reshaping the global economy, fuelling demand for digital and clean power infrastructure. Independently, these assets aim to offer compelling prospects: rising cloud computing and AI adoption are boosting data centre power needs, while overall clean energy demand is rising due to the increased presence of data centres, electric vehicles (EVs), and wider electrification.

Through a physical and financial lens, this paper explores how these asset classes are converging both physically and financially. **Physical convergence** considers asset capabilities, constraints, and supply chain overlaps. **Financial convergence**, on the other hand, examines how shared drivers influence investment returns. While we'll approach this from an equity perspective, a number of considerations would apply across both debt and equity. As the investible universe expands and exposure rises, we believe understanding this convergence becomes increasingly critical.

Digital & Clean Power Greenfield Transaction Volumes, N.Am. And Europe, USD Bn



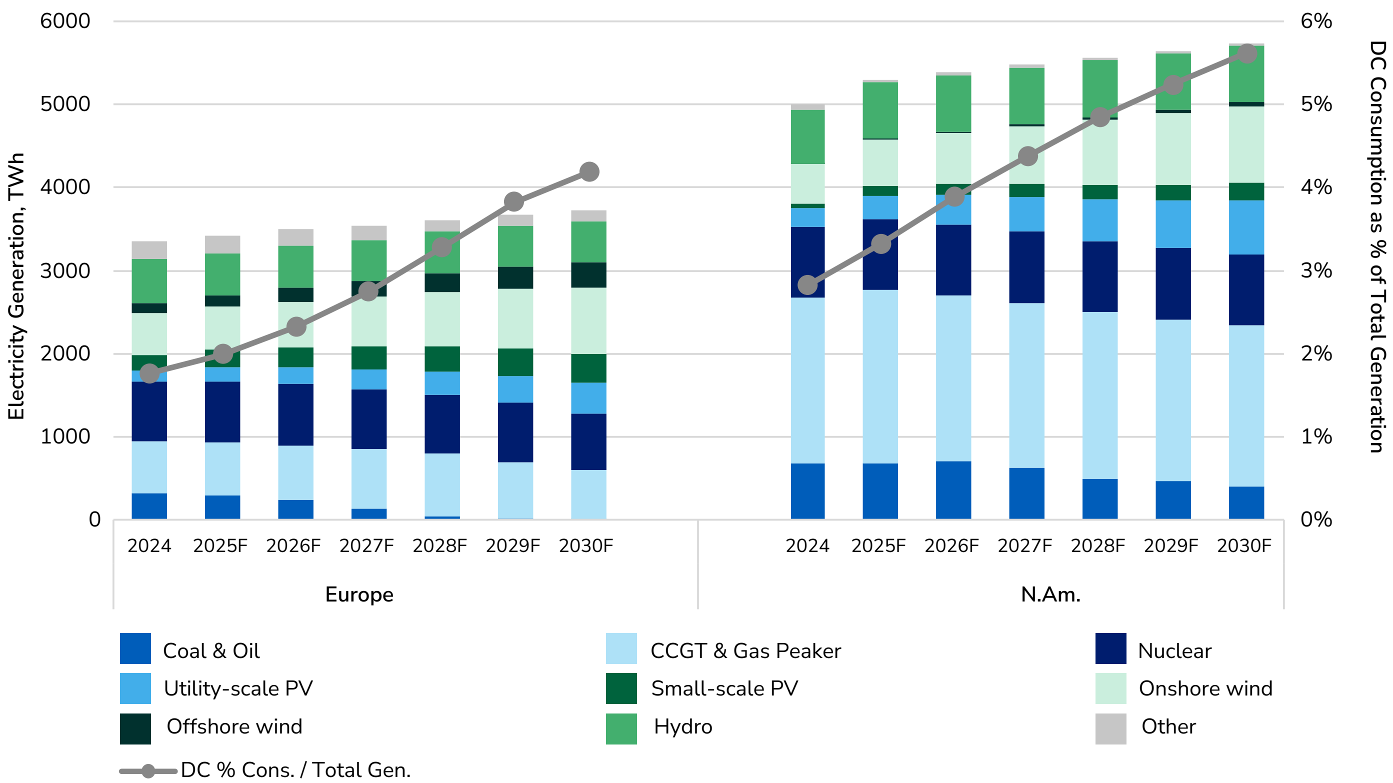
Source: Infralogic, L&G, September 2025

Physical convergence

According to BNEF forecasts to 2030[3], gas-fired plants may primarily meet rising data centre demands through new builds and delayed retirements. In our view, clean power is set to become increasingly important and play a larger role later[4]. While the US is expected to rely more on gas, Europe leans towards low-carbon sources.

Hyperscalers – large-scale computing providers – are procuring power purchase agreements (PPAs)[5] to match energy use with clean power generation, driven by their ambitious sustainability targets. However, data centres' requirement of firm power does not entirely align with clean power's intermittent profile.

Electricity Generation and Data Centre Consumption



Source: BloombergNEF, L&G, 2025.[6]

3. **Assumptions, opinions, and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts will come to pass.**
4. New Energy Outlook, BNEF, April 2025
5. A Power Purchase Agreement (PPA) is a contract in which a buyer agrees to purchase electricity directly from a producer at a predetermined price over a set period.
6. Note: estimations made while US administrative actions on renewables uncertain.

While nuclear power is firm and low-carbon, long lead times and limited options to restart retired plants constrain short-term viability.[2] Similarly, small modular reactors are not a near-term solution, in our view. Some data centres are turning to onsite, behind-the-meter generation, but these bring challenges: gas turbines face pressured supply chains, capex and complexity rises, reliability and redundancy are lower without a grid connection, and decarbonisation pathways are less clear.

The role of clean power assets

Despite challenges, clean energy is playing a role. Utility-scale solar and data centre construction timelines align well.[4] Resource-rich regions favoured by renewables, however, are far from primary data centre markets, reducing opportunities for co-locating assets. Furthermore, constrained grids limit adding new capacity and offtake.

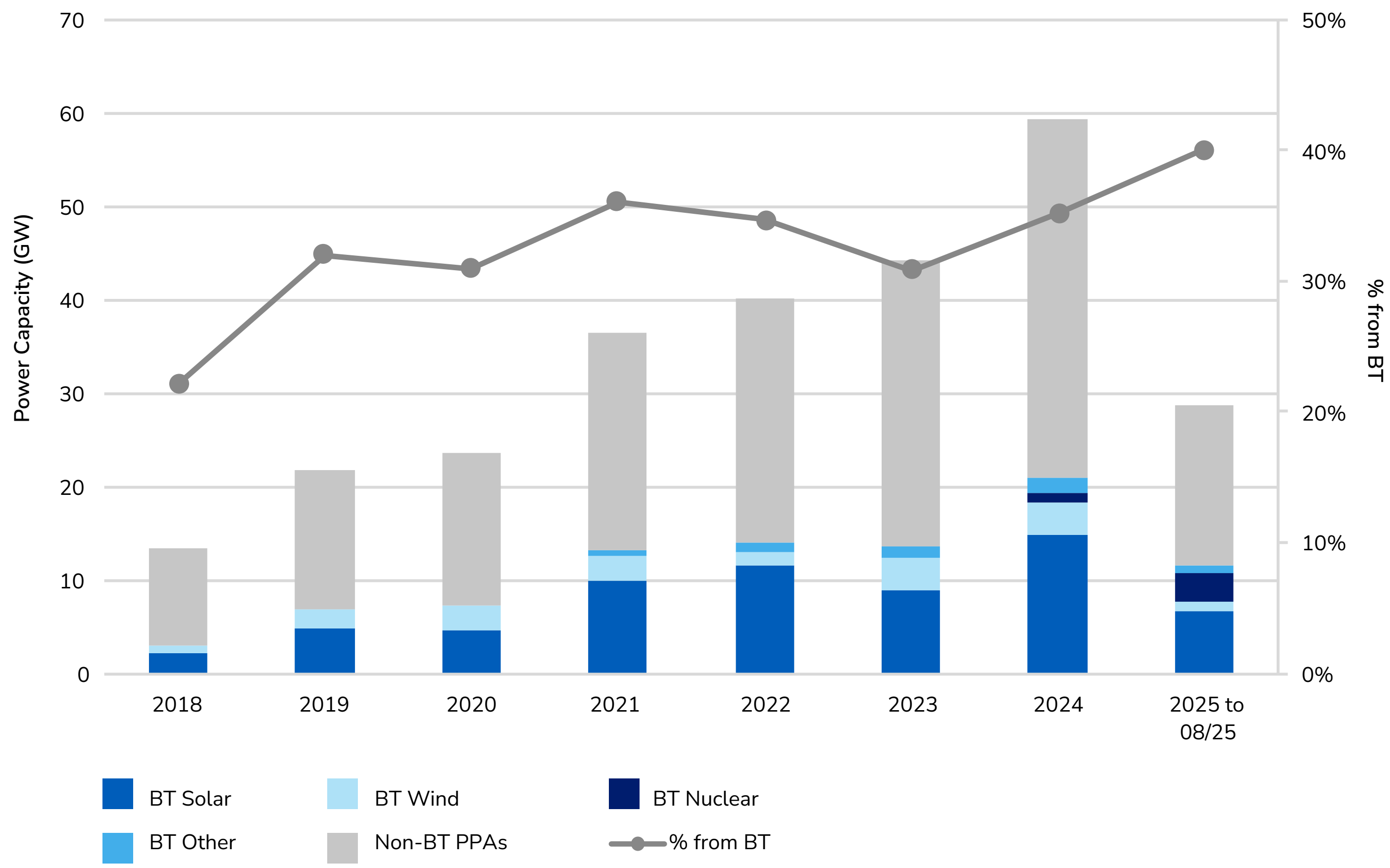
Hyperscalers may self-build in these renewables-rich regions. However, these are often typically more remote locations, meaning there may, in our view, be a higher risk for data centre investors due to more uncertain residual value. On the other hand, we believe areas where strong connectivity, growing data centre clusters, and clean power coincide, such as Nordic regions, present emerging opportunities.

Rising PPA volumes from hyperscalers and data centre operators suggests that renewables development is increasingly supported by offtakers of high credit quality. Unlike physical PPAs, where buyers receive electricity from renewables through the grid, virtual PPAs don't require generation and consumption to physically coincide. Therefore, data centres with virtual PPAs may still rely on fossil-based power even as renewables scale up.

The trend of rising volumes from a small number of counterparties, even with high credit quality, likely results in rising counterparty concentration risk. Therefore, investors should, in our view, keep offtaker diversification in mind when seeking PPA contracts.

We've seen hyperscalers enhancing sustainability objectives by adopting hourly-matched PPAs. Battery storage helps align renewables' intermittent supply profile with data centre demand, and wind's supply profile may, in some cases, offer a closer match[7]. Therefore, physical convergence leads to matching data centres with both virtual and physical, hourly-matched PPAs of battery-hybridised solar and wind renewables. This supports demand for clean power assets even if they do not directly power data centres.

Big Tech (BT) PPA Volumes



Sources: BloombergNEF, L&G, September 2025.[8]

It should be noted that diversification is no guarantee against a loss in a declining market.

7. Energy and AI, IEA, April 2025
8. Note: BT Other includes Geothermal and Co-located (Renewables + Storage) Assets

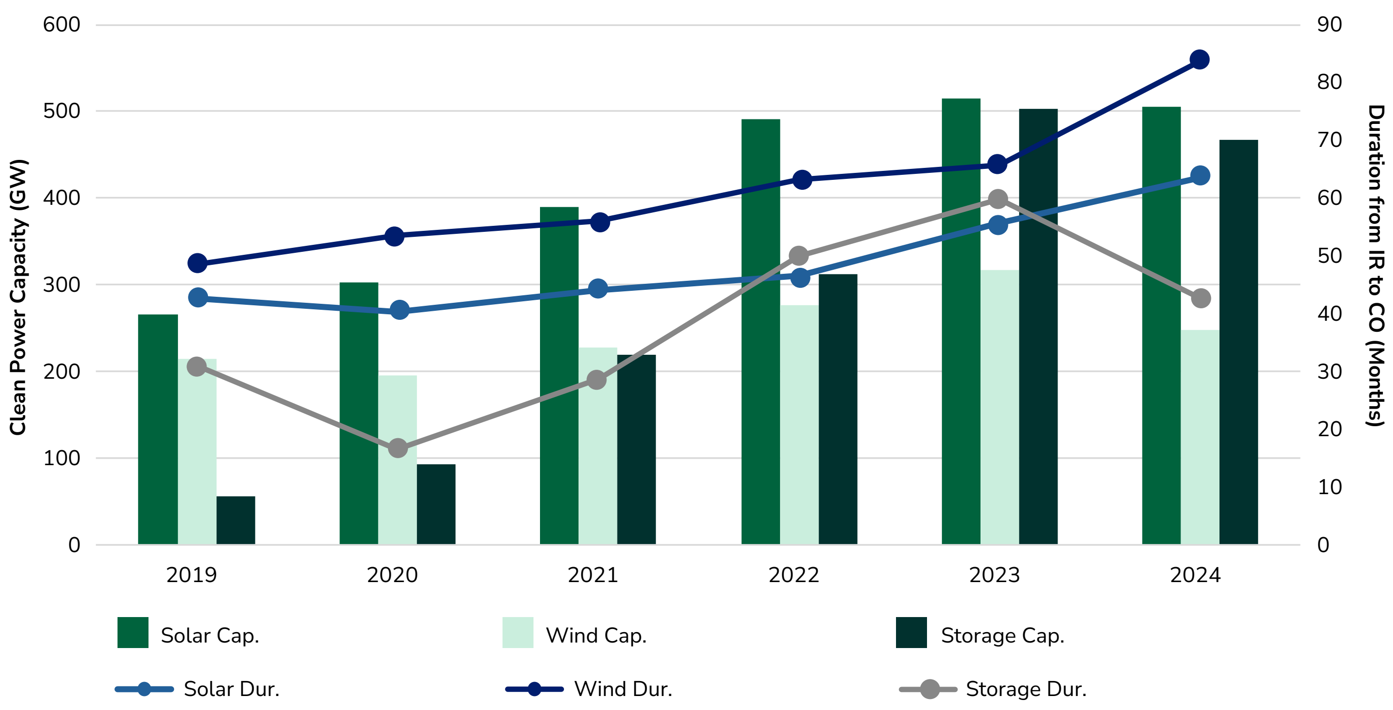
Grid constraints challenge digital and clean power infrastructure

Although utility-scale solar and data centre build times align (~3-years), both depend on grid connections, which are increasingly constrained. Transmission capacity – the ability to move power from supply sites to consumers – may be insufficient to support extra generation or demand.

With adequate capacity, minor upgrades such as ~three-year substation developments can be constructed alongside data centres or renewables.[9,10] However, in the US and Europe, challenges occur when extra transmission capacity is needed to alleviate constraints as construction can take ~10 years[11,12]. These constraints are leading to negative power pricing despite rising data centre demand. Here, we view grid capacity as the bottleneck to convergence.

US grid constraints are evident: interconnection timelines are rising for new clean power projects while request volumes rise and a new transmission line development is slowing.[13,14] Interconnection requests requiring major transmission upgrades often withdraw, with an 80% withdrawal rate indicating significant constraints.[15] There are similar challenges in Europe. The UK is reforming its interconnection queue after requests grew excessively[16], and Germany has seen a significant increase in battery storage requests.[17]

US Interconnection Queue Capacity (Cap.) and Duration (Dur.) from Interconnection Request (IR) to Commercial Operations (CO)



Source: Lawrence Berkley National Lab, L&G, 2025.[18]

While data centre demand exceeds constrained supply, securing power and leasing compute capacity enables investment returns. Primary market constraints are pushing developers to secondary locations and motivating faster power solutions, such as pairing data centres with existing grid-connected power sources (raising residual value risk as in more remote locations, in our view) or deploying on-site, behind-the-metre generation while awaiting grid connections (adding cost and complexity).

An emerging strategy is to develop data centres with onsite battery storage, which could dampen grid impacts and support earlier commissioning when matched with adequate power generation and grid firming to ensure reliability.[19,20] Such storage is effective for short-term balancing, but its discharge duration is typically limited to hours, reducing suitability for extended backup to support redundancy or long-duration energy shifting. In all strategies, investors should, in our view, assess whether the added costs can be balanced by customers paying a premium for earlier access to compute capacity.

9. John Paul Construction, 110-20kV Data Centre Substation, accessed October 2025; National Grid, Uxbridge Moor substation, accessed October 2025
Assumptions, opinions, and estimates are provided for illustrative purposes only. There is no guarantee that any forecast will come to pass.
10. Green Street, Property Insights: Wattage Woes, November 2024
11. IEA, Average lead times to build new electricity grid assets in Europe and the United States, 2010-2021, January 2023
12. Elevate Energy Consulting, Practical Guidance and Considerations for Large Load Interconnections, March 2025
13. Lawrence Berkeley National Lab, Queued Up: 2024 Edition, April 2024
14. Grid Strategies, Fewer new miles: Strategic industries held back by slow pace of transmission, July 2025
15. Grid connection barriers to renewable energy deployment in the United States, Lawrence Berkeley National Laboratory, 3rdRail Inc., Exeter Associates, February 2025
16. S&P Global, UK cuts grid queue by 64%, slashes wait times to boost renewables, April 2025
17. PV Magazine, Germany battery storage grid-connection requests exceed 500 GW, September 2025
18. Note: Wind includes onshore & offshore. Queue capacity is how much power is in the queue to interconnect.
19. Schneider Electric, Navigating Data Center Energy Constraints: Considerations for On-Site Prime Power, October 2025
20. Aligned Data Centers, Aligned and Calibrant to Deploy First-of-its-Kind On-Site Battery Storage Project to Unlock Utility Power for Data Centers, October 2025

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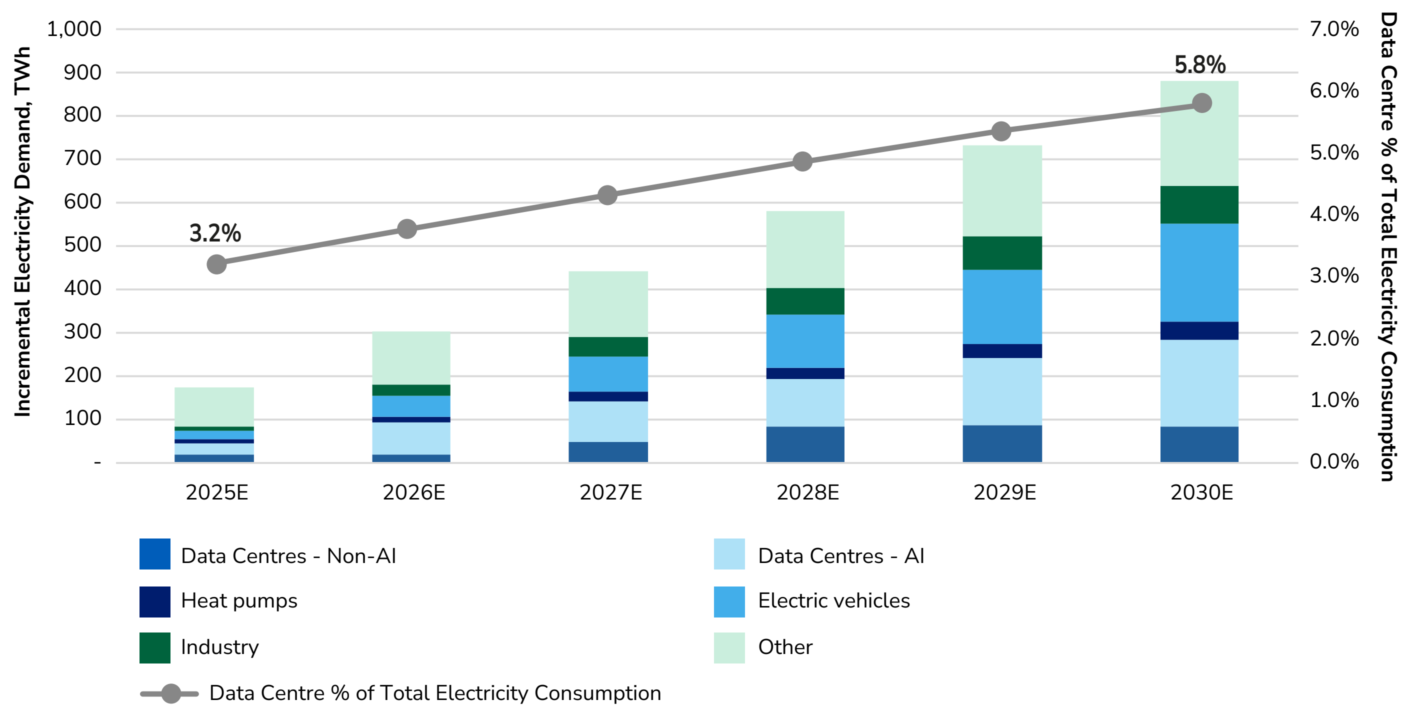
AI becomes a more central growth driver

Data centres are among several growth drivers demanding clean power. They are forecast to account for ~30% of incremental demand to 2030 (AI ~20%, non-AI ~10%)[21]. Therefore, AI proliferation serves as a shared driver. While data centres rely more on AI for demand growth, broader electrification is expected to underpin clean power demand even without AI.

Select drivers of future electricity demand growth, N.Am. & Europe, Net change from 2024



Sources: BNEF, IEA, L&G, 2025.

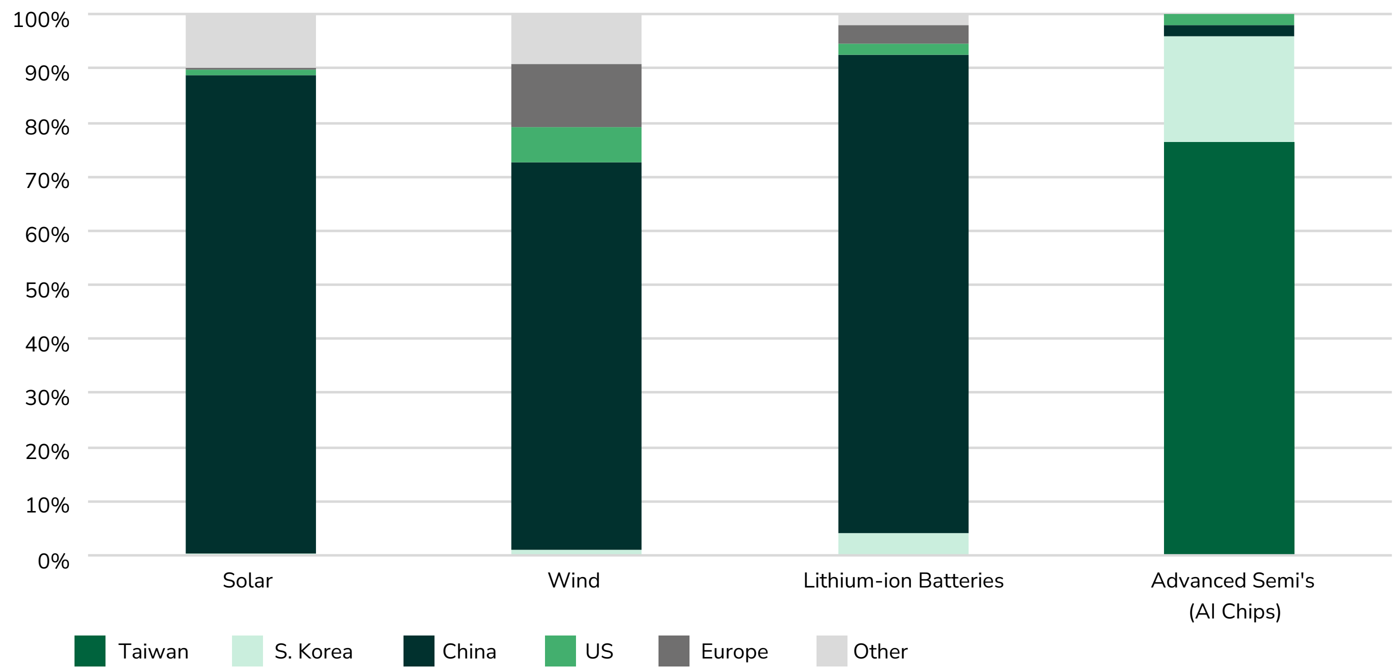
21. **Assumptions, opinions, and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts will come to pass.**

The supply chain sees physical convergence

Manufacturing of data centre and clean power components remains concentrated in Eastern Asia, with China expected to dominate clean asset production over the medium term.[22] Taiwan and South Korea are likely to remain critical hubs for advanced semiconductors.

With supply chains centred in East Asia, Western economies face increased economic and geopolitical vulnerability, and Western self-sufficiency efforts cannot yet fully offset these risks. Therefore, we believe risks from geopolitical escalations remain undiversifiable. Rapid technological change also creates risk, as newer AI chips and battery advances may accelerate asset obsolescence, highlighting the need to invest in adaptable infrastructure.

Clean Tech and Semiconductor Manufacturing, % by Region, 2024



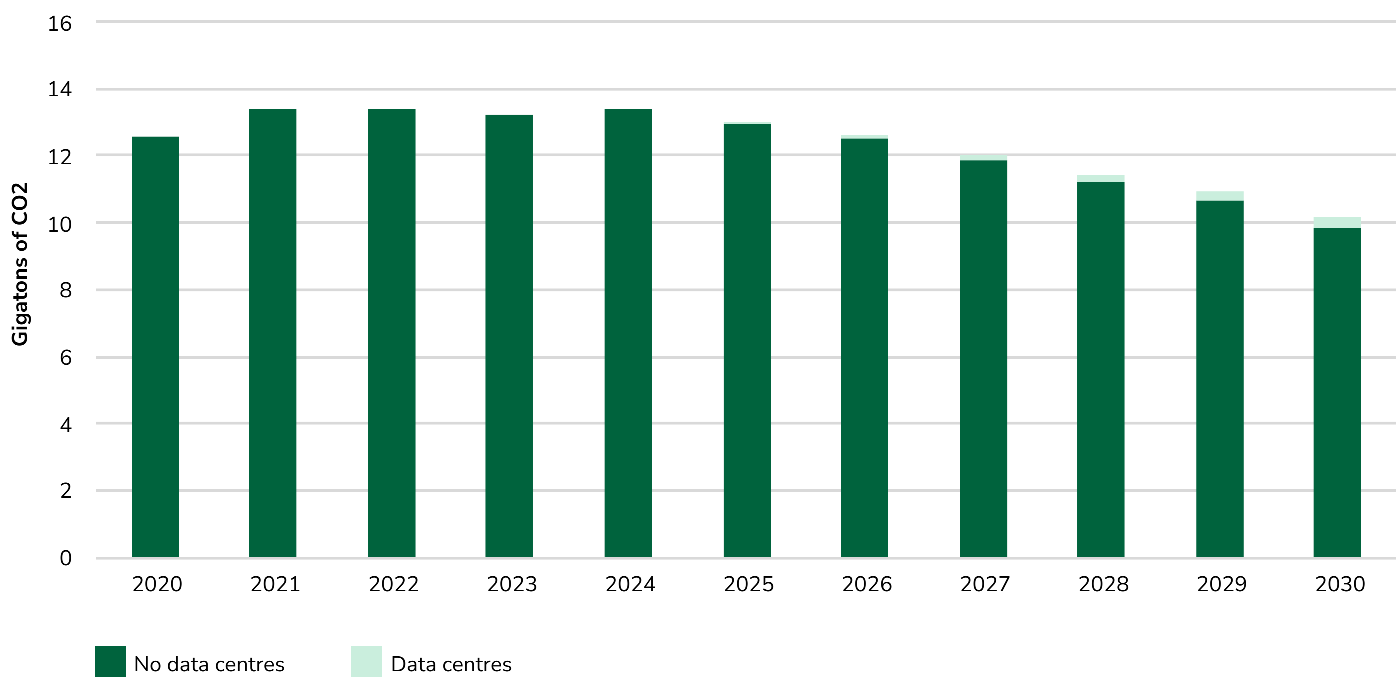
Sources: BNEF April 2025, Kearney & SEMI, L&G, 2025.

22. Relocating Clean-Tech Manufacturing Is a Tall Order, BloombergNEF, June 2025

Clean power assets help investors reconcile data centre exposure

While storing computer servers in data centres is more energy-efficient than in offices, integrating data centres with grids reliant on gas and intermittent renewables presents a challenge. Fossil-based power would, at least in part, support meeting rising demand when renewables cannot supply enough power, undermining environmental goals.

Global Power Sector CO2 Emissions



Source: BloombergNEF, 2025.[23]

23. BNEF New Energy Outlook. Note: 'No data centres' includes business-as-usual growth in energy demand from data centres.
Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecast will come to pass.

Financial convergence

As we digitalise and decarbonise, we see digital and clean power infrastructure exposure rising in institutional portfolios. To understand their financial convergence, we consider joint return drivers in the illustrative table below.

Driver	Data Centres	Wind/Solar	Battery Storage
Real interest rates	–	–	–
Inflation	0	0	0
Data centre demand growth	+	+	+
Wider power demand growth	0	+	+
Rising average power price	–	+	0
Power price volatility	–	0	+

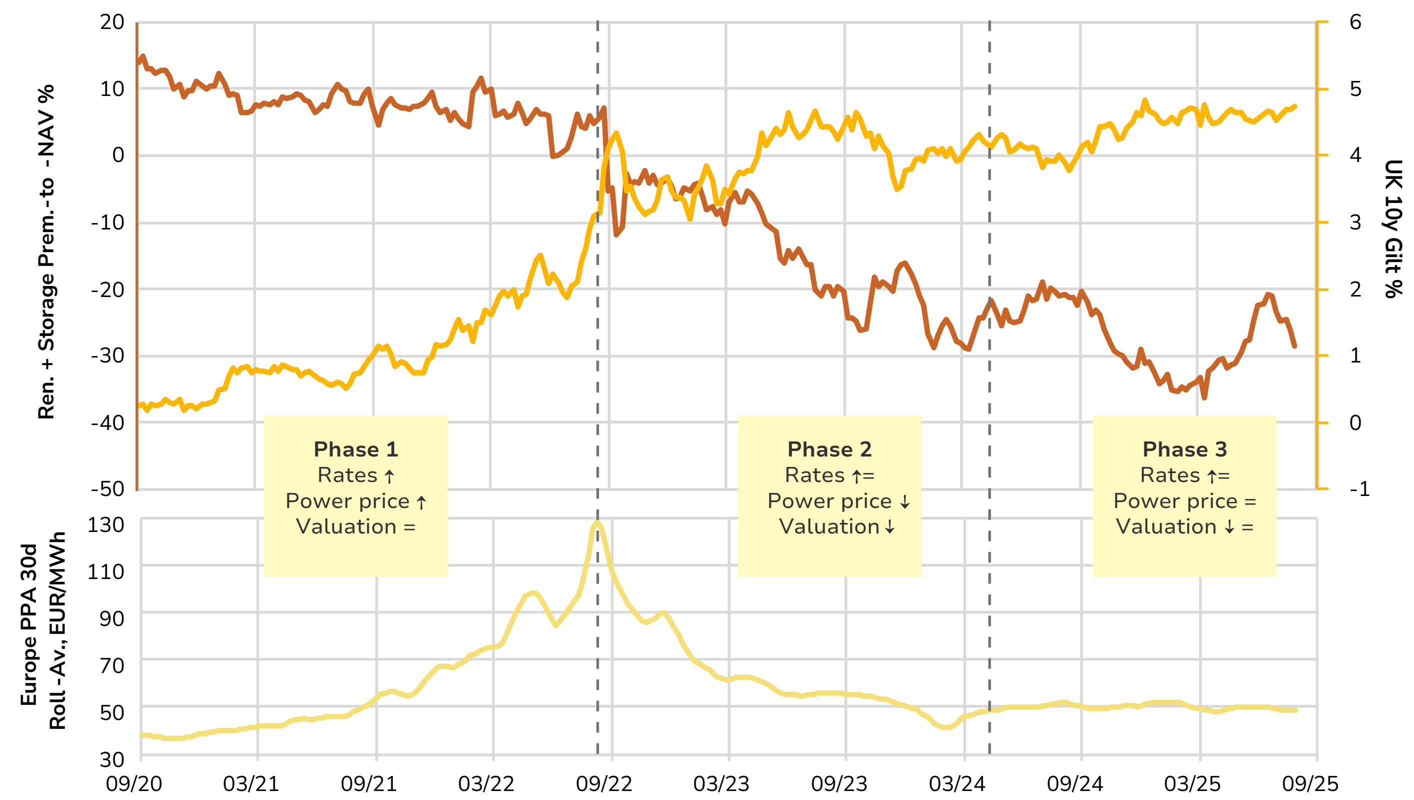
Notes: illustrative; –/0/+ reflects direction of correlation[24]. Source: L&G, 2025

Macroeconomic effects can be offset by structural drivers

Our research suggests that asset valuations across digital and clean power infrastructure correlate negatively with risk-free rates. This can, however, be offset by structural drivers including rising power prices for clean power and generative AI for data centres.[25]

We see European renewables evolving through three phases. In the past, rising power prices supported public market valuations by raising cashflows despite rising interest rates. Subsequently, falling power prices and further rate hikes have led to valuation discounts. Today, although power prices have stabilised, ongoing high interest rates continue to weigh on short-term listed valuations. The discount-to-NAV suggests that private markets take a steadier long-term view, evidenced with increased take-private activity.

Listed Renewable & Storage Infrastructure Fund NAV Premiums, Power Prices, and Risk-free Rates

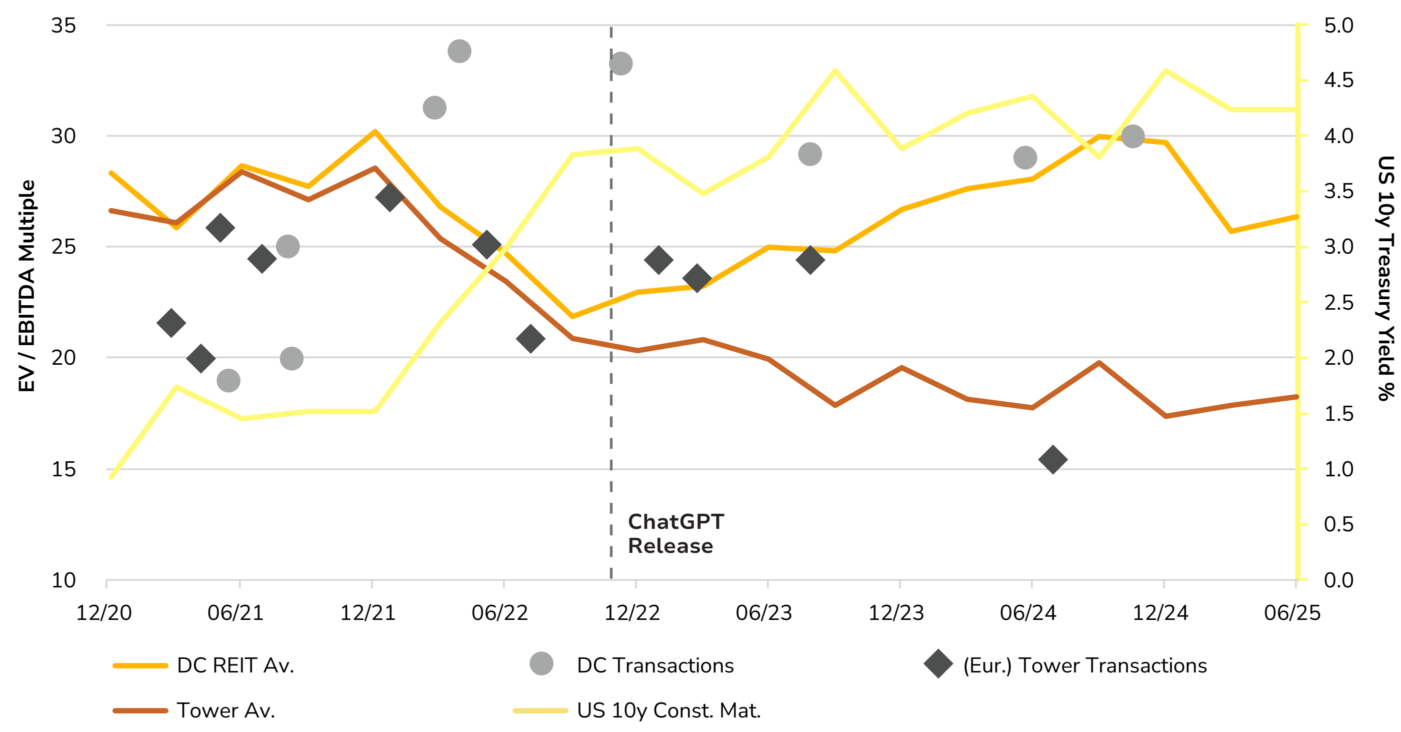


Source: JPM Research, L&G, 2025

24. Note: + is a positive correlation, 0 is a neutral/mixed correlation, – is a negative correlation, signs reflect an increase in each driver.
25. **Past performance is not a guide to the future. Assumptions, opinions, and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.**

Before ChatGPT's release, rising interest rates led to falling EBITDA multiple valuations in digital infrastructure. Data centre REITs rebounded following ChatGPT's release and are now more responsive to AI trends[26], while private multiples remain elevated and steady. In contrast, AI is yet to meaningfully support towers and fibre. Listed towers have fallen with higher rates and private M&A has slowed, while fibre operators face valuation pressures from high investment, slow uptake, overbuild, and increased financing costs, driving consolidation.

Digital Infra EV/EBITDA Multiples



Source: Infralogic, Bloomberg, L&G, September 2025.[27]

Digital and clean power assets only offer inflation-linked revenues in select cases. Leases in data centres, towers, and fibre may include fixed or inflation-linked escalators. For renewables, increasing power prices contributed towards rising inflation in 2022-23 while supporting returns, creating challenges in disentangling drivers. However, sensitivity analyses show that inflation boosts NAVs for solar, wind, and battery assets where revenues are inflation-linked, such as through government schemes.[28]

In recent years, European government auctions have reintroduced inflation indexation, either fully or partially, in response to supply chain cost pressures, making new projects more resilient to inflation. In contrast, commercial PPAs only sometimes include inflation protection, while wholesale markets typically do not provide inflation protection as prices are driven more by supply-demand dynamics.

Power price and volatility become a more central driver of returns

As portfolio exposure to digital and renewable infrastructure grows, power prices become an increasingly central driver of returns, in our view.

Data centre tenants pay two costs: renting access to powered space and electricity costs. Retail, 'all-in' leases can combine these into a single fee that assumes a fixed power price, exposing data centre operators to power price volatility risks.[29]

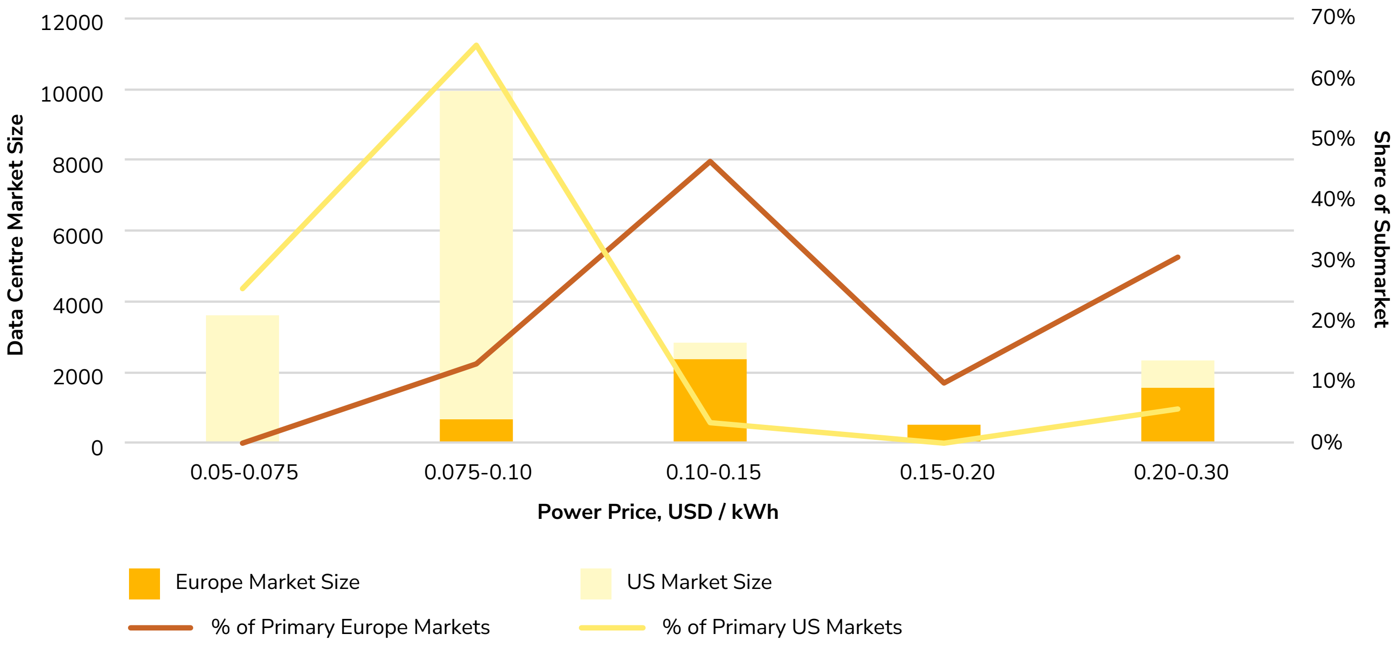
Pass-through leases common in hyperscale contracts separate rent and power costs, passing power price risk to tenants. We anticipate more hyperscale leases as AI demands increase, raising risk to tenants and reducing data centre exposure in aggregate. However, as power prices fall, so do total leasing costs, which can stimulate further demand.

Geopolitical escalations can increase power prices, particularly in Europe, underscoring the value of fixing power price through physical PPAs to stabilise costs for data centre operators and tenants.

Overall, we believe lower power prices benefit data centres and so influence market selection. This is more evident for primary markets in the US than in Europe. However, we see no clear relationship between expected IRR[30] and power prices in primary markets, highlighting that power price is just one of several potential return drivers.

26. **Past performance is not a guide to the future.**
27. **Past performance is not a guide to the future.**
28. Listed Renewable Infrastructure Fund Company Reports, accessed September 2025
29. Sungard UK goes into administration, blames it on energy crisis, DCD, March 2022
30. Green Street, Data Center Sector Update: Putting Your Money Where Your Mouth Is, August 2025

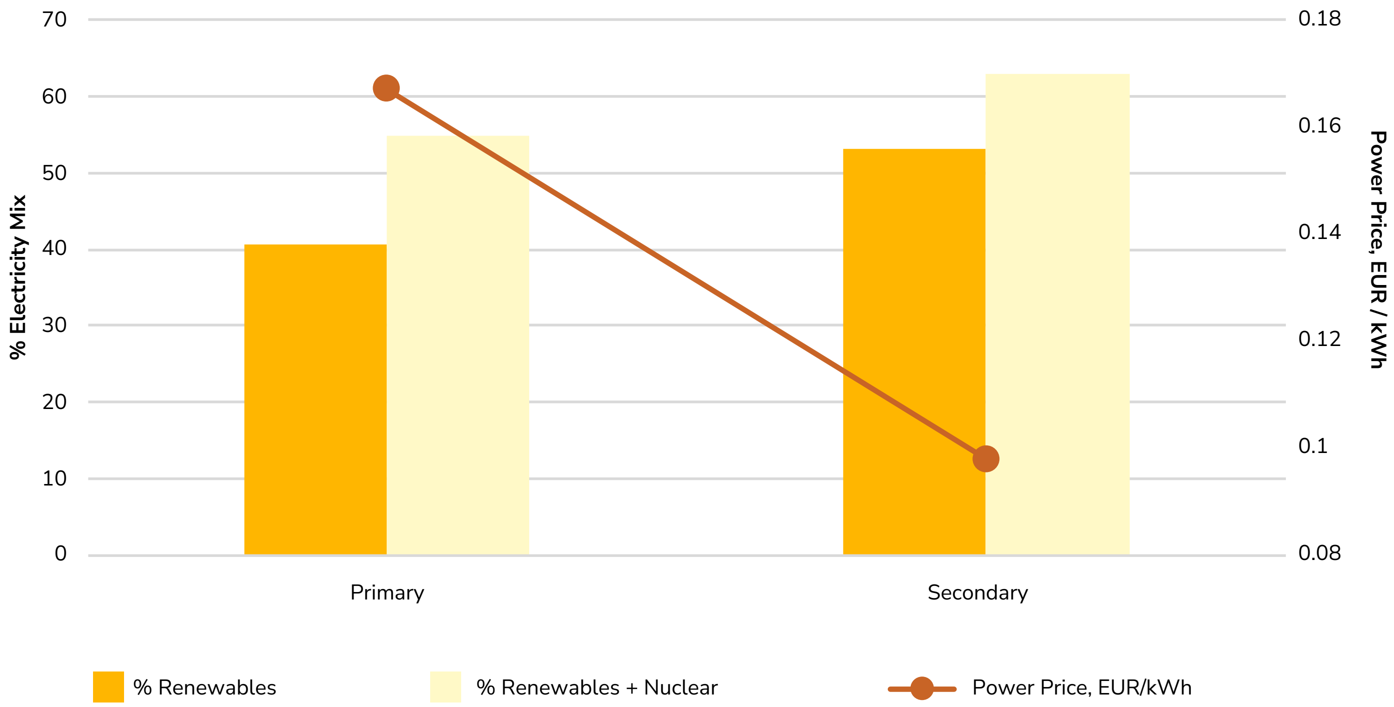
Data Centre Primary Market Size by Power Price



Sources: Citi, FindEnergy, EmberEnergy, UK Gov., OurWorldInData, L&G, 2025.

We anticipate growth in secondary data centre markets as constraints continue in primary markets.[31] Although not traditional demand centres, secondary markets offer tenants lower leasing costs from lower power prices and help achieve sustainability goals through higher renewable penetration, reflected in market rankings.[32]

European Data Centre Live Market Size-weighted Values, Q4 2024



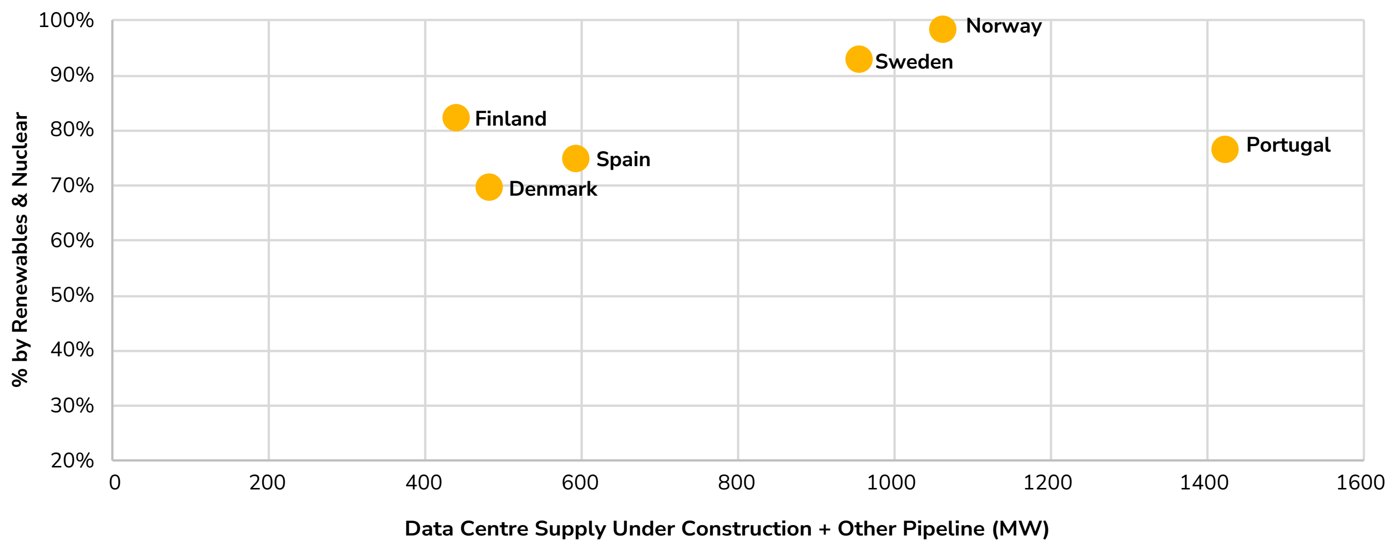
Source: L&G, Citi, OurWorldInData, EuroStat, UK Gov., 2025.[33]

31. 3Q 2025 Data Center Market Recap, Datacenterhawk, October 2025. **Assumptions, opinions, and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts will come to pass.**
32. 2025 Global Data Center Market Comparison, Cushman and Wakefield, May 2025
33. Note: secondary markets: Athens, Barcelona, Berlin, Brussels, Copenhagen, Helsinki, Madrid, Milan, Oslo, Stockholm, Vienna, and Warsaw.

Leading secondary markets offer low-carbon power generation and connectivity

Secondary US and European data centre markets are emerging around population and business hubs. For European markets, higher power generation from renewables and nuclear sources correlates with more data centre power in development. The Iberian and Nordic regions see the strongest growth while having significant clean power penetration. They also offer lower power prices than other secondary locations and have strong terrestrial and sub-sea fibre networks.

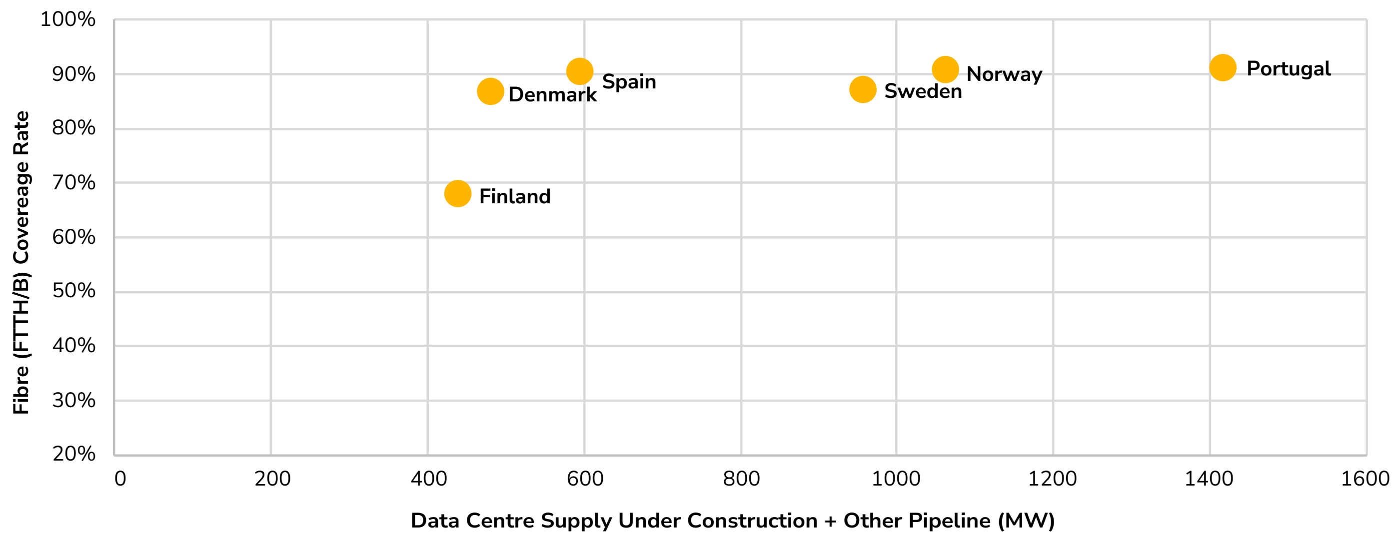
Data Centre Pipeline of European Secondary Market Countries and % of Power Generation from Renewables & Nuclear



Source: BloombergNEF, DCByte, OurWorldInData, L&G, October 2025.[34]

Growth in secondary markets creates potential investment opportunities across the value chain. In regions with strong clean power penetration, data centre growth can depend on expanding fibre infrastructure. In clean power-rich areas with lower land constraints, improved connectivity reduces latency and supports the case for data centre development. Data centre cluster growth then may drive demand for more fibre capacity.

Data Centre Pipeline of European Secondary Market Countries and FTTH/B Coverage Rate



Source: BloombergNEF, DCByte, FTTH Council Europe, L&G, October 2025.

34. Note: Secondary countries include Greece, Belgium, Denmark, Finland, Spain, Italy, Norway, Sweden, Austria, Poland, Portugal, Switzerland

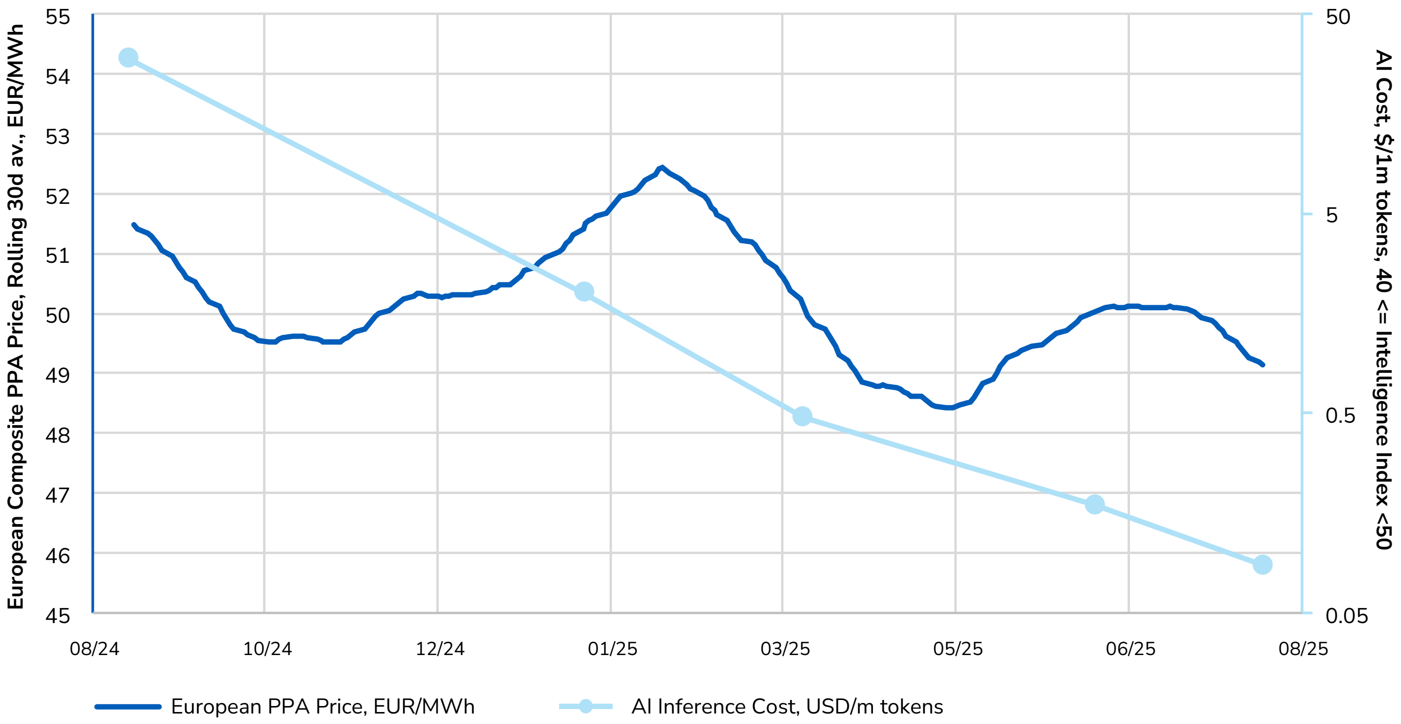
Use cases for AI inference, such as those that use AI agents, are increasingly becoming less latency sensitive, and this trend is expected to continue as the tasks that AI agents can complete become longer.[35] This further motivates data centre expansion into non-primary markets and more remote regions where land and clean power are more available and are lower cost, enabling convergence. However, expansion into non-primary markets may also raise obsolescence risk. Developments, therefore, should be backed by long-term leases with high credit quality counterparties.

AI efficiency gains currently outpace differences in power costs

While electricity costs influence AI expenditures, advances in software and hardware efficiency have a far greater impact.

Software advances have reduced generative AI training costs 10-fold[36] and, in one year, improved generative AI inference energy efficiency 23×[37]. During that time, aggregate power prices have not changed appreciably.[38] Operating in different markets has a significant impact: there is a ~3× range in power costs across primary data centre markets, and moving to a secondary market in Europe can reduce costs by ~40%. However, such variations remain smaller than the AI efficiency gains. While these gains benefit tenants, investors are affected as they can impact data centre demand. Given additional efficiency gains slow as AI matures, changes in power costs could have greater impact on AI demand, in our view.

European PPA Prices and GenAI Inference Costs



Source: Pexapark, Artificial Analysis, L&G, October 2025

For AI 'neoclouds' that rent access to AI chips/servers, total costs are dominated by AI servers. In a colocation data centre, electricity cost is ~7%, leasing is ~14%, and server capital cost is ~79%.[39] With data centre power supply constraints and AI chip depreciation, accessing power sooner becomes more critical than lower power costs, motivating shifts to secondary markets. Furthermore, if neocloud competition rises or margins reduce[40], our view is that reducing electricity costs will become more important. For cloud and enterprise businesses, electricity costs rise to ~15%, highlighting that power prices affect tenants differently.

Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecast will come to pass.

35. SemiAnalysis, Microsoft's AI Strategy Deconstructed - from Energy to Tokens, November 2025
36. Qwen3-Next: Towards Ultimate Training & Inference Efficiency, Qwen, September 2025
37. Measuring the environmental impact of delivering AI at Google Scale, Google, August 2025
38. Pexapark as of September 2025
39. GPU Cloud Economics Explained – The Neocloud Hidden Truth, SemiAnalysis, December 2023
40. Internal Oracle Data Show Financial Challenge of Renting Out Nvidia Chips, The Information, October 2025

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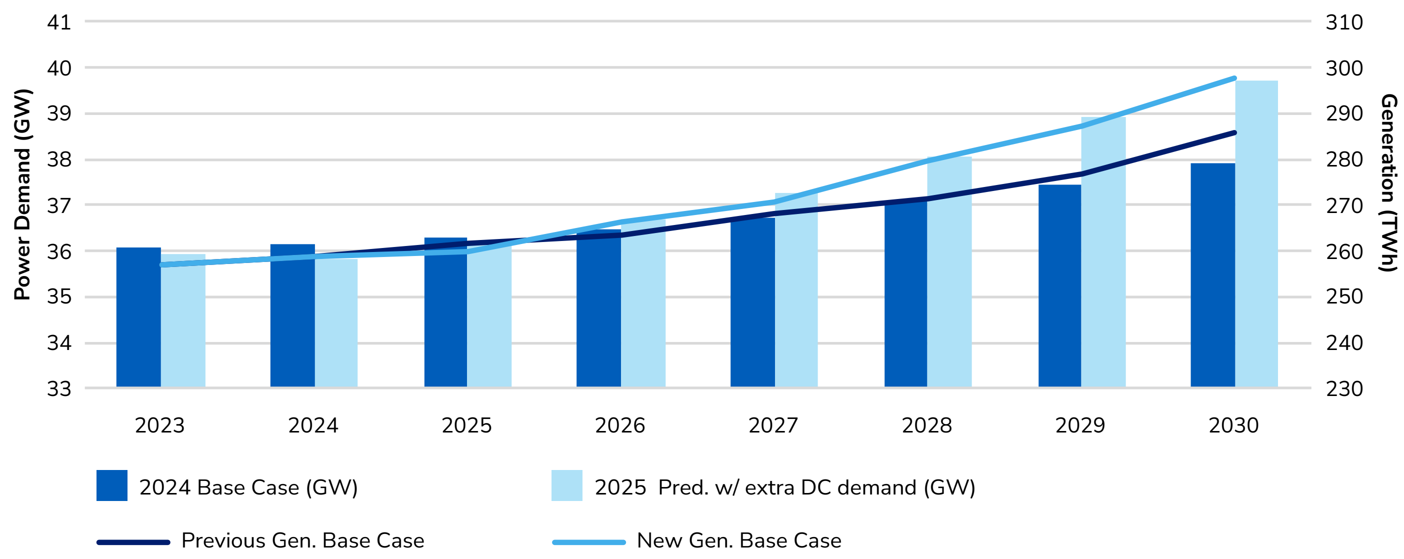
Data centres are expected to impact power markets

Growing data centre power demand can raise power prices, supporting returns for clean power assets. From data centre additions, BNEF forecasts show UK baseload power prices rising 10% in 2025 and remaining elevated through to 2035.[41]

Similarly, BNEF also forecast that rising data centre demand can increase long-term power prices in Germany.[42]

UK Power Demand & Generation Forecast Changes from DCs



Sources: BNEF, L&G, 2025.

Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecast will come to pass.

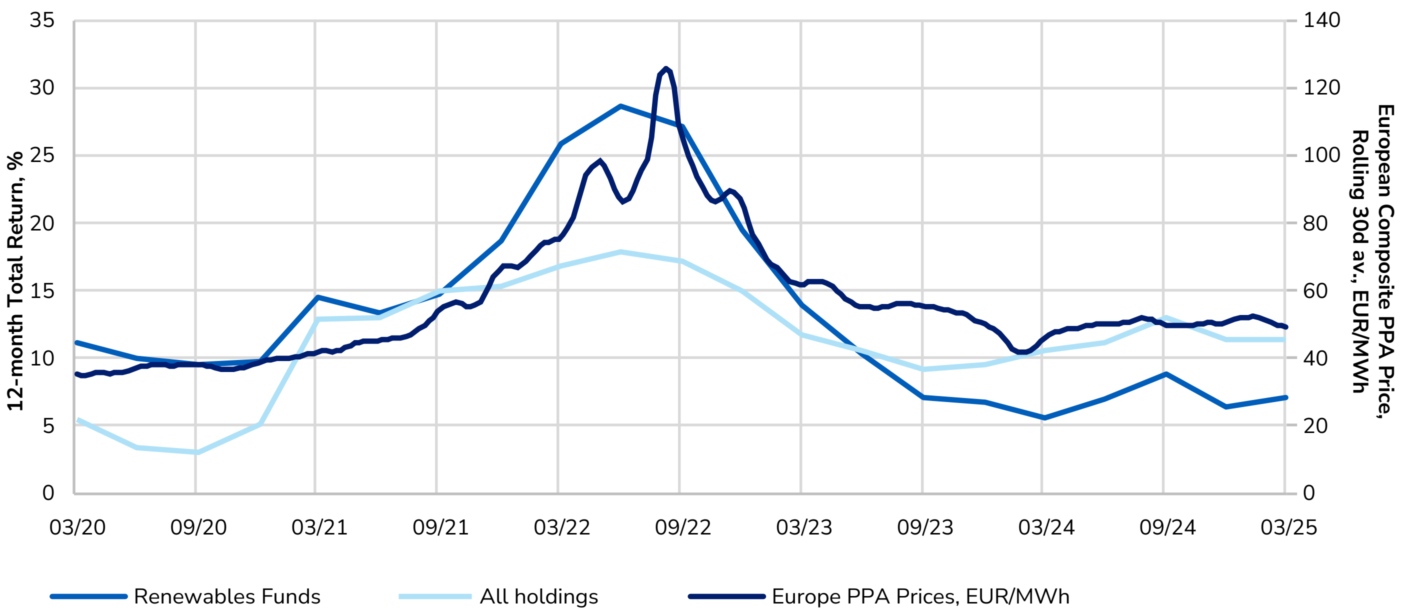
41. UK Power Market Outlook 2025, BloombergNEF, June 2025
42. Germany Power Market Outlook 2025: Demand Lifts Prices, BloombergNEF, September 2025.

Power prices are typically set by merit order, with gas-fired plants usually determining prices when renewables fall short. Because data centres require constant power, they increase demand load throughout the day. In regions with high solar but low wind penetration, daytime solar output suppresses power prices, while rising data centre demand could further increase power prices when gas-fired plants provide energy outside those times. We believe this increases the return opportunity for battery storage or hybridising renewables to capture higher power price periods.[43]

Power prices drive renewables returns

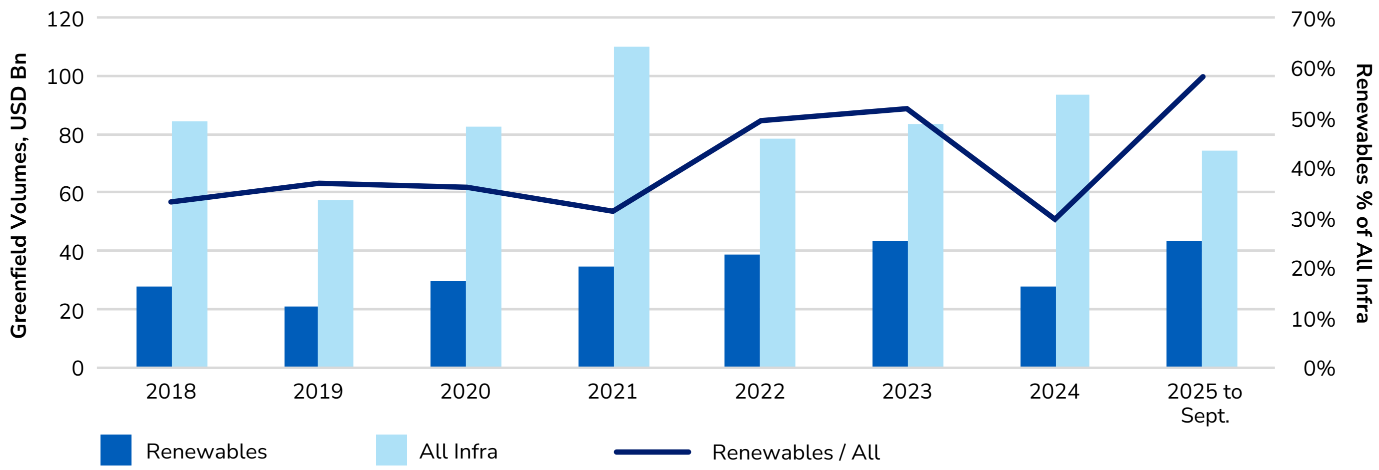
Renewables fund performance alongside European power prices[44], showing how increased prices previously supported stronger returns[45, 46]. With stronger relative returns, greenfield investment into European renewables remained elevated despite decreases in wider infrastructure.

Private Renewables Infrastructure Total Returns & Power Prices



Sources: MSCI, Pexapark, L&G, 2025.[47] Past performance is not a guide to the future.

European Infrastructure Greenfield Volumes



Source: Infralogic, L&G, September 2025.

43. **Assumptions, opinions, and estimates are provided for illustrative purposes only. There is no guarantee that any forecast will come to pass.**
44. Getting Granular: Swings in Private-Infrastructure Sector Returns, MSCI, July 2025.
45. Past performance is not a guide to the future.
46. Past performance is not a guide to the future.
47. Note: 'All holdings' is the MSCI Expanded Global Private Infrastructure Research Index. Past performance is not a guide to the future.

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Given that data centres benefit from lower power prices but clean power assets are supported by rising power prices, including both in a portfolio could provide a natural hedge against longer term changes in power price[48].

In our view, rising data centre demand could prolong reliance on gas-fired power in European markets, increasing exposure to price volatility from geopolitical escalations. Upward price spikes may benefit higher-risk renewable assets operating in merchant markets. In contrast, increasing instances of negative power prices, driven by intermittent renewable oversupply and insufficient grid capacity, could impact renewables returns while supporting demand for battery storage[49].

Broader power demand supports battery storage via greater arbitrage and ancillary service opportunities, and renewables by raising power prices. Despite higher power prices, it could also support rental growth in stabilised data centres if it slows supply additions from increasing grid constraints, suggesting mixed impacts.

Implications for investors

The physical and financial convergence of digital and clean power infrastructure has implications for investors.

Constrained transmission capacity is slowing growth for both data centres and clean power assets, and renewable-rich regions are often misaligned with data centre hubs, limiting co-location potential.

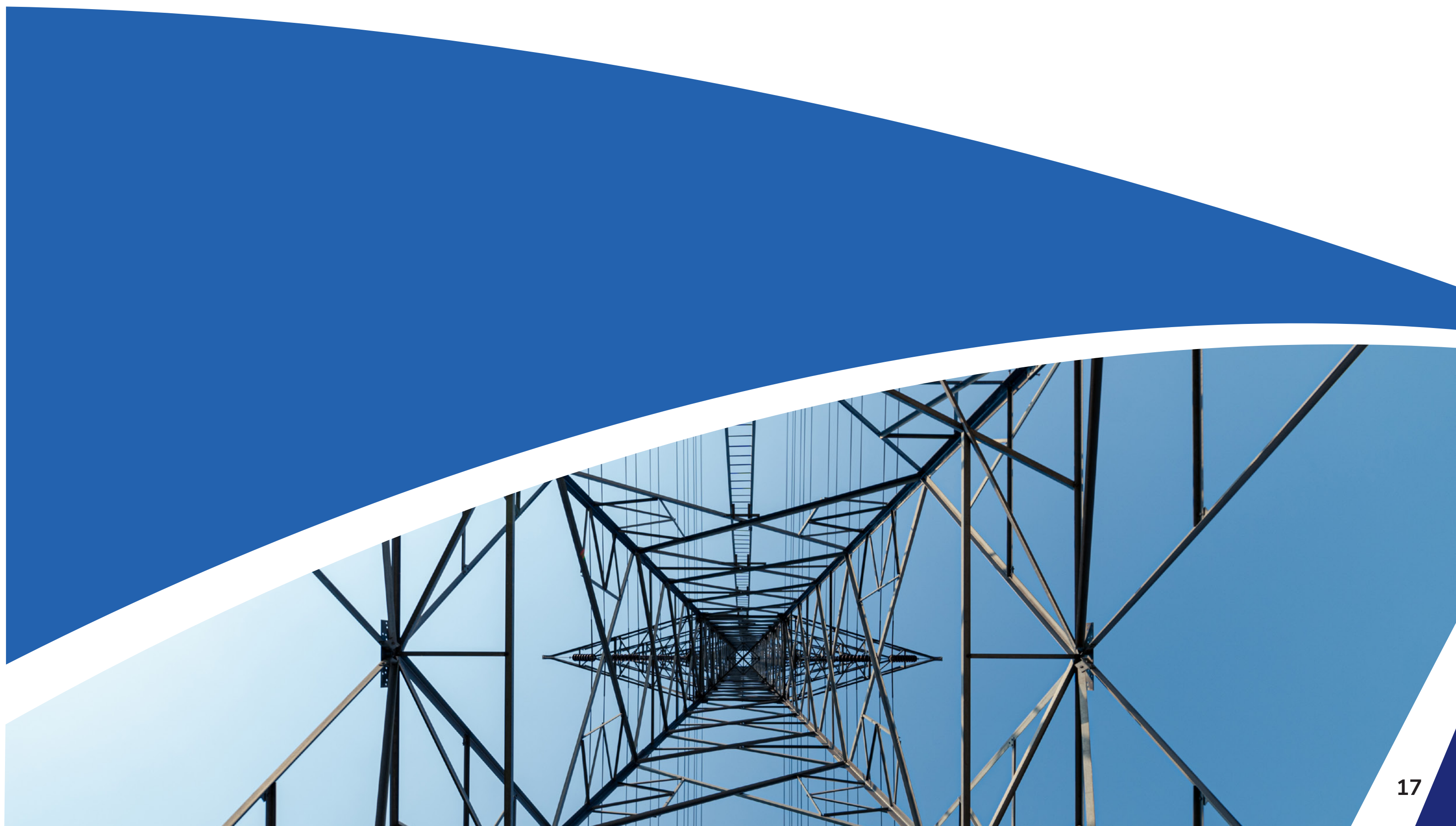
Secondary data centre markets near business hubs pose new risks but offer lower power costs, strong connectivity, and higher clean power penetration, presenting, in our view, emerging investment opportunities. For renewables, investors should target regions with adequate transmission capacity and growing data centre demand, facilitating securing PPAs with hyperscalers and benefitting from wholesale price support. Battery storage can hybridise renewables in such regions or operate standalone highly constrained grids, leveraging arbitrage opportunities amplified by data centre loads.

Investors considering strategies to access power sooner must balance customer demand and ability to pass through costs against residual value risk, higher upfront capex, and operational complexity. As time-to-power becomes critical for data centres amid supply constraints, combined digital and renewable expertise that can navigate and accelerate grid connections will be increasingly valuable.

Clean power assets may help investors reconcile their data centre exposure with sustainability objectives. Investors, in our view, should verify if facilities use physical or virtual PPAs, prioritise direct-wire connections where feasible, and favour strategies that align with hyperscaler objectives, including hourly-matched 100% renewable energy. European platforms may offer greater sustainability alignment than US counterparts due to higher clean power penetration, with secondary European markets potentially providing additional opportunities.

Macroeconomic factors remain central for digital and clean power infrastructure. While structural growth drivers, including rising AI demand and power prices, may offset interest rate risk, inflation-linked returns cannot be assumed without informed asset selection.

48. **It should be noted that diversification is no guarantee against a loss in a declining market.**
49. **Assumptions, opinions and estimates are provided for illustrative purposes only. There is no guarantee that any forecast will come to pass.**



We believe geopolitical risks to supply chains are undiversifiable, making scenario planning essential. Furthermore, investing in adaptable platforms capable of implementing new technologies, such as advanced cooling in data centres, can help mitigate obsolescence risk, in our view.

As digital and clean power infrastructure converge, power prices become a more central return driver, in our view. Investors should assess whether data centres hedge power price risk while also considering power price forecasts. Similarly, clean power strategies may wish to consider where data centre demand is expected to grow. Including both asset classes in a portfolio may naturally hedge against changes in power prices, in our view. Financial convergence can also heighten concentration risk within portfolios. Investors should determine asset return correlations, particularly when deploying in single geographies, to ensure diversification remains effective.

AI is also central in the convergence. For data centres, AI drives growth while power prices are secondary. Conversely, for clean power assets, power prices drive returns while AI proliferation is less significant. Nevertheless, we believe investors may wish to monitor both drivers. Currently, AI electricity costs depend more on software and hardware efficiencies than power prices. However, this may change as AI technology matures, which could affect tenant health.

Final thoughts

Capturing this convergence requires a balanced, strategic approach. Investors may wish to diversify across primary and secondary markets and hold both digital and clean power assets, aiming to maximise complementarity while managing concentration risk.

Allocating capital across the full value chain, from data centres and fibre networks to solar generation and battery storage, offers exposure to two deeply interconnected themes. We believe success depends on specialist knowledge and foresight on evolving energy and technology trends, making partnerships with investment managers who have expertise in both domains critical to navigating complexity and unlocking long-term value.

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Contact us:

For further information about the Asset Management business of L&G, please visit **am.landg.com** or contact your usual L&G representative.

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Key risks

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested.

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