How can I invest in power and resources?

UBS House View Briefcase

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Key message

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. But this opens multiple opportunities for investment across the electrification value chain. We also identify investment ideas in essential materials such as copper, lithium, and aluminum.

House view

01 Significant investment is needed to meet rising world electricity demand.

- 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).
- This is well above overall energy demand growth of 1.4% per year observed over the past decade.
- CIO estimates the electrification of the global economy will require around USD 3 trillion in annual investments by 2030.

02 But this opens multiple investment opportunities across the electrification value chain.

- We like investing in sectors that are integral to the electrification value chain, such as companies involved in the production of electrical equipment and grid infrastructure.
- Data center growth will warrant considerable investments in transmission and distribution equipment, as well as cooling technologies to maintain the low-humidity temperature required for optimal chip operation.

03 We also find essential materials and select metals appealing.

- The demand for essential materials such as copper, lithium, and aluminum is set to rise thanks to electrification and energy transition demands.
- Supply bottlenecks and geopolitical factors may limit metals' availability, putting upward pressure on prices.
- We therefore like companies engaged in the extraction and processing of critical raw materials.

New this week

At last week's Global Conference on Energy and AI, IEA Executive Director Dr. Fatih Birol noted that while AI is helping the energy transition by discovering new materials, data centers have become heavy consumers of electricity. The IEA has called upon policymakers and industry to cooperate and chart a path toward meeting the fast-growing demand for electricity from data centers. The IEA conference was attended by ministers and high-level government officials from about 25 countries, as well as CEOs and senior executives from companies with a combined market value of USD 15 trillion.

One liner

We believe rising energy demand will create investment opportunities in power and resources.

Did you know?

- In the US, 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) to expand data center capacity by 2025, with leading firms anticipating a year-over-year growth rate exceeding 45%.
- The IEA expects global demand for certain metals to increase nearly tenfold by 2050. For example, the demand for copper alone could rise by an additional 100,000 metric tons annually due to the expansion of data centers.

Investment view

AI power usage, industrial electrification, and decarbonization will all spur electricity demand —we recommend investing in transmission, distribution, data centers, transport, and energy storage.

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