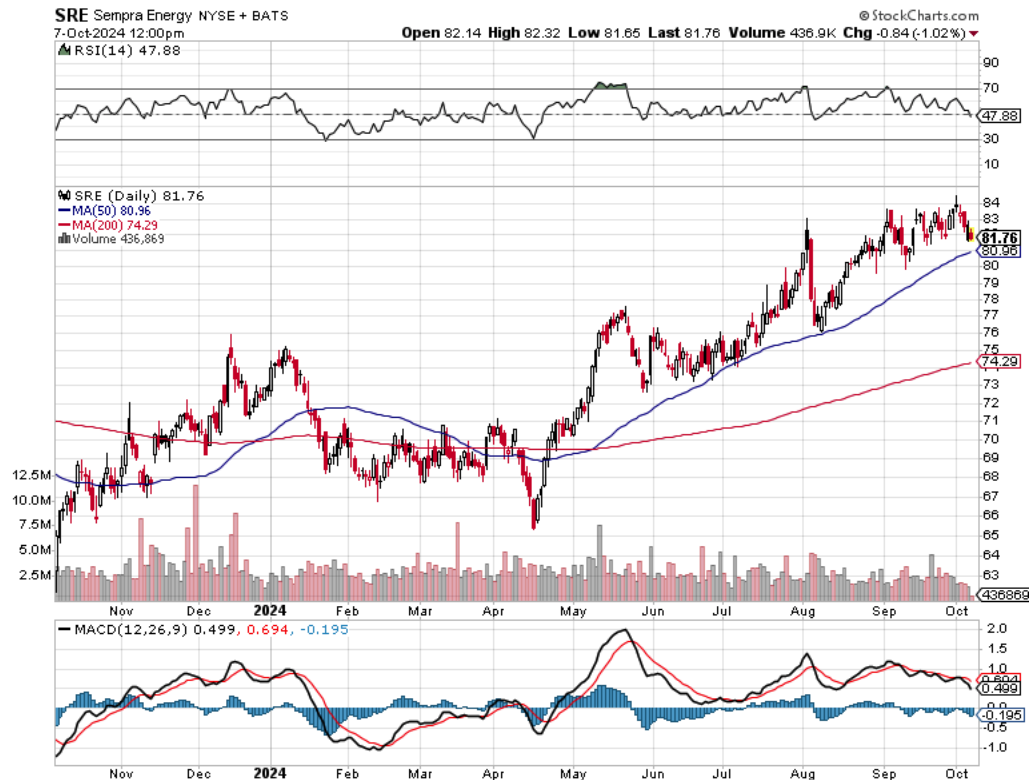


3 Energy Stocks Powering the Artificial Energy Boom

Artificial intelligence hasn't just fueled upside in tech stocks.

It's also fueling massive upside in energy stocks.

Look at Sempra Energy (SRE), for example. Since June, it ran from about \$74 to a high of \$84 thanks in part to the explosive energy demand of AI data centers.



But this is just the start.

As noted by Reuters, “some power companies projecting electricity sales growth several times higher than estimates just months earlier. Nine of the top 10 U.S. electric utilities said data centers were a main source of customer growth, leading many to revise up capital expenditure plans and demand forecasts.”

Goldman Sachs is bullish on the industry, estimating about 47 gigawatts (GW) of additional power generation capacity will be needed to accommodate growth.

The firm added:

“As the pace of efficiency gains in electricity use slows and the AI revolution gathers steam, Goldman Sachs Research estimates that data center power demand will grow

160% by 2030. At present, data centers worldwide consume 1-2% of overall power, but this percentage will likely rise to 3-4% by the end of the decade. In the US and Europe, this increased demand will help drive the kind of electricity growth that hasn't been seen in a generation. Along the way, the carbon dioxide emissions of data centers may more than double between 2022 and 2030."

Electric utility companies, like PG&E Corporation expect a tidal wave of new power demand from data centers powering technology like generative artificial intelligence.

In addition, as noted by Wells Fargo, after years of flat power growth in the U.S., electricity demand could grow as much as 20% by 2030. Again, because of the AI data center demand.

"AI data centers alone are expected to add about 323 terawatt hours of electricity demand in the U.S. by 2030, according to Wells Fargo. The forecast power demand from AI alone is seven times greater than New York City's current annual electricity consumption of 48 terawatt hours. Goldman Sachs projects that data centers will represent 8% of total U.S. electricity consumption by the end of the decade," says CNBC.

Bill Gross and Sebastien Page, an investment chief at T. Rowe Price also argue:

"You have these giant data centers that are very computationally intensive, training those large language models and training AI applications," Page told Business Insider. "Building AI applications requires incredible computing power, which actually is a huge demand on energy."

After all, data centers use a substantial amount of electricity to operate the technology and to cool it. So as demand increases, electricity demand will increase, as will the need for power utilities. "Downstream investment opportunities in utilities, renewable generation, and industrials whose investment and products will be needed to support this growth are underappreciated," Goldman Sachs added.

That being said, investors should seriously consider energy stocks, such as:

PG&E Corporation. (PCG)

PG&E Corp. is a holding company, which engages in generation, transmission, and distribution of electricity and natural gas to customers.

It specializes in energy, utility, power, gas, electricity, solar and sustainability. It's also the parent company of Pacific Gas and Electric Company, an energy company that serves 16 million Californians across a 70,000-square-mile service area in Northern and Central California.



Even better, there's no shortage of institutional interest.

George Soros' Soros Fund Management just bought 2.12 million shares of PCG at the end of the first quarter. Kevin Eng's Columbus Hill Capital increased its stake by nearly 366% in late March. Steven Cohen's Point72 increased its stake by about 51.5%, or 4.89 million shares. Even Israel Englander's Millennium Management increased its stake by nearly 127%, or 7.76 million shares.

PCG will also benefit from growing electricity demand in California, which is projected to increase significantly over the next two decades. All thanks to calls for clean energy policies and continued electrification of buildings, transportation and other sectors of the economy.

Earnings haven't been too shabby either.

In its second quarter, the company's EPS of 31 cents beat by a penny. Revenue of \$5.99 billion, up 13.16% year over year, beat by \$125.91 million. Even better, Bank of America analysts just reinstated a buy rating on the PCG stock with a \$24 price target. Analysts at Ladenburg also raised its price target on PG&E to \$24 from \$20.50 and keeps a Buy rating on the shares. The firm cited its sum of the parts valuation approach for the target increase.

Sempra Energy (SRE)

With a yield of 3.03%, Sempra is a leading North American energy infrastructure company focused on delivering energy to nearly 40 million consumers.

As owner of one of the largest energy networks on the continent, Sempra is electrifying and improving the energy resilience of some of the world's most significant economic markets, including California, Texas, Mexico and global energy markets.

There are substantial reasons to buy and hold Sempra long term.

For one, while we wait for Sempra to push aggressively higher on data center power demand, we can collect its current yield of 3.26%.

Two, Goldman Sachs is bullish on the industry, estimating about 47 gigawatts (GW) of additional power generation capacity will be needed to accommodate growth. All of which is a substantial catalyst for stocks, such as Sempra.

Three, institutional interest is on the rise.

Squarepoint Capital, for example, just increased its holdings in Sempra by more than 5,173%, or by 882,200 shares. Dmitry Balyasny's fund increased its stake by 102%. Jim Simons' Renaissance Technologies increased its stake by about 157% in late March.

Most importantly, with the artificial intelligence story gaining traction, the demand for more power and the demand for more data centers could create a sizable market opportunity.

Analysts at Bank of America also reinstated its buy rating on SRE with a \$94 target. The firm says, "the company's pre-funded equity raise provides balance sheet flexibility for the first time in recent memory," as noted by Seeking Alpha.

Alerian MLP ETF (AMLP)

Or, if you'd rather diversify at a lower cost, there are ETFs like the Alerian MLP ETF (AMLP).

With an expense ratio of 0.85%, AMLP delivers exposure to the Alerian MLP Infrastructure Index (AMZI), a capped, float-adjusted, capitalization-weighted composite of energy infrastructure Master Limited Partnerships (MLPs) that earn the majority of their cash flow from midstream activities, as noted by ALPSfunds.com.



AML also holds a position in energy stocks such as Energy Transfer, Enterprise Products Partners, Western Midstream, Sunoco, Hess Midstream, and Cheniere Energy Partners to name a few of the top ones.

Plus, as noted by BarChart.com, “AML focuses on high-yield midstream Master Limited Partnerships (MLPs) that are integral to the transportation, storage, and processing of energy commodities. That leaves AML well-positioned to benefit from the AI-driven energy demand, making it a compelling option for investors seeking exposure to this transformative trend.”