



WEEK IN REVIEW

The Great Underwriting Divide

The market is starting to price execution, not announcements.

The financing model has crossed a threshold. The five major U.S. hyperscalers are projected to spend more than their combined operating cash flow in 2026. Yet rising investment is no longer translating automatically into richer valuations or easier project debt. The more useful question is not whether the buildout continues, but which contracts, counterparties and assets deserve financing on yesterday's terms.

Backlog is becoming a diligence exercise. Nscale's \$103 billion of contract value is dominated by two customers; only \$2.6 billion was active at the end of August. Oracle's Project Jupiter notice raises a different issue: even where the tenant remains committed, the date on which cash starts flowing can become contested. The emerging discount is to conversion risk, not necessarily to long-run AI demand.

Opposition can redistribute value before it removes supply. A moratorium count is not a megawatt count. SemiAnalysis identifies much less directly delayed capacity than nominal exposure, while Pew finds a sharp deterioration in public attitudes. Both can be true. Existing approvals may become more valuable even as future phases become harder and more expensive to secure.

Agentic AI is broadening the infrastructure market. Akamai's seven-year, \$11.6 billion Anthropic agreement explicitly supports CPU workloads. General Compute is assembling an inference service that routes work across more than one chip architecture. The opportunity is expanding beyond the largest GPU cluster toward the combination of accelerators, ordinary compute, networking and software that completes useful work.

Reliability is moving ahead of the ribbon-cutting. SpaceX's reported shift toward earlier redundancy and testing, Nvidia's DSX Ready program and factory-certified power systems point toward the same commercial standard: capacity must pass acceptance and remain usable. Fast construction and fast revenue are not the same metric.

The cheapest electricity need not create the best energy investment. Falling ERCOT battery revenue alongside stronger grid flexibility exposes a split between system value and asset returns. Google's proposed nuclear-uprate subscription offers a different model: pay explicitly for incremental attributes and allocate benefits through a tariff. The investment edge lies in capturing value, not merely creating it.

Bottom line. The next phase favors platforms that can convert commitments into accepted capacity, distinguish customer diversification from contract proliferation, and retain economics after financing, reliability and community obligations. This is a differentiation cycle within the boom, not a simple verdict for or against it.

\$93.4B	85%	\$11.6B	+19 PP
2026E CAPEX / CASH-FLOW GAP	NSCALE TOP-TWO CONTRACT SHARE	ANTHROPIC / AKAMAI CPU DEAL	RISE IN QUALITY-OF-LIFE CONCERN

Sources: [Van Nieuwerburgh, Financing the AI Buildout](#); [Bloomberg / Nscale contracts](#); [Bloomberg / Project Jupiter](#); [Pew Research Center](#); [SemiAnalysis / moratorium mapping](#); [Akamai announcement](#); [The Information / SpaceX reliability](#); [Amperical / ERCOT battery revenues](#); [Georgia Power / nuclear uprates](#)

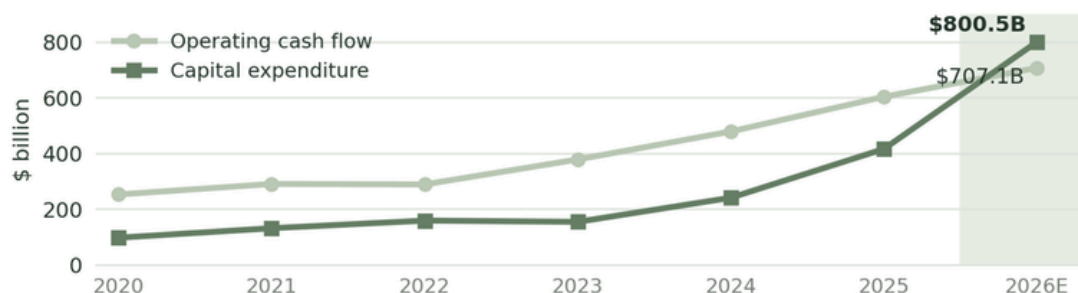
INSIDE | Numbers & Charts pgs. 2-5 | Weekly Spotlight pgs. 6-11

★ NUMBERS OF THE WEEK | CHARTS & KEY INDICATORS

CAPITAL: THE SELF-FUNDING MODEL BREAKS

A growing capital program meets a widening gap between investment, internal cash generation and ultimate end-market revenue.

The self-funding cushion becomes a funding gap



Five companies: Alphabet, Amazon, Meta, Microsoft and Oracle. 2026 combines reported results, guidance and estimates; capex includes non-AI spending and excludes leased-facility capex. [Van Nieuwerburgh, Financing the AI Buildout](#)

Bain's 2031 revenue hurdle: 70% needs new demand



Bain scenario, not current realized AI revenue. Bain puts potential 2031 AI revenue from existing service categories at \$1.2T-\$1.8T; the chart uses the top of that range, so \$4.2T is the minimum that must come from additional markets. [Bloomberg / Bain & Co.](#)

01 \$93.4B	PROJECTED FUNDING GAP 2026 capex of \$800.5B less operating cash flow of \$707.1B; calculated from the research series. Van Nieuwerburgh, Financing the AI Buildout
02 113.2%	CAPEX / OPERATING CASH FLOW 2026 estimate for the five-company group; before dividends, repurchases and other cash uses. Van Nieuwerburgh, Financing the AI Buildout
03 \$1.2T	2027 HYPERSCALER CAPEX Goldman forecast, versus \$1.1T consensus cited in the same report. It is annual spending, not backlog. Bloomberg / Goldman Sachs
04 70%	REVENUE STILL TO BE CREATED \$4.2T of Bain's \$6T annual-revenue hurdle for 2031 lies outside existing service categories. Bloomberg / Bain & Co.
05 3.22%	ANNUAL U.S. GDP SHARE Average 2025-32 AI investment in the October 2 SSRN revision (the September 4 Brookings draft said 3.63%), not a realized national-account figure. Van Nieuwerburgh, Financing the AI Buildout

★ NUMBERS OF THE WEEK | CHARTS & KEY INDICATORS

CONTRACTS: SIZE IS NOT THE SAME AS QUALITY

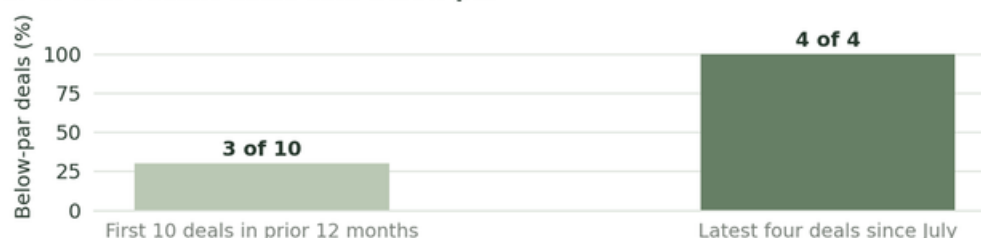
Headline commitments conceal concentration, conditions precedent and a long interval between signing and cash generation.

Nscale: concentrated customers, a long conversion runway



Two separate views of contract value, not additive categories. Customer concentration is reported at 85%; active share is calculated from \$2.6B / \$103B. Active value is not revenue. [Bloomberg / Nscale contracts](#)

Four of four recent deals sold below par



Small, distinct deal cohorts reported by The Information, using Morgan Stanley data. The chart describes pricing concessions, not defaults or the entire bond market. [The Information / credit concessions](#)

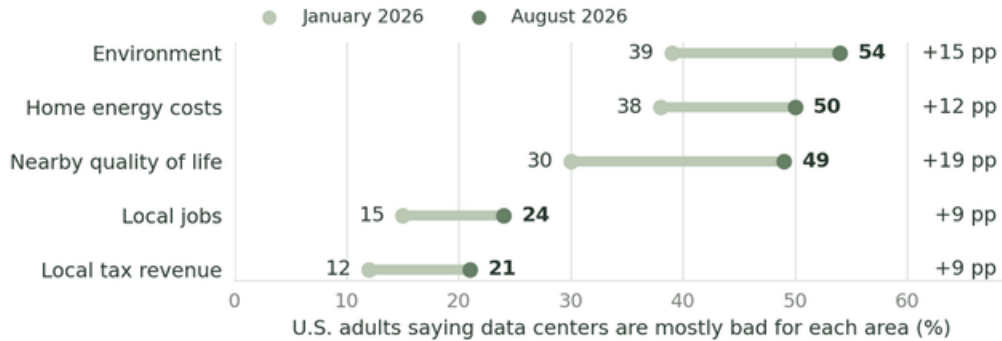
06 85%	TWO-CUSTOMER CONCENTRATION Microsoft and Anthropic account for the reported share of Nscale's total contract value. Bloomberg / Nscale contracts
07 2.5%	ACTIVE CONTRACT SHARE Nscale active contract value at August-end as a share of its \$103B total; calculated, not a utilization rate. Bloomberg / Nscale contracts
08 \$2.36B	NSCALE INITIAL TRANCHE Plus a separate \$1B Nvidia commitment expected to fund in mid-November: together the \$3.36B headline. Nscale financing announcement
09 \$4.2B	COREWEAVE CONVERTIBLE Completed offering; 2.875% coupon and 2033 maturity. A convertible coupon is not a plain-debt yield. The Information / CoreWeave
10 4 OF 4	RECENT DEALS BELOW PAR Latest high-yield data-center deals since July sold at a discount, versus three of the first ten in the prior year. The Information / credit concessions

★ NUMBERS OF THE WEEK | CHARTS & KEY INDICATORS

PERMISSION: MEASURE THE PROJECT, NOT THE HEADLINE

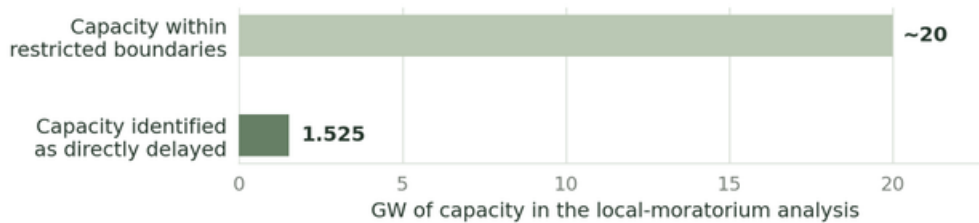
The public backlash is real. Its immediate capacity impact and its effect on the next development cycle are different questions.

Quality-of-life concerns rise faster than energy-cost concerns



Pew survey of 10,548 U.S. adults, conducted July 20-August 9. These are the published all-adult shares; pp means percentage points. [Pew Research Center](#)

Local restrictions: exposed capacity is not delayed capacity



SemiAnalysis estimates for local restrictions only. The implied delayed share is 7.6%; the broader analysis also considers New York separately. Not a measure of every source of delay. [SemiAnalysis / moratorium mapping](#).

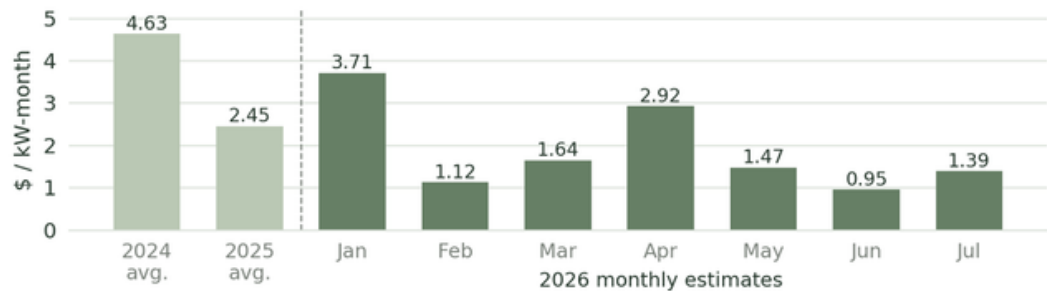
11 +19 PP	NEARBY QUALITY-OF-LIFE CONCERN Negative assessments rose from 30% to 49%, the largest change among Pew's five impact categories. Pew Research Center
12 60%	UNCOMFORTABLE WITH A LOCAL SITE Share of U.S. adults not too or not at all comfortable with a new local data center in Pew's survey. Pew Research Center
13 7.6%	DIRECT DELAY / NOMINAL EXPOSURE 1.525 GW divided by approximately 20 GW in SemiAnalysis's local-moratorium mapping. SemiAnalysis / moratorium mapping
14 \$68B	45 PROJECTS BLOCKED OR DELAYED Data Center Watch's broader April-June tally, reported by Bloomberg; not directly comparable with the GW study. Bloomberg / Data Center Watch
15 >\$1B	FIVE-YEAR COMMUNITY COMMITMENT Amazon's announced support for communities near its data centers; not an annual spending figure. Bloomberg / Amazon community commitment

★ NUMBERS OF THE WEEK | CHARTS & KEY INDICATORS

ECONOMICS: SYSTEM VALUE IS NOT ASSET RETURN

Better infrastructure can lower customer costs while squeezing the merchant owner. The contract determines who captures the benefit.

ERCOT batteries: market revenue per kW keeps compressing



2024-25 bars are annual monthly averages; 2026 bars are Americal's monthly estimates for the year to date (January-July as drawn). The year-to-date average is about \$1.9/kW-month, not a full-year forecast. [Americal / ERCOT battery revenues](#)

Two-thirds of initial capital is in compute and IT systems



Illustrative 2025 benchmark from the Van Nieuwerburgh paper (BPEA draft, revised October 2): \$41B per GW of total facility demand at PUE 1.2. Not a universal quote or a cost per IT GW. [Van Nieuwerburgh, Financing the AI Buildout](#)

16 ~\$1.9	ERCOT REVENUE / KW-MONTH 2026 year-to-date average is about 59% below the \$4.63 2024 benchmark. Modeled market revenue is not return. Americal / ERCOT battery revenues
17 96 MW	PROPOSED NUCLEAR UPRATES Google-supported additions to Georgia Power's ownership share at Vogtle and Hatch; the Hatch uprates and the NU-1 tariff still need PSC approval. Georgia Power / nuclear uprates
18 \$5.5B	AKAMAI CAPEX FOR ANTHROPIC Estimated investment supporting the \$11.6B base commitment. Contract value minus capex is not profit. Akamai announcement
19 55 WKS	STEEL LEAD-TIME SIGNAL Skanska executives cited more than doubled steel lead times and 25% price inflation; product and contract scope matter. Construction Dive / steel supply
20 ~18 YRS	COPPER DISCOVERY TO PRODUCTION Apollo's cited development lag: new discoveries do not resolve this decade's equipment-delivery bottlenecks. Apollo / copper discovery lead times

WEEKLY SPOTLIGHT | 01

BACKLOG IS NOT COLLATERAL. DELIVERY IS.

The credit market is distinguishing the promise of future compute from the enforceable right to receive cash.

The critical distinction in this cycle is between a large customer and a financeable obligation. A recognizable tenant can support a strong credit profile, but it does not remove construction risk, acceptance conditions, termination rights or the possibility that rent starts later than the debt model assumes.

Nscale makes the conversion problem visible. Its September filing, as reported by Bloomberg, showed \$103B in total contract value, 85% attributable to Microsoft and Anthropic, and \$2.6B active at August-end. The Anthropic agreement carries delivery and service conditions, and binding financing commitments had not been obtained at the filing date. The later \$3.36B corporate financing announcement does not, by itself, demonstrate full funding of that individual project.

Delivery delay creates financing cost



Illustration: \$1B of debt fully drawn throughout the delay, at 8% simple annual interest. Excludes compounding, fees, draw schedules and operating losses. Calculation: debt x rate x months / 12.

TIMING RISK CAN SURVIVE A STRONG TENANT

Oracle's Project Jupiter notice is not evidence that the tenant has defaulted or abandoned the campus. Bloomberg reports an effort to preserve rights around potential timing of rent. Oracle said the project remains on its planned schedule; Blue Owl said the notice does not change its financial commitments. The analytical issue is nevertheless material: who finances the interval between scheduled completion and an accepted, revenue-producing facility?

THE MARKET IS STILL OPEN, BUT AT A PRICE

The Information reports wider discounts and tighter protections on recent project debt, while also noting that no major active syndications had been pulled. This is repricing, not a funding shutdown. Hut 8's parent revolver offers a useful contrast: committed liquidity and a letter-of-credit sublimit can fund deposits and development before long-term project financing is optimized.

WHAT DESERVES THE PREMIUM

Underwrite the exact obligor, the acceptance test, the funded completion plan and the path through a delay. Look through separate project companies to common end demand. A diversified lender roster cannot diversify a cash-flow base ultimately dependent on the same two model developers.

BOTTOM LINE The relevant multiple is on durable, converted cash flow. Headline backlog deserves a schedule- and contract-specific discount, not a uniform sector multiple.

Sources: [Bloomberg / Nscale contracts](#); [Nscale financing announcement](#); [Bloomberg / Project Jupiter](#); [The Information / credit concessions](#); [Hut 8 financing release](#); [Van Nieuwerburgh, Financing the AI Buildout](#)

WEEKLY SPOTLIGHT | 02

THE MORATORIUM PREMIUM

Restrictions may enrich already-entitled assets before they materially reduce near-term national supply.

The apparently contradictory evidence is the investment signal. Data Center Watch reports 45 projects worth \$68B blocked or delayed in the second quarter. SemiAnalysis maps roughly 20 GW inside local restricted boundaries but identifies only 1.525 GW directly delayed by those restrictions. The studies measure different things: broad opposition in project dollars versus identified moratorium effects in megawatts. They should not be forced into a single cancellation statistic.

That distinction creates a potential scarcity premium for existing approvals. A parcel that can proceed while competing applications pause may acquire additional negotiating value. But the premium belongs to the specific entitlement, phase and schedule, not automatically to every acre inside an established campus. Expansion rights, air permits, water and fuel corridors can remain exposed.

TRANSMISSION CHANNEL	LIKELY ECONOMIC EFFECT	DILIGENCE QUESTION
New applications pause	Near-term advantage for projects with durable existing approvals.	Does the restriction reach this parcel and the next MW tranche?
Community benefits rise	Some scarcity rent moves from developer to the host community.	Is the payment recurring, contingent or additive to taxes?
Design requirements tighten	More capex and engineering work before the project is acceptable.	Are noise, emissions and backup designs already within the approval?
Disclosure starts earlier	Less information advantage, potentially less late-stage opposition.	Can the tenant and resource impacts be disclosed before commitments harden?

THE BACKLASH IS ABOUT MORE THAN POWER BILLS

Pew's largest deterioration is nearby quality of life: a 19-point increase in negative assessments. Electricity-cost concern increased 12 points. A tariff response alone therefore cannot settle issues involving noise, visual impact, diesel or gas operation, water and local control. Amazon's community spending and transparency commitments recognize that broader bargain.

A HIGHER BAR IS NOT A UNIVERSAL BAN

Prince William County reduced its by-right overlay rather than prohibiting all development. Nevada's binding new conditions apply to applicants for state tax breaks. New Zealand's announced approach is a party policy proposal. These distinctions determine actual exposure. The investor's task is to price jurisdiction-specific permissions, not simply rank states by political label.

THE CAUSALITY CHECK

NAR finds higher home values in data-center-heavy counties but explicitly warns that correlation is not causation. County wealth is not proof that the house next to a campus benefits. Equally, opposition is not proof that every project damages housing. Credible local evidence has become part of the development budget.

BOTTOM LINE Near-term delivery can remain strong while the price of the next permit rises. That combination favors execution-ready assets, but only when the new scarcity rent is not fully surrendered in costs or concessions.

Sources: [Bloomberg / Data Center Watch](#); [SemiAnalysis / moratorium mapping](#); [Dirt to Data / moratoriums](#); [Pew Research Center](#); [Bloomberg / Amazon community commitment](#); [DCD / Prince William zoning](#); [Politico / Nevada guardrails](#); [Bloomberg / New Zealand policy](#); [National Association of Realtors](#)

WEEKLY SPOTLIGHT | 03

AGENTIC AI IS UNBUNDLING THE FACTORY

The next unit of infrastructure demand is a completed workflow, not a GPU in isolation.

Akamai's Anthropic agreement is the clearest example of an AI growth market hiding in plain sight. The company explicitly describes CPU workload demand, not a purchase of GPU capacity. The seven-year base commitment is \$11.6B, supported by an estimated \$5.5B of capex. Anthropic also receives expansion-linked warrants. It is a large opportunity for conventional compute, but neither the contract multiple nor the warrant package establishes the project's return.

The economic logic is broader than this one transaction. An agent reasons with a model, calls tools, runs code, reads and writes data, and coordinates additional tasks. That workflow needs accelerators, but it also needs CPU instances, memory, storage, security and network transport. A campus or cloud designed around one dominant chip need not capture every dollar of the resulting demand.

Akamai: an \$11.6B CPU contract, plus optional expansion



Akamai's \$11.6B base plus up to \$9B of optional expansion implies an arithmetic maximum of \$20.6B; the company describes the total as approximately \$20B. Options are not firm backlog. [Akamai announcement](#)

MULTI-SILICON IS A SERVICE MODEL, NOT JUST A CHIP CONTEST

General Compute plans to finance Cerebras systems and sell inference, while using Nvidia for prefill and other architectures across its platform. The provider absorbs procurement complexity so the customer can buy a usable service. This may increase the value of integration and workload routing even where individual processors become more substitutable.

CLOUD DIVERSIFICATION MAY STILL BE CUSTOMER CONCENTRATION

Anthropic's reported discussions with Apollo-backed Stream would give the model developer more direct control over infrastructure. SpaceXAI's shift toward external cloud customers is another change in the division of labor. Yet the same few labs can sit behind several apparently separate landlords, neoclouds and financing vehicles. Count independent end demand, not just logos.

CAPACITY IS NOT AUTOMATICALLY PAID UTILIZATION

Epoch estimates that hardware shipped through 2027 could support 30-170 million concurrent frontier-model agents once deployed and allocated to those workloads. Its working-hour comparisons are not equivalent to human productivity or jobs replaced. At 20% utilization of the central capacity case, modeled API-equivalent spending reaches \$2.6T-\$5.3T annually: a demand hurdle, not contracted revenue.

BOTTOM LINE: The investable opportunity is a broader infrastructure mix. The underwriting error would be to treat every potential agent-hour as a paying customer, or every new provider as a new source of demand.

Sources: [Akamai announcement](#); [DCD / General Compute-Cerebras](#); [The Information / Anthropic-Stream](#); [The Information / SpaceX cloud](#); [Epoch AI / agent capacity](#).

WEEKLY SPOTLIGHT | 04

STANDARDIZATION IS BECOMING A RISK PRODUCT

Factory certification, reference designs and integrated delivery matter because they can reduce the variance around acceptance, not merely shorten an advertised schedule.

The industry's definition of speed is changing. The Information reports that SpaceX's new data-center leadership wants redundancy and more thorough testing in place before operation, rather than completing backup systems afterward. That choice can slow first energization while improving the date at which capacity is consistently useful to third-party customers. The two milestones should never have been treated as interchangeable.

Several supplier announcements address the same problem from the other direction. Nvidia's DSX Ready program starts with qualifying battery storage and cooling distribution products against applicable reference-design requirements. Compass describes UL 2755-certified prefabricated power centers. Wartsila, Schneider and Stanley are coordinating generation, electrical systems, controls and execution. These are attempts to move uncertainty upstream, where repeated designs and tests can resolve it.

OFFER	WHAT CAN BE REDUCED	WHAT STILL MUST BE PROVEN
Factory-certified modules	Repeated internal inspection and assembly uncertainty.	Site integration, local acceptance and commissioned performance.
Reference-design qualification	Product compatibility and configuration risk.	Suitability for the actual workload and utility operating envelope.
Generator-to-chip coordination	Design handoffs and interface gaps.	Contractual responsibility, warranties and end-to-end guarantees.
Earlier integrated testing	Late discovery of single points of failure.	Reliability under live load, maintenance and abnormal conditions.

THE MARGIN OPPORTUNITY IS IN THE INTERFACES

A repeatable module is valuable when it removes engineering hours, rework or commissioning uncertainty at each deployment. The more attractive commercial position may sit with the party accountable for integration rather than the cheapest component supplier. An alliance announcement, however, is not evidence of a single wrapped performance guarantee.

KEEP CLAIMED SAVINGS ON THEIR OWN BASIS

Schneider's announced 2-2.5 MW prefabricated power products can have deployment lead times as short as six months in the stated European offering. That is not a six-month U.S. campus schedule. Bloom's DC-power report claims 27% lower non-compute capex and 9% lower five-year total cost in its scenario; those are vendor-model results, not independently proven universal savings.

AN ORDER BOOK CAN BE REAL AND STILL CHANGE

Crusoe and Boom ended their \$1.25B launch partnership. Boom said the turbines are no longer part of Crusoe's near-term primary power mix at Abilene, and Crusoe said it remains flexible on sourcing; the cancellation does not prove that the turbines are technically unsuitable. It does show why manufacturing announcements, binding orders, delivered equipment and an accepted power system must remain separate milestones.

BOTTOM LINE Time to dependable revenue is the better KPI. Standardization can earn a premium by shrinking the range of possible delivery outcomes, provided accountability extends beyond the factory gate.

Sources: [The Information](#) / [SpaceX reliability](#); [Nvidia](#) / [DSX Ready](#); [Compass](#) / [UL 2755](#); [Wartsila](#) / [Schneider](#) / [Stanley](#); [Schneider Electric](#) / [power modules](#); [Bloom Energy](#), [The New Rules of AI Power](#); [TechCrunch](#) / [Crusoe-Boom](#); [SemiAnalysis](#) / [ClusterMAX 3.0](#)

WEEKLY SPOTLIGHT | 05

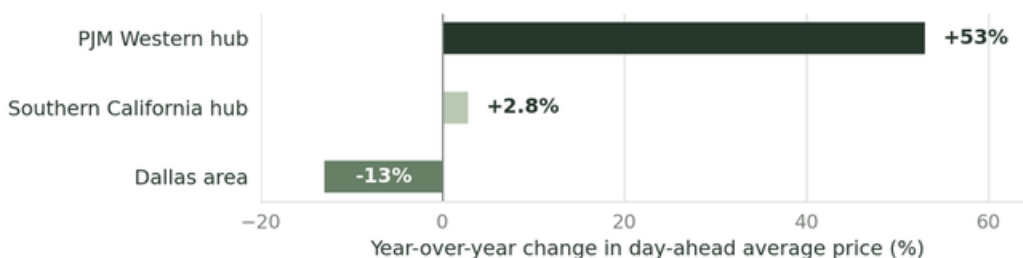
THE BATTERY PARADOX: BETTER SYSTEM, TOUGHER ASSET

Grid resilience and merchant returns can move in opposite directions. Contract design decides which side of that divergence an investor owns.

Amperical's ERCOT work puts the tension in numbers: modeled 2026 year-to-date battery revenue averages about \$1.9/kW-month, compared with \$4.63 in 2024. Meanwhile, Bloomberg documents much faster battery deployment in Texas and California than in PJM and sharply different summer wholesale-price outcomes. Those observations are consistent with flexibility reducing scarcity rents; they are not a controlled estimate of batteries' causal contribution.

The practical consequence is that a technology can become more important to the power system while its standalone merchant economics deteriorate. More storage can reduce the volatility from which storage earns money. For a data-center customer, that may be a benefit. For the merchant asset owner, it raises the importance of location, dispatch, operating cost and contracted compensation.

Summer wholesale-price outcomes diverge



Source period: June through September 18, 2026 versus the comparable prior-year period. Different regional hubs; changes do not isolate the effect of batteries, fuel costs or weather. [Bloomberg / PJM, ERCOT and CAISO](#)

THE NEW PRODUCT IS A DEFINED SERVICE

A battery supplying ride-through, a battery earning ancillary-service revenue and a long-duration store firming renewable output are not interchangeable investments. Each has a different duty cycle, availability obligation and revenue stack. Avoid underwriting data-center resilience with a merchant-price forecast that assumes the same capacity is always free to trade.

GOOGLE'S UPRATE DEAL POINTS TO A DIFFERENT BARGAIN

Georgia Power proposes 96 MW of additions to its ownership share at Vogtle and Hatch. Google would subscribe to NU-1 and receive the associated zero-emission credits. The utility estimates \$900M in customer benefits over the units' lives. These are projected benefits, not a \$900M payment by Google. The Vogtle uprates were approved in the 2025 IRP; the Hatch uprates and the NU-1 tariff still require PSC approval.

VALUE CREATION AND VALUE CAPTURE MUST BE SEPARATED

The uprate approach pays for a specific incremental product within a regulated allocation of costs and benefits. It is analytically different from diverting existing output to a new load or buying energy certificates without additional production. The same discipline applies to onsite generation: energy, dependable capacity, schedule insurance and environmental attributes should not be collapsed into one price.

BOTTOM LINE: The best system solution is not automatically the best merchant asset. Prefer underwriting that identifies the service sold, the counterparty paying for it and the operational rights surrendered in return.

Sources: [Amperical / ERCOT battery revenues](#); [Bloomberg / PJM, ERCOT and CAISO](#); [Georgia Power / nuclear uprates](#); [Bloomberg / long-duration storage](#); [The Information / onsite power finance](#)

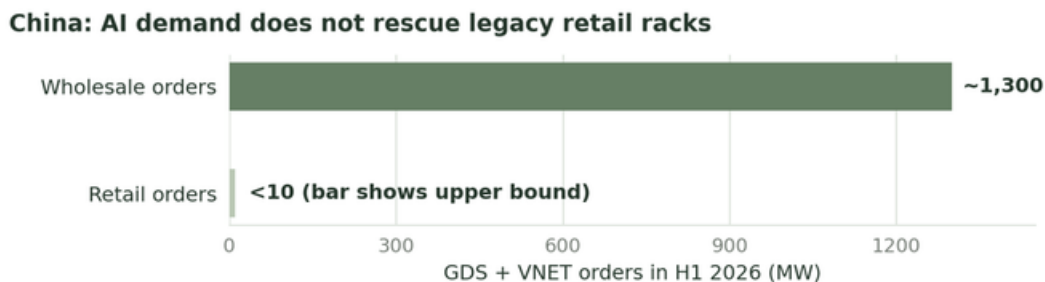
WEEKLY SPOTLIGHT | 06

CHINA'S WARNING: EMPTY SPACE IS NOT SPARE AI CAPACITY

National capacity totals obscure the mismatch between legacy buildings and the workloads willing to pay for new ones.

SemiAnalysis's new China model describes a market with substantial legacy vacancy and strong wholesale AI demand at the same time. Those are not contradictory conditions. Low-density retail stock can be poorly suited to the power, cooling, network and physical requirements of a modern AI deployment. The unit of supply is a qualified facility for a specific workload, not an undifferentiated megawatt.

The order mix is striking: GDS and VNET together signed about 1.3 GW of wholesale orders in the first half of 2026, against less than 10 MW of retail orders. The report also estimates that private ByteDance occupies roughly one-fifth of delivered Chinese capacity. Public-company disclosures therefore reveal only part of both the landlord market and the underlying tenant concentration.



SemiAnalysis cites company disclosures for H1 2026. The retail bar is drawn at 10 MW as an upper bound; actual reported orders were below that level. [SemiAnalysis / China data centers](#)

THE U.S. READ-THROUGH IS A RESIDUAL-VALUE QUESTION

Long-life land and buildings do not guarantee a long economic life for the electrical and cooling configuration inside them. Van Nieuwerburgh's Brookings financing paper estimates that IT equipment represents roughly two-thirds of a new AI campus's initial capital. When lenders assign a residual value, the replacement tenant must be able to use the asset economically, not merely occupy it.

GEOGRAPHIC EXPANSION DOES NOT MAKE COMPUTE FUNGIBLE

Alibaba is adding new regions in Turkey, Finland and the Netherlands and expanding existing capacity in the Gulf, while Palantir and Armada emphasize customer-controlled sovereign infrastructure. Jurisdiction, chip access, latency, data control and physical resilience can outweigh a lower power price. Capacity in one country is not an automatic substitute for capacity in another.

SECURITY IS NOW AN INFRASTRUCTURE CHARACTERISTIC

CNBC's September report that AWS still could not restore affected Gulf facilities after the March attacks is an unusually severe reminder that redundancy within a campus does not eliminate regional risk. Distributed sovereign systems may address some requirements, but they introduce their own network, operational and scale trade-offs. Neither centralization nor modularity is a universal answer.

BOTTOM LINE: The next oversupply debate should distinguish obsolete capacity from qualified capacity. Hardware-refresh flexibility, tenant portability and jurisdictional resilience deserve explicit value in the asset model.

Sources: [SemiAnalysis / China data centers](#); [Van Nieuwerburgh, Financing the AI Buildout](#); [Bloomberg / Alibaba expansion](#); [Palantir / Armada announcement](#); [CNBC / AWS Gulf facilities](#); [SemiAnalysis / ClusterMAX 3.0](#)

THE WEEK AHEAD | PA PUC: tentative load-management order Oct. 1, then a January vote path. | Loudoun: formal vote on the application pause and the 2027 zoning rewrite. | Crux AI: whether the 500 MW 2027 target converts from financing into energized capacity. | Anthropic / OpenAI: listing and funding disclosures that clarify compute commitments. | NERC / RTOs: large-load ride-through, telemetry, curtailment and cost-allocation rules. | Equipment: transformer, turbine and generator order books as 2027-29 delivery windows tighten.

ABOUT DIGITAL POWER DIGEST | Keel Infrastructure's institutional briefing on the intersection of power markets and digital infrastructure - interconnection, generation, gas supply, capital markets, regulation and the physical AI stack. **Editor - Chris Ruppel, SVP - Power.** Analysis reflects public information and the editor's judgment as of the issue date.

WEEKLY SPOTLIGHT | 06

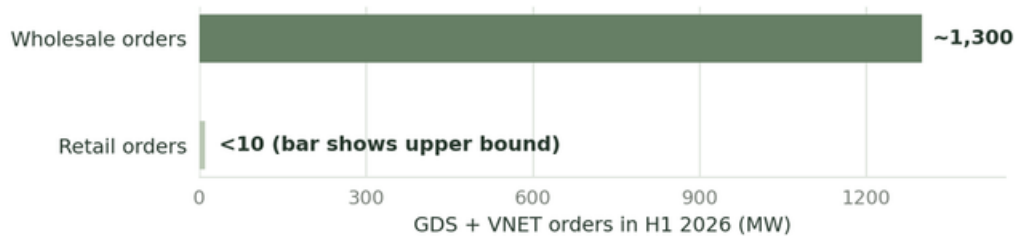
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China: AI demand does not rescue legacy retail racks



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THE WEEK AHEAD | WHAT WE ARE WATCHING

FIVE TESTS FOR THE NEXT PHASE OF THE BUILDOUT

The next useful disclosures are the ones that reduce uncertainty about cash generation, not merely expand the announced pipeline.

01 BACKLOG CONVERSION

Binding project finance, acceptance milestones and active capacity rather than a larger total-contract-value announcement.

02 CREDIT SELECTIVITY

Issue discounts, amortization and construction protections; a distinction between repricing and a market that actually closes.

03 PERMISSION AFTER THE PAUSE

What replaces temporary restrictions, whether existing rights survive, and whether subsequent phases require new approval.

04 FACTORY-TO-SITE PROOF

Evidence that qualified modules, integrated controls and earlier testing reduce commissioning failures and shorten the path to dependable revenue.

05 WHO PAYS FOR FLEXIBILITY

Contracts that compensate storage, uprates and onsite generation for explicit services without promising the same operational capacity twice.

READING THE NUMBERS

Dollar amounts are U.S. dollars unless stated otherwise. Contract values, capital spending, financing commitments and market values measure different things and are not additive. MW and GW are labeled as IT load, generation nameplate or total facility demand where the distinction affects the analysis. E denotes an estimate; pp denotes percentage points.

Charts are analytical redraws with their sources identified. The delay-interest chart is an illustrative calculation, not a project forecast. Corporate guidance, research scenarios and vendor claims remain subject to their stated assumptions. Source dates, measurement periods and transaction status are retained; reporting cutoff is October 3, 2026.

ABOUT DIGITAL POWER DIGEST

Digital Power Digest is Keel Infrastructure's intelligence briefing on power markets and digital infrastructure: generation, grid access, capital markets, equipment, regulation and the economics of the AI buildout. Edited by Chris Ruppel, SVP - Power. Analysis reflects public information and editorial judgment; it is not investment advice.

BOTTOM LINE: This issue's investment test: distinguish announced scale from accepted capacity, and system benefits from the cash flows an investor can actually own.