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Data Center Briefing

December 19, 2025

Global

Key themes:
FERC enables direct data center-to-power plant colocation in mid-Atlantic; PJM capacity prices hit record highs amid data center demand and supply shortfall; Michigan approves $7bn, 1.4 GW OpenAI/Oracle campus contracts with tariff/cost-study conditions; Permitting and political backlash rising (moratorium calls, zoning tightening, mandated studies); UK planning reform and cap-and-floor support signal faster grid/storage build-out; EU moves to mandatory, broader FDI screening for hyper-critical tech and infrastructure; Delivery, networking and connectivity platforms continue scaling (T5, Arista, Telehouse/Megaport); Early-stage nuclear/SMR-data center linkages via Blykalla's $50m raise and MoU

Market overview (Global | 19 Dec 2025 UTC)

Demand signals remain strong, but the investable bottleneck is increasingly **power and grid access**—and the policy response is becoming more interventionist.

- In the US, **capacity market tightness** is showing up directly in price: PJM cleared capacity at **$333.44/MW-day** with **134,479 MW** of supply clearing, about **6,600 MW** short of PJM's reliability requirement, alongside commentary that data center demand is outpacing supply (PJM capacity prices surge as data centers tighten supply).
- Regulators are also moving to accommodate load growth: FERC issued a **unanimous** order permitting large data centers to connect directly to power plants, clarifying "colocation" arrangements across the **mid-Atlantic grid region** (FERC allows data centers to connect directly to power plants).
- In parallel, **community, environmental and political pushback** is rising across multiple jurisdictions (Michigan, South Carolina, Virginia, Maryland), raising execution risk for greenfield campuses.

Risks and watchpoints

Near-term downside/upside risks, execution challenges, and policy uncertainty to monitor:

- **Grid and capacity cost pass-through risk (downside)**: Record PJM capacity prices and a supply shortfall increase the probability of **higher delivered power costs** and/or more stringent interconnection and deliverability requirements for data center load (PJM capacity prices surge as data centers tighten supply).
- **Regulatory backlash and moratorium risk (downside)**: A US push led by Sen. Bernie Sanders and 200+ environmental groups calls for a **national moratorium** on new data center construction; local activism is cited as blocking/delaying **~$64bn** of plans (US calls for data center moratorium amid AI energy concerns).
- **Cost allocation and tariff design uncertainty (downside)**: Michigan regulators approved fast-track utility contracts for a major AI campus with explicit conditions around **cost allocation, a data center tariff, and cost-of-service studies**—a template that could spread to other states and affect power economics (Michigan approves DTE contracts for Saline Township data center).
- **Financing/execution risk on mega-projects (downside)**: The Saline Township project faces "financing questions" after reports that **Blue Owl Capital will not support the deal** (Michigan approves DTE contracts for Saline Township data center).
- **Colocation as an upside/acceleration lever**: FERC's order enabling direct connections to power plants could materially **shorten time-to-power** for certain campuses—benefiting developers able to structure compliant colocation/offtake arrangements (FERC allows data centers to connect directly to power plants).
- **Environmental/water constraints and disclosure pressure (downside)**: New estimates suggest AI systems could emit **32.6–79.7 Mt CO_2** in 2025 and use **312.5–764.6bn liters** of water, intensifying demands for operator disclosure and potentially influencing permitting/incentive debates (AI's 2025 carbon footprint may match New York City).
- **Investment screening friction in Europe (downside)**: The EU agreed to overhaul its FDI screening framework with mandatory national regimes and minimum sector scopes covering "hyper-critical" technologies (including AI/semiconductors) and key infrastructure—potentially extending timelines for cross-border M&A and greenfield ownership structures (EU agrees overhaul to mandatory FDI screening framework).

Key deals, financings, and corporate moves

US: Large-load contracting and new generation adjacency

- Michigan approves DTE contracts for Saline Township data center

- Michigan Public Service Commission approved DTE Energy’s **fast-track contracts** supporting a planned **$7bn**, **1.4 GW** OpenAI and Oracle data center in **Saline Township**.
- Contract structure and regulatory conditions:
  - A ~**19-year power supply agreement** (with **20-year extension option**).
  - A **15-year energy storage agreement**.
  - Conditions include **cost allocation requirements**, establishment of a **data center tariff**, and mandated **cost-of-service studies**.
- Notable overhang: financing uncertainty after reports **Blue Owl Capital will not support** the deal.

- FERC allows data centers to connect directly to power plants
  - FERC issued a **unanimous** order permitting tech companies to plug massive data centers **directly into power plants** to clarify “colocation” arrangements across the **mid-Atlantic**.
  - The decision was welcomed by power plant owners and industry groups including **Advanced Energy United** and the **Edison Electric Institute**.
  - Implication for investors: potential acceleration in **behind-the-meter / co-located load** structures adjacent to existing generation assets.

Europe: Nuclear and planning reform signals

- Swedish SMR Startup Blykalla Raises $50M For Deployment
  - Sweden’s **Blykalla** raised **$50m (€42m)** co-led by **Oklo**, **Norrsken Launcher** and **Armada Investment AG**.
  - Development milestones: scaling testing at an **Oskarshamn** test site; design of **Sealer-One** demonstrator; preparing mass production of **55-MW Sealer-55**.
  - Data center angle: MoU with **Evroc** and **Studsvik** to explore a **nuclear-powered data centre**.
- UK Planning and Infrastructure Act accelerates housing and clean energy
  - UK Planning and Infrastructure Act received **Royal Assent**, introducing broad planning reforms to accelerate critical infrastructure including **clean energy and grid**.
  - The Act also enables mechanisms such as **electricity bill discounts of up to £2,500** for communities hosting new pylons.
- UK minister outlines support for long-duration electricity storage
  - UK government support for next-gen long-duration electricity storage via **Ofgem’s cap and floor scheme** (revenue stabilization; no specific amounts disclosed).

- Bank of England Agents report weak UK economic conditions
  - UK macro conditions remain weak, but the Agents report notes relative resilience in **datacentres**, alongside renewables and IT services (AI/cloud-related spending).

Asia-Pacific: Fiber + small-scale DC capacity consolidation

- Moratelindo and MyRepublic announce merger to boost digital ecosystem
  - Indonesia: **Moratelindo** and **MyRepublic Indonesia** agreed to merge; Moratelindo survives as **PT Ekamas Mora Republik Tbk**.
  - Timing: expected completion **H1 2026**, subject to regulatory and shareholder approvals.
  - Combined assets (as of Sept 2025): **>115,000 km fiber**, **six data centers** totaling **3.3 MW**, ~**1.52m end users** (MyRepublic) and ~**1m home passes** (Moratelindo).
- RETN expands BBIX partnership to Hong Kong and Singapore
  - RETN expanded its resale/peering partnership with **BBIX** to **Hong Kong and Singapore** (in addition to Japan).
  - Rollout: RETN will deploy **Flex IX** at BBIX locations in **Tokyo, Hong Kong and Singapore**.

Delivery and connectivity platforms (private market relevance)

- T5 Services rapidly scales integrated data center delivery
  - T5 Services (part of T5 Data Centers) reports growth from **$87m (2021)** to **$1.6bn (2025)**.
  - Operating footprint: manages **77 data centers** and **>4 GW** across the US and Europe.
  - Delivery track record: **750 MW** and **2m sq ft** of mission-critical space delivered.
- Telehouse Canada partners with Megaport for advanced cloud connectivity
  - Partnership enables on-demand cloud/AI connectivity from Telehouse Canada over **Megaport’s NaaS platform**.
  - Provides access to **280+ cloud on-ramps**, **300+ service providers**, **Megaport Cloud Routers**, and the **AI Exchange** ecosystem.
- Arista unveils Netdi-powered Blue Box for AI networking
  - Arista launches Netdi-powered **Blue Box** for large-scale AI/cloud DC networking: NOS-agnostic reliability tooling, deep diagnostics, secure boot, and resilience features.

Power, grid, and interconnection highlights

- PJM capacity prices surge as data centers tighten supply
  - Record capacity price of **$333.44/MW-day**; capacity prices up ~**1,000%** over about two years.
  - Cleared supply of **134,479 MW**, ~**6,600 MW** below PJM's reliability requirement.
  - One named beneficiary: **Talen Energy** expects **>$1bn** in capacity revenues for the **2027–2028** planning year.
- FERC allows data centers to connect directly to power plants
  - Regulatory clarification on colocation suggests a potential shift toward **generation-adjacent siting** and novel offtake structures for large loads.
- Ford pivots to grid batteries, repurposes Kentucky plant for storage
  - Ford will invest **$2bn** to convert its **Glendale, Kentucky** plant to **lithium iron phosphate (LFP) grid batteries**, targeting **≥20 GWh/year** shipments by **2027**.
  - Broader relevance: grid storage scaling is becoming a key enabler for incremental load (including data centers), though project economics depend on market design and interconnection.
- Washington urged to reform grid permitting and transmission
  - Call for Washington State 2026 reforms: create a **transmission authority**; streamline **EFSEC**, **SEPA**, and local zoning to accelerate transmission build-out.

Policy, regulation, and community permitting signals

United States: rising scrutiny, studies, and zoning responses

- Maryland lawmakers override governor on climate, data center bills
  - Maryland General Assembly overrode vetoes to require studies of **GHG costs and data center impacts** and to establish an **energy planning office**.
- Proposed Colleton County data center faces environmental pushback
  - Proposed **~859-acre** data center campus in **Colleton County, South Carolina** faces opposition over energy/water/siting in the **ACE Basin watershed**.
- PEC updates on Culpeper solar, data centers, advocacy

  - Virginia: Culpeper County actions include tighter **data center zoning**; local mobilization against **Dominion's proposed net metering cuts** ahead of the **2026 legislative session**.

- Michigan communities grapple with data center energy and water impacts
  - Discussion of proposed **6.8 GW** of data center capacity in Michigan, with recommendations for statewide regulation, zoning tools and third-party municipal review.
  - Land-use comparator cited: offsetting **6.8 GW** with solar would require about **70,000 acres**.

- US calls for data center moratorium amid AI energy concerns
  - Moratorium call is a material headline risk for pipeline development, even if not enacted, as it can influence local decision-making and utility commission posture.

Europe: investment security and infrastructure acceleration

- EU agrees overhaul to mandatory FDI screening framework
  - New EU framework mandates national screening regimes with minimum scope covering defence and "hyper-critical" technologies (AI, quantum, semiconductors), critical raw materials and key infrastructure.
  - Applies **18 months after entry into force**.

Governance frameworks emerging around hyperscale development

- Guiding hyperscale data centers for fair AI futures
  - Policy tools proposed for cities/states in negotiations with hyperscalers: transparent impact analysis, cost-reflective pricing, conditional incentives, and public-interest AI investments tied to hyperscaler revenues.

What to watch (next 1–4 weeks)

- How quickly market participants operationalize the FERC colocation clarification (and whether it triggers disputes over cost allocation and reliability impacts).
- Follow-through on Michigan's DTE fast-track approval: tariff design, cost-of-service study outcomes, and any further clarity on project financing.
- Whether elevated PJM capacity prices in the latest auction outcome translate into higher all-in PPA/retail structures for data center load.
- Escalation of US state-level study/zoning actions (e.g., Maryland, Virginia/Culpeper) into broader legislative constraints.
- Europe: timelines and deal implications of the EU FDI screening overhaul for AI/critical infrastructure transactions.

- Planning/permitting trajectory for contested greenfield campuses such as the ~859-acre Colleton County proposal.

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