

By: Guest Writer
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NEWS & ANALYSIS

AI infrastructure needs more than power. It needs proof

For most of the last cycle, a data centre was a demand story, and demand was the easy part to underwrite. That has changed, writes Jonathan Siegel, partner, Altes Capital, which announced a collaboration with Zero Intensity in June.

More than \$150 billion of US data centre projects were blocked or delayed last year, according to Data Center Watch – not for lack of capital, but for lack of a path through permitting, water and grid. This is the number that GPs underwriting this asset class, and the LPs allocating to it, should be sitting with right now.

The demand case for data centres is largely settled: Goldman Sachs' baseline model puts spending on compute, data centres and power at roughly \$7.6 trillion from 2026 through 2031. What happens to that capital once it lands on a site is the harder problem.

For most of the last cycle, a data centre was a demand story, and demand was the easy part to underwrite. That has changed. Now the obstacles are physical and local: the power connection that won't be ready until the end of the decade; the county board that tables the rezoning; the water a community won't agree to give up; and the insurer asking questions it didn't ask two years ago. These factors used to sit in a sustainability appendix. Today they sit in the underwriting file.

The concerns behind those obstacles are justified, and they matter well beyond whether a deal closes on time.

A large data centre can add enough load to trigger major grid upgrades, and unless those costs are ring-fenced through dedicated large-load tariffs or similar

structures, some of the expense can be spread across other customers.

Data centres can draw millions of gallons of water a year from places that don't have much to spare. They change the noise, light and traffic for whoever lives next door, often for the life of the asset. That's the community's water table and the community's grid, for as long as the facility stands. Communities pushing back are usually asking exactly these questions, and they're close to the same diligence questions a responsible investor should already be asking before committing capital.

That friction is not isolated. The delays Data Center Watch tracked were driven less by capital availability than by local opposition, moratoria, litigation, permitting and zoning fights. The resistance runs wide, too – in a March 2026 Gallup poll, 71 percent of Americans said they opposed an AI data centre being built in their local area. A project can have every dollar arranged and still die in a hearing room.

What this adds up to is a repricing. The same questions now move the deal: where the power comes from; what the site does to the local grid and water; and whether the people next to it can live with it. A project that answers them cleanly is more likely to get through permitting, diligence, financing and sale faster and at a lower cost. One that can't will risk paying for it at

every gate, usually without anyone writing the cost down as "environmental".

Verification is a floor, not a ceiling. A project that documents its water draw and grid impact honestly has cleared the first bar – but a fully disclosed negative is still a negative for the people living with it. The harder distinction, and the more useful one, is between projects that measure their footprint and projects that actually shrink it. Examples include closed-loop and recycled-water cooling instead of evaporative draw; power agreements that add new generation rather than lean on existing capacity; and a grid investment that upgrades service for the whole surrounding area and not just the facility behind the fence. The standard worth building toward rewards the second kind of project over the first, not just the honest kind over the dishonest kind.

The trouble is that many of those answers still arrive in forms that are hard for outsiders to verify. There are sustainability metrics and rating schemes, but investors, lenders, insurers and local officials often still have to rely on developer-provided figures rather than evidence they can independently test. That is a weak foundation for decisions this large.

Zero Intensity has developed a protocol, ZIP, designed to test a data centre's environmental data – power, water, grid impact, operating transparency



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and community posture – against a fixed evidentiary framework. The premise is simple: where the underlying data is too thin to support the claim, the asset should not get the benefit of the doubt, and every score should trace back to the evidence behind it. That standard matters as much to the people living next to a site as it does to the lender financing it.

At Altes, that kind of output belongs

in the underwriting file next to the interconnection study and the debt terms. It holds an environmental claim to the same test as everything else in the deal: show the evidence, or it doesn't count.

For anyone putting institutional money to work, the point is narrow and practical. The next phase of this build-out will be decided one site at a time, and the sites that clear are more likely to be the ones

that can prove – to a lender, an insurer, a tenant, a neighbor – that they are what they claim to be. Call it a diligence standard. It is quickly becoming part of what the market requires.

The responsible question – for capital, and for the communities being asked to host these projects – is whether it's backing the ones that can show their work.