The energy buildout: 5 investment themes in a power-hungry world

Rising energy consumption is creating a broad and complex opportunity set for investors. No single fuel or technology can meet the world's needs alone, elevating the importance of a diversified, flexible approach.

by **Tyler Rosenlicht,** Head of Natural Resource Equities

KEY TAKEAWAYS

The energy buildout imperative

Surging global energy demand, driven by AI, population trends and economic growth, requires massive investment. Meeting these needs will require expanding both traditional and alternative energy sources.

5 themes in scaling a resilient energy mix

Natural gas, nuclear power, oil sands, energy security and grid infrastructure each play distinct roles, supporting reliability and decarbonization as investment opportunities expand across the full energy value chain.

Better results via diversification and active management

A flexible, active strategy across traditional and alternative energy allows for dynamic allocation, helping to capture opportunities (amid wide return dispersion) while supporting stronger growth potential.

The energy buildout imperative

The global economy is entering a period of extraordinary energy usage. Meeting surging demand will require more energy from every viable source—not a trade-off between traditional and alternative fuels, but a simultaneous expansion of both.

Global energy consumption is rising at a pace rarely seen, with demand expected to reach unprecedented levels through at least mid century (Exhibit 1). While the rapid growth of artificial intelligence and need for data centers is a powerful contributor, this is not a single factor story. Population growth, economic expansion and accelerating electrification across households, industry and transportation are collectively driving a sustained increase in energy use across both developed and emerging markets.

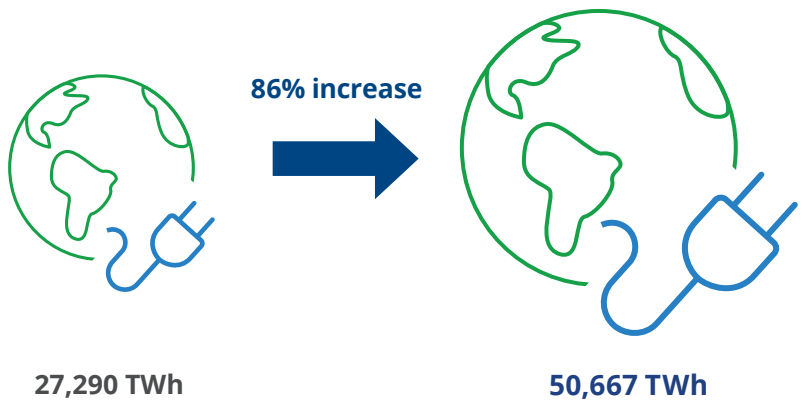
Together, these forces underscore a central reality: Global energy demand is rising faster than any one fuel or technology can grow to meet it. Power systems must scale quickly while maintaining reliability, affordability and progress toward decarbonization objectives.

EXHIBIT 1

The need for power is growing faster than ever

Projected global electricity demand growth to 2050

1 Terrawatt hour (TWh) can power **~95,000 U.S. households** for **one year**



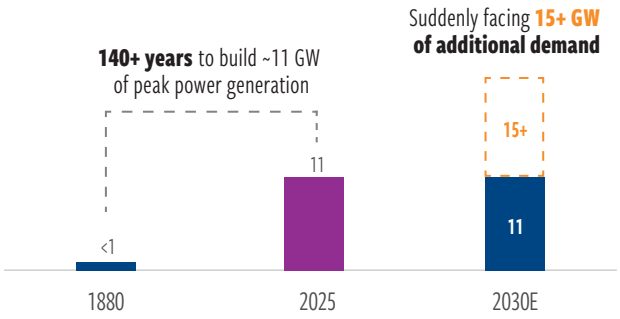
At May 31, 2026. Source: International Energy Agency, Cohen & Steers.
Current estimate based on consumption data from 2024.

Meeting incremental electricity needs—particularly those associated with data centers will require additions to power generation capacity that far exceed historical build rates. In one illustrative case, a Midwestern utility is being asked to add more generation capacity before the end of the decade than it built over the prior century. This scale highlights a practical constraint: Relying on any single energy source is neither realistic nor sufficient (Exhibit 2).

EXHIBIT 2

Data centers will be a major contributor to power demand

Case study: Midwest utility serving Kansas and Missouri



Data center operators are asking this utility to build more power generation in the next five years than it has in the previous 140+ years.

At May 31, 2026. Source: Carbon Collective, Cohen & Steers.

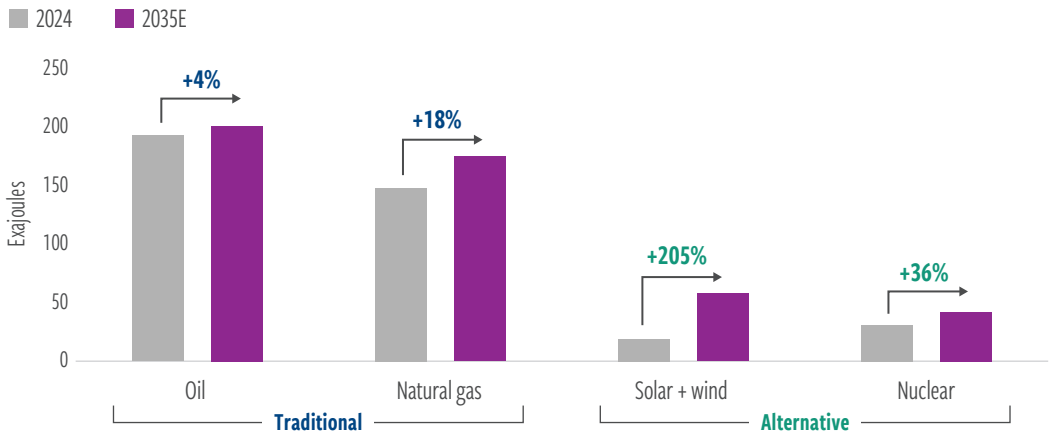
The world will continue to adopt alternative forms of energy, but the transition toward alternatives does not mean the imminent obsolescence of traditional fuels. While solar, wind and nuclear power are expected to grow rapidly off a small base, oil and natural gas consumption will also continue to rise, in absolute terms, over the next few decades (Exhibit 3).

Alternatives are critical to decarbonization and long-term sustainability, but traditional energy remains essential for reliability, scale and baseload power, particularly as intermittent renewables expand. The central challenge ahead is mobilizing sufficient capital, infrastructure and innovation across the entire energy spectrum to support a more energy intensive global economy. The future of energy is less about replacement and more about expansion—adding every viable source to meet rapidly rising needs.

EXHIBIT 3

Rumors of traditional energy's death have been greatly exaggerated

Total projected global energy consumption by fuel (2024–2035, in exajoules)



At May 31, 2026. Source: International Energy Agency.
Forecasts are inherently limited. There is no guarantee that any market forecast will be realized.

5 themes in scaling a resilient energy mix

Rising global demand is creating opportunities across the energy value chain. Below, we examine key investment themes spanning both traditional and emerging sources of supply.

1. Natural gas: The bridge to renewable energy

Natural gas plays a constructive role in the transition to a renewable energy economy by bridging today's fossil fuel–dominated mix and a more renewable future. While wind and solar capacity are expanding rapidly, their growth remains constrained by intermittency, storage limitations and grid integration challenges. Natural gas helps offset these limitations, supporting system reliability as longer-term solutions continue to scale.

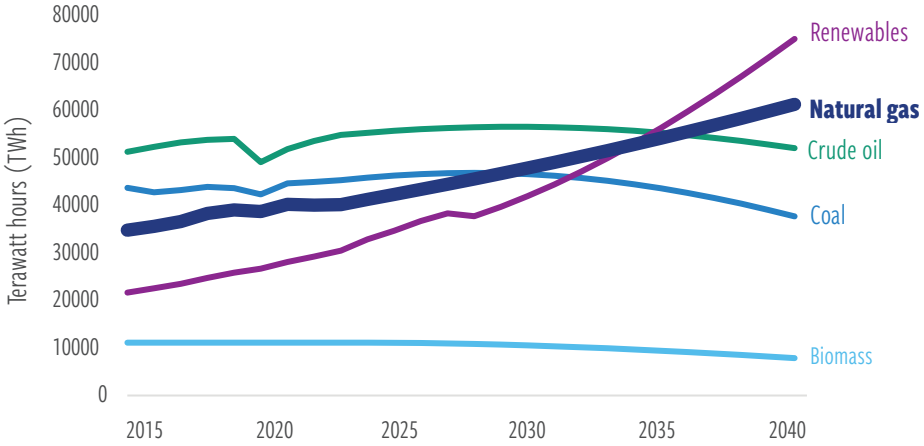
Natural gas is a cleaner-burning fuel than coal, and it is one of the most quickly deployable ways to lower the carbon intensity of electricity systems without sacrificing reliability or affordability. It also enhances grid stability. Gas fired power plants can ramp production up or down quickly to balance fluctuations in wind and solar output, helping utilities manage peak demand, reduce outage risk and limit price volatility. This operational flexibility makes it easier for grid operators to incorporate higher levels of renewable generation over time.

From an investment perspective, rising gas demand has implications well beyond producers. Gas distribution and midstream energy companies that operate pipelines, storage facilities and liquefied natural gas (LNG) infrastructure stand to benefit as gas volumes increase. Electric utilities that use gas-fired generation also play a central role, providing capacity that supports renewable integration while meeting growing electricity demand.

EXHIBIT 4

Natural gas will play a key role as renewables continue to scale

Total energy consumption by fuel type to 2040



At May 31, 2026. Source: Our World in Data, Cohen & Steers.
Past performance is no guarantee of future results. Forecasts are inherently limited. There is no guarantee that any market forecast will be realized. The forecasts above are based on policies currently in place. Renewables include wind, solar, hydropower, nuclear, biofuels and other sources.

2. The nuclear power renaissance is just getting started

Nuclear power represents another key supply source for baseload, low-emission energy. Unlike wind and solar power, whose output depends on weather conditions and daylight (and therefore requires extensive backup capacity and grid-scale storage), nuclear delivers continuous, around-the-clock electricity.

Although constructing traditional, large-scale nuclear plants is expensive, once built they have low operating costs and very long lifespans, delivering affordable electricity for decades. Fuel accounts for only a small share of generation cost (much lower than for natural gas or coal), helping keep nuclear power prices stable and insulated from commodity price volatility. By providing dependable capacity, nuclear power can also lower total system costs by reducing the need for costly storage, peaking resources and standby generation that a renewables–heavy system would otherwise require.

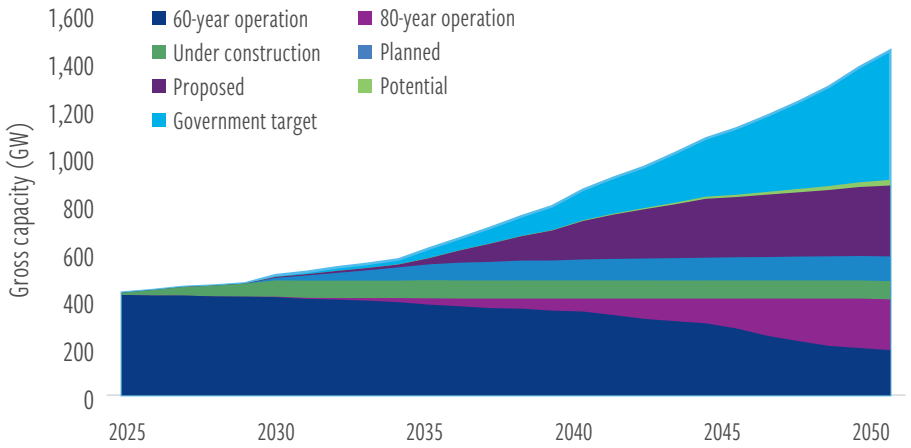
Public concerns—particularly about nuclear waste disposal—remain, but support for nuclear power is expanding, including for small modular reactors that may be built economically and fairly quickly. Approximately 440 reactors are currently in operation, totaling roughly 400 gigawatts (GW) of capacity and supplying about 9% of global electricity. Nuclear's market share is likely to ramp up meaningfully over time. Another 76 GW of capacity is under construction, with more than 300 GW additional capacity announced or proposed—enough to more than than double nuclear generation capacity to roughly 880 GW by 2050, though still well short of government targets (Exhibit 5).

We see attractive opportunities in select nuclear-related companies, including uranium suppliers, manufacturers of nuclear fuel components and leading nuclear power-generating electric utilities.

EXHIBIT 5

The world is committing to new nuclear capacity

Estimated global nuclear capacity to 2050



At January 21, 2026. Source: World Nuclear Association.
Forecasts are inherently limited. There is no guarantee that any market forecast will be realized.

3. Oil sands: Long-lived reserves

For years, many investors have assumed that oil consumption will decline as the world turns to alternatives. As a result, Canadian oil sands producers were largely written off as essentially annuities with finite (15–20 year) lifespans. In reality, however, oil sands companies stand out as attractive long-term investments.

Oil sands production involves extracting a thick, heavy substance known as bitumen, either through surface mining or by heating it underground so that it can be pumped to the surface where it is then upgraded into synthetic crude oil. Producers' vast, long lived (100+ years) reserves enable decades of stable output without the capital-intensive "drilling treadmill" of shale fields, where first-year production decline rates are often greater than 40% (Exhibit 6). This gives oil sands producers a low-cost, "no-decline" production profile, which translates into strong free cash flow generation, high capital efficiency and healthy balance sheets supporting reliable shareholder returns.

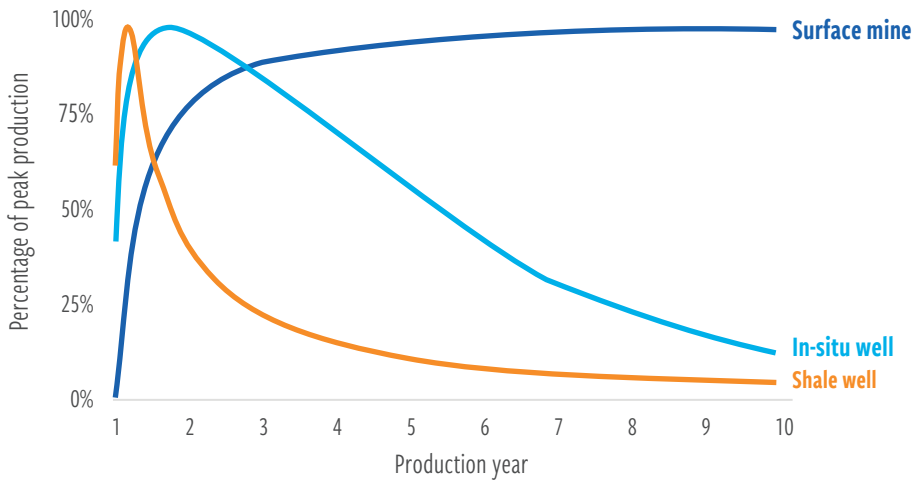
Many oil sands operators are also vertically integrated, combining mining with on-site upgrading, allowing them to capture more value per barrel and operate at high utilization rates, a structure that bolsters resilience across commodity price cycles.

While oil sands investments are not without risks—notably, exposure to crude price volatility and evolving environmental policies—their durable, low-cost production base allows them to navigate these challenges. As investor perceptions continue to evolve, oil sands companies could see higher valuation multiples and enterprise values over time.

EXHIBIT 6

Oil sands require less ongoing drilling to sustain production

Illustrative crude oil production curves



At May 31, 2026. Source: Canadian Association of Petroleum Producers, Cohen & Steers..
Past performance is no guarantee of future results. The information presented above does not reflect the performance of any fund or other account managed or serviced by Cohen & Steers, and there is no guarantee that investors will experience the type of performance reflected above. Decline rates represents how quickly production decreases, as a percentage of peak production, on a year-over-year basis.

4. The importance of energy security

In an era of rising geopolitical tension, energy security is no longer a background consideration but rather a central driver of risk and return. Concentrated supply chains and political instability can quickly ripple through energy markets, with broad consequences for inflation, growth and asset performance.

The Russia–Ukraine war disrupted natural gas flows to Europe, sending energy prices sharply higher and forcing governments into costly emergency responses. More recently, the U.S.–Iran war delivered a similar lesson on a global scale. The risk of disruption alone was enough to push oil and LNG prices higher. Higher prices feed inflation, strain trade balances and weigh on growth, even in the absence of outright shortages.

Investing in companies with operations in politically stable energy producing regions has taken on added importance (Exhibit 7). Oil from the U.S. and Canada, offshore production from Brazil, and LNG from Australia, for example, offer diversification away from higher risk regions. These supplies benefit from stable institutions, transparent regulation and well-established infrastructure, making them reliable foundations for long-term energy planning.

Energy security risks extend beyond fossil fuels. Just as gas and oil supply chains can be disrupted, nuclear energy introduces its own security dependencies. Nearly 40% of global uranium supply comes from a single country, Kazakhstan. This concentration creates another potential chokepoint, bolstering the appeal of Canadian and Australian producers.

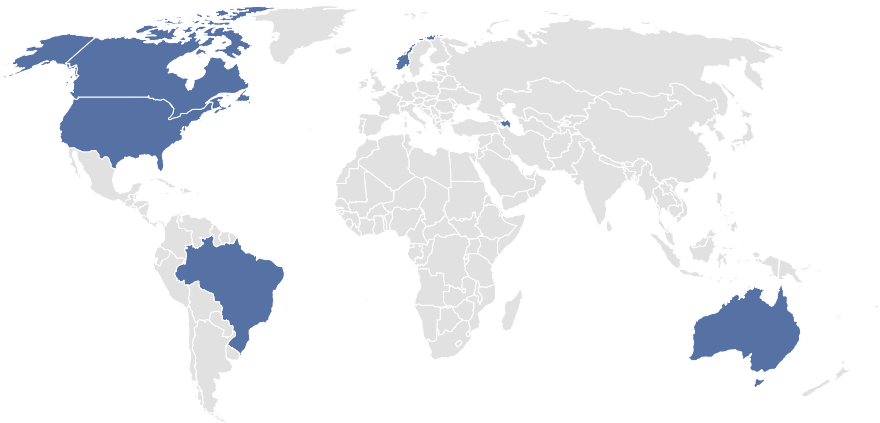
Self-sufficiency is another part of the security story. We expect to see accelerating investment in domestic renewables such as wind and solar in Europe and other areas heavily reliant on energy imports. Locally sourced power can act as a buffer against future price and supply shocks.

EXHIBIT 7

Energy security concerns elevate the value of supply from politically stable regions

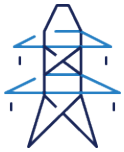
Oil & gas exporting countries with low conflict risk

Countries with stable legal frameworks, contract enforcement and transport infrastructure support more predictable cash flows across cycles.



At May 31, 2026. Source: Cohen & Steers

Countries with widely recognized strong governance and low conflict risk (e.g., OECD members or high World Bank governance scores), and whose oil/gas exports do not depend on the Persian Gulf's Strait of Hormuz.



5. The energy grid buildout

The U.S. electrical grid sits at the center of two powerful forces:

1. Power demand surge—Data centers, electrified transportation and advanced manufacturing are driving a step change in electricity consumption.

2. Supply complexity—Wind and solar penetration is increasingly reordering grid dynamics, requiring significant upgrades to manage variability and system efficiency.

Together, these trends are stretching the limits of an aging grid and driving a multi-year wave of capital spending.

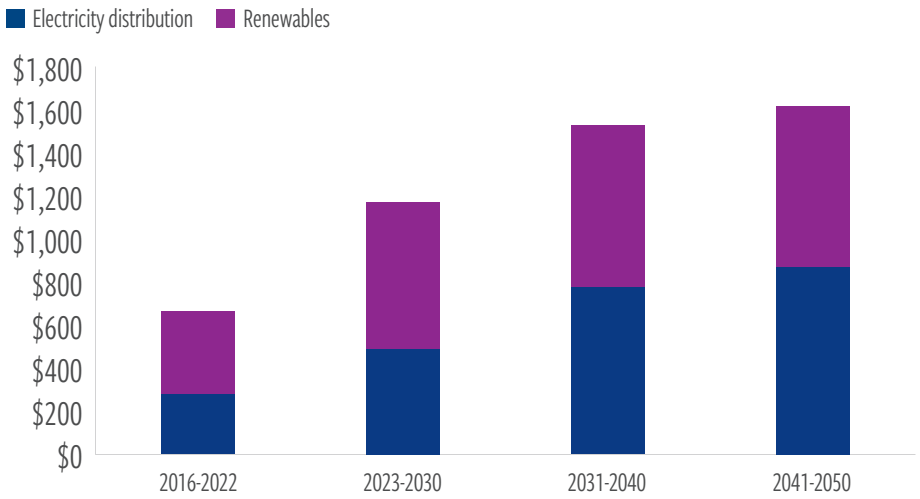
Much of today's transmission and distribution network was built decades ago to deliver one-way power from centralized plants. That model no longer fits. Renewable generation is often far from population centers and is intermittent by nature. Integrating these resources requires new transmission lines, grid-scale storage, advanced substations and digital controls to balance supply and demand. Utilities must also harden existing infrastructure to improve reliability and resilience as extreme weather events become more common.

Global annual grid capital expenditures alone are expected to nearly triple, increasing from around $270 billion in 2016–2022 to roughly $775 billion in the 2031–2040 period (Exhibit 8). This buildout creates a broad investment opportunity across regulated utilities, grid equipment manufacturers and infrastructure service firms. Equipment makers that supply power electronics and grid software stand to see sustained demand as utilities modernize their systems. Engineering, construction and services firms add another layer of exposure as projects move from planning to execution.

EXHIBIT 8

Record levels of capital are being committed to transmission, distribution and grid resilience

Average annual investment in grids and renewables ($ billions)



At September 30, 2023. Source: International Energy Agency, Cohen & Steers.
Forecasts are inherently limited. There is no guarantee that any market forecast will be realized.

Better results through diversification and active management

Traditional energy strategies focus primarily on oil, gas and consumable fuels companies, with smaller allocations to energy equipment and services. Alternative energy strategies, by contrast, typically concentrate on electrical equipment manufacturers, independent power and renewable electricity producers, electric utilities, and companies that make semiconductors and related equipment. These two universes are driven by fundamentally different forces. Historically, when one segment has outperformed, the other has often lagged.

Adopting an either/or approach, investing exclusively in traditional or alternative energy, can exclude companies benefiting from the world's energy demands, potentially resulting in significant missed opportunities. We believe that allocating across the full energy value chain—spanning producers, enablers and developers shaping both traditional and alternative energy markets—can improve returns while helping to dampen volatility (Exhibit 9).

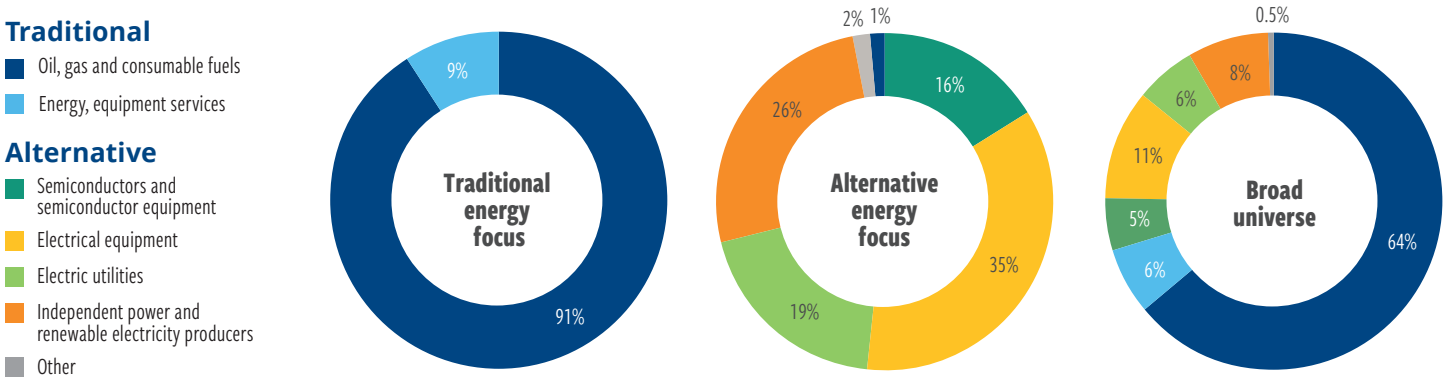
EXHIBIT 9

Investing across traditional and alternative energy creates a superior portfolio

10-year performance statistics

	S&P Energy Select Sector Index(1)	S&P Global Clean Energy Transition Index(2)	70% traditional/30% alternative
Annualized return	11.6%	9.2%	**12.1%**
Annualized volatility	29.8%	26.3%	**24.4%**
Sharpe Ratio	0.44	0.38	**0.50**
Max drawdown	–58.3%	–60.0%	**–44.4%**

Portfolio construction



At March 31, 2026. Source: Cohen & Steers.

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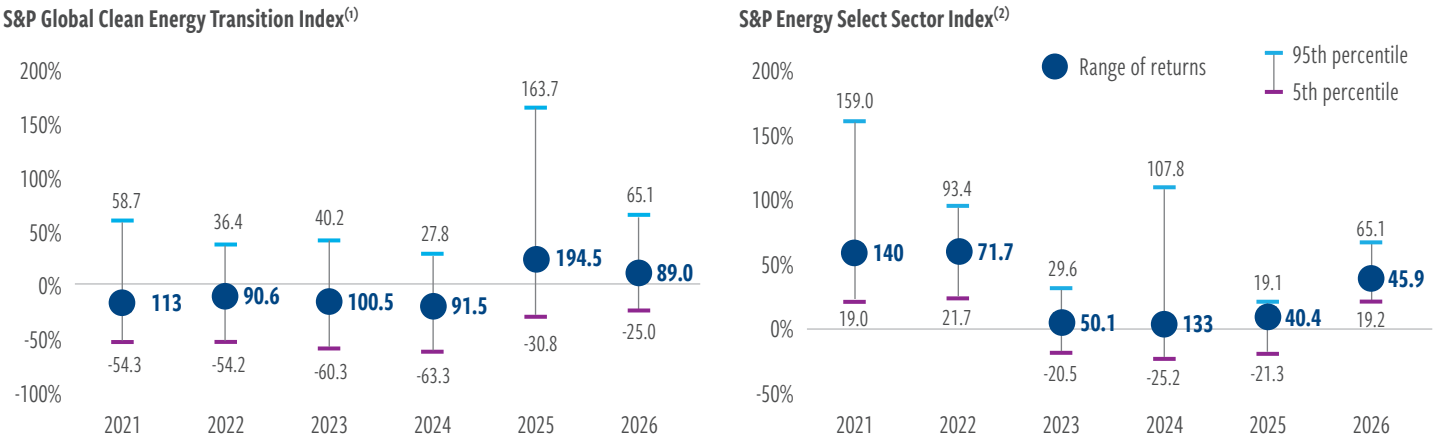
At a broad level, traditional energy equities are often closely linked to movements in crude oil prices, while clean energy shares tend to be more sensitive to interest rates, capital costs and policy decisions. These differing return drivers contribute to wide performance dispersion across the full energy universe. At the company level, factors such as technological change, operational execution and balance sheet strength can also play a meaningful role in driving returns (Exhibit 10).

EXHIBIT 10

Return dispersion favors active management

Annual variation in stock returns for alternative and traditional energy



At March 31, 2026. Source: Morningstar, Cohen & Steers.
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Why active management matters

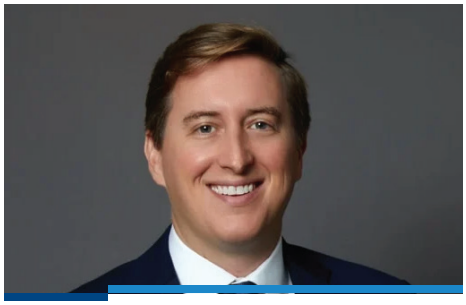
Pairing passive traditional and alternative strategies is an imperfect solution to energy investing. Passive approaches are fairly static and typically track market capitalization–weighted indexes, meaning the largest constituents disproportionately shape performance, irrespective of underlying fundamentals. Additionally, attractive energy-related opportunities outside of those passive benchmarks may be overlooked.

Capturing the full opportunity requires adaptability. A dynamic, fundamentals-driven approach enables capital to be allocated toward areas offering more attractive valuations or stronger earnings prospects. Beyond sector positioning, disciplined stock selection across the capitalization spectrum can also be an important contributor to excess return.

In our view, a single, actively managed portfolio from a specialist manager provides a more effective way to navigate this complexity. Flexible, high-conviction investing across the full energy value chain can help investors pursue attractive returns while managing downside risk in a rapidly evolving market.

About the author

Tyler Rosenlicht, Senior Vice President, is a portfolio manager for Global Listed Infrastructure and serves as Head of Natural Resource Equities. Prior to joining the firm in 2012, Mr. Rosenlicht was an investment banking associate with Keefe, Bruyette & Woods and an investment banking analyst with Wachovia Securities. Mr. Rosenlicht has a BA from the University of Richmond and an MBA from Georgetown University. He is based in New York.



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