



Microsoft, BlackRock, and MGX launch a \$30 billion AI infrastructure fund.

By Hasti Mozhdehi

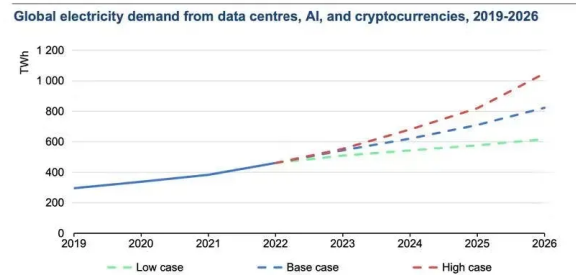
What is the Context?

On 12 January 2024, BlackRock announced that it would buy 100% of Global Infrastructure Partners (GIP) - an infrastructure investor that invests, owns, and operates some of the most significant assets across the energy, transport, digital infrastructure and water and waste management sectors - for \$12.5 billion (\$3 billion in cash and \$12 billion in BlackRock shares). Advised by Skadden and Fried Frank in this transaction, BlackRock acquired \$150 billion in infrastructure assets.



(Image Credit: Sean Buckley / Data Center Frontier)

According to the International Energy Agency (IEA), data centres' total electricity consumption could reach more than 1,000 terawatt-hours (TWh) in 2026 (compared to 460 TWh in 2022). Goldman Sachs Research estimates that by 2028, AI will represent about 19% of data centre power demand. Therefore, it is no surprise that AI's high consumption requires consistent energy sources to power the AI data centres that contribute to economic growth.



Notes: Includes traditional data centres, dedicated AI data centres, and cryptocurrency consumption; excludes demand from data transmission networks. The base case scenario has been used in the overall forecast in this report. Low and high case scenarios reflect the uncertainties in the pace of deployment and efficiency gains amid future technological developments.
Sources: Joule (2023), de Vries, *The growing energy footprint of AI: CCRI Indices* (carbon-ratings.com); The Guardian, *Use of AI to reduce data centre energy use*; *Motors in data centres*; The Royal Society, *The future of computing beyond Moore's Law*; Ireland Central Statistics Office, *Data Centres electricity consumption 2022*; and Danish Energy Agency, *Denmark's energy and climate outlook 2018*.

AI Data Centre's Global Electricity Consumption (Image Credit: Sean Buckley / Data Center Frontier)

What is Happening?

On 17 September 2024, BlackRock, Microsoft, GIP, and MGX announced a partnership to launch the Global AI Infrastructure Investment Partnership (GAIIIP). This initiative seeks to invest in new and expanded data centre infrastructure for AI and fund energy projects to secure the energy supply needed to support these facilities. Nvidia will offer its expertise to advise on factory design and integration. The

deal seeks to secure \$100 billion in total investments, with \$30 billion in equity investments and \$70 billion in debt financing.

Who are the Key Players, and What Do They Do?

BlackRock is an 'asset management firm'. An asset management firm specialises in the professional management of financial assets to maximise the value of investments over time while mitigating risk by offering services on the buying, selling, and management of client assets. These asset managers can work independently or for a financial institution (e.g. an investment bank or asset management company).



(Image Credit: BlackRock)

Microsoft is a 'technology company' that develops and supports software, services, devices, and solutions. A technology company is generally involved in researching, developing, and manufacturing technologically based goods and services.



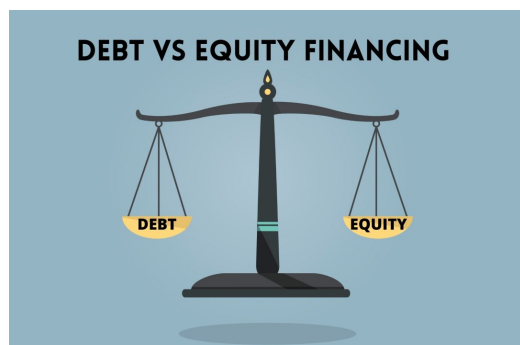
(Image Credit: Microsoft)

MGX is an 'investment firm' backed by the sovereign wealth fund Mubadala and AI firm G42. Its focus is on AI infrastructure, semiconductors, and AI core technologies and applications transactions. Investment firms pool money from investors to invest in financial securities.



(Image Credit: International Forum of Sovereign Wealth Funds)

What is the Difference Between Equity Finance and Debt Finance?



(Image Credit: SKB RESILIENT SDN BHD / LinkedIn)

The two refer to different methods by which a business raises capital (i.e. money). While companies can choose which method to use, governments can only use debt finance.

In equity finance, a company sells a portion of its equity - the shareholder's stake - in return for capital. The company will have more capital to invest as there is no financial burden of interest or required monthly payments, but it does require the company to give the investor a percentage of the company.

In debt finance, a company borrows money from a lender - a loan - and pays that back with interest. The lender will have no control over the business, and the interest paid is tax deductible - a deduction from taxable income that lowers the taxes owed.

What is the Impact on Commercial Law Firms?

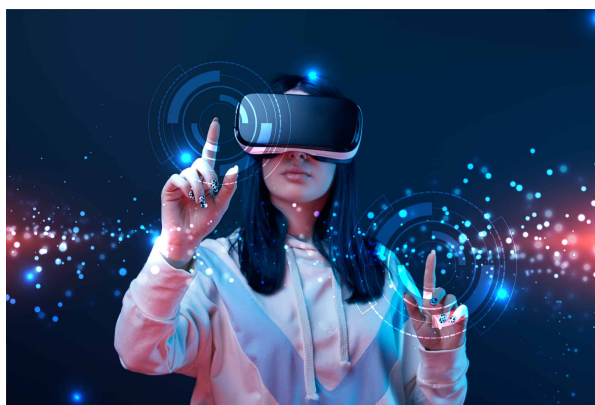


(Image Credit: NetDocuments)

The AI infrastructure fund will create new opportunities for private equity firms and the private equity lawyers who advise on these deals. The capital raised from the fund to invest in AI data centres, combined with the demand for AI, will encourage private equity firms to invest in AI-related projects, and seek out commercial law firms for expertise on matters like regulatory compliance, employment, and due diligence in cross-border mergers and acquisitions.



(Image Credit: Lynn Parramore / Institute for New Economic Thinking)



(Image Credit: McKayla Girardin / Forage)

For tech companies, AI pioneers, and start-ups, the AI infrastructure fund will drive new innovative technologies and encourage these businesses to expand their business operations. For firms with an AI and Intellectual Property (IP) practice, these companies will require services related to drafting contracts, handling IP issues like patent and licensing disputes, navigating data privacy regulations, managing litigation disputes and supporting AI-related mergers and acquisitions.

Commercial Word of the Week

What is a Leveraged Buyout (LBO)?

An LBO is a type of private equity investment based solely on debt. It involves the acquisition of one company by another using borrowed money from an institutional investor (e.g. a bank), with the target company's operations and assets being used as collateral. In this way, private equity firms maximise their potential return in the long run.

Sources

Goldman Sachs, “*AI is poised to drive 160% increase in data center power demand*”, May 14 2024.

(<https://www.goldmansachs.com/insights/articles/poised-to-drive-160-increase-in-power-demand>)

International Energy Agency, “*Global electricity demand from data centres could double towards 2026*”, p. 31, 2024 Report.

(<https://iea.blob.core.windows.net/assets/6b2fd9542017-408e-bf08-952fdd62118a/Electricity2024-Analysisandforecastto2026.pdf>)

BlackRock GIP Acquisition News Story, Thomson Reuters

(<https://www.reuters.com/business/finance/blackrock-quarterly-profit-rises-strong-assets-under-management-2024-01-12/>)

BlackRock, Microsoft, and MGX AI Infrastructure Fund News Story, Thomson Reuters

(<https://www.reuters.com/technology/artificial-intelligence/microsoft-blackrock-plan-30-billion-fund-invest-ai-infrastructure-ft-reports-2024-09-17/>)

