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# Bernstein Energy & Power: Loss, not change, is what we're actually afraid of...

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## LOSS, NOT CHANGE, IS WHAT WE'RE AFRAID OF...

by Sunaina Ocalan

*"The world hates change, yet it is the only thing that has brought change." — Charles Kettering*

Change is hard, and the easy explanation is that people resist anything new. I can attest to this - I recently joined Bernstein after heading up Corporate Strategy and Energy Transition at Hess, and change is definitely hard, even if it's a good change! Anyway...on to the actual topic of this blast...

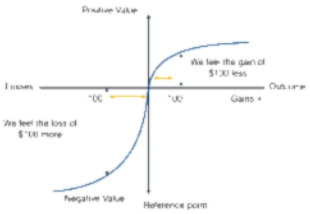
The case we make here is that what people really resist is loss, and change is just the vehicle that loss usually arrives in. The energy transition is a good place to watch this play out because almost nobody objects to cleaner power, more reliable grids, or cheaper bills. That would be absurd and illogical. What people weigh are the immediate costs of switching, the perceived inconvenience, and the potential loss of employment in the fossil fuel sector. Status quo bias, habits, and general inertia are powerful barriers to adoption of change - changing daily practices that lead to different energy choices feels effortful.....(I'm not going to lie - the concept of cooking on an electric stove is something I have not yet been able to overcome...switching feels like a loss of flavor...)

The foundational insight is Kahneman and Tversky's prospect theory, developed while Tversky was at Stanford, which found that losses register roughly twice as painful as equivalent gains feel good. That single asymmetry, first documented in the late 1970s, is the mechanical basis for how people make decisions, including status quo bias, formalized by Samuelson and Zeckhauser at Harvard's Kennedy School in 1988, which showed that people disproportionately stick with whatever they already have, even in major decisions like retirement plans or health coverage, simply because switching feels like a potential loss before it feels like a potential gain.

EXHIBIT 1: **Daniel Kahneman - the GOAT of decision making science**

Source: Picture from Britannica, Chicago Booth

EXHIBIT 2: **The gain/ loss S curve - it feels worse to lose something than to gain something**




Source: Economics help, Wikipedia

## PROSPECT THEORY

Prospect theory posits that people evaluate losses and gains from a central, neutral reference point defined by their individual situation. Therefore, rather than maximizing fixed expected utility...people make value decisions relative to their current situation. The classic example given is the following:

1. In a choice of 100% certainty of winning $100, vs. a 50% chance of winning $250, people typically exhibit risk-averse behavior and choose the 100% certain option, even though the expected outcome of the second choice is higher (i.e. $125)

2. In a choice of 100% chance of losing $10 of losing $250, people typically exhibit ris to avoid any loss, and choose the latter ou has a lower expected utility...people hate

In our sector launch note, we mentioned that capital typically tend to follow one of four for

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reliability, sustainability, and national security. Most of the time these coexist without much tension. But when one force is threatened, it turns an abstract goal into an urgent one, and urgency is really just loss with a deadline attached. Whichever force is under the most pressure at a given moment is where the money and the regulation go.

This turns out to be a useful lens for the data center fight: it explains why change here is proving so hard. It's several different losses, felt by different people, and on different timelines.

Affordability threatened means people are watching their utility bill go up and feeling a squeeze they didn't choose - sometimes, directly feeling like a loss of control. Reliability threatened means the lights might actually go out, which registers as an immediate, physical kind of fear - anyone who has lived through a storm in Texas is acutely aware of this. Sustainability threatened is different in kind. It's a loss that's real but distant, generational, and diffused, which is exactly why it needs mandates, subsidies, and carbon pricing to move capital rather than organic demand. National security threatened is the sharpest of the four, because it reframes energy from a household or local issue into a question of whether the country can be pressured or undercut by another country.

## HISTORICAL EXAMPLES

We have numerous examples of capital rotation over the last fifty years depending on which force was most acutely threatened at the time. The 1970s oil shocks were a security threat, and the response was the Strategic Petroleum Reserve, CAFE standards, and a nuclear buildout that had little to do with affordability or sustainability and everything to do with not wanting to be at the mercy of an oil embargo again. The 2000s and 2010s saw sustainability rise as a policy priority, mostly through top-down mechanisms, renewable portfolio standards, subsidies, because the underlying loss was too slow moving to generate its own political urgency without help. Europe in 2022, after Russia cut gas flows, is maybe the cleanest example of two forces getting threatened at once. Reliability and security both broke simultaneously, and the capital reallocation into LNG import terminals, coal restarts, and renewed interest in nuclear happened in months. Even that fast pivot wasn't easy. It required governments to reverse years of stated climate commitments almost overnight, and plenty of people experienced that reversal as its own kind of loss.

EXHIBIT 3: **1983 Protest against the Presidential Freeway in Atlanta**


Citizens Against Unnecessary Thoroughfares in Older Neighborhoods - Introduction to Engineering Paul H. Wright Source: Flyer used by CAUTION in opposition to the Presidential Parkway; Wikipedia

EXHIBIT 4: **1977 Protest of New York Westway**

Source: nyc.streetsblog.org

## WHAT'S ACTUALLY THREATENED RIGHT NOW

The AI buildout is threatening affordability and reliability for consumers. From many consumers' perspective, this is a national security agenda, being imposed in the form of a race they didn't necessarily sign up for (the AI race against China). On top of affordability and reliability, there's the fear that AI is going to take all our jobs…

Rate increases tied to new data center load have caused electricity prices to rise, and grid operators are flagging interconnection queues and capacity constraints that read, to a consumer, as a reliability risk even before an outage actually happens.

EXHIBIT 5: **Michigan data center protest**


Source: Picture from mlive.com

EXHIBIT 6: **Protestors against a Google Data Center**

Protestors outside the Indianapolis City-County building on Monday, Sept. 22, 2025 hold signs in opposition to Google's data center campus proposal in Franklin Township. (Farrah Anderson / WFYI) Source: Indiana Public Radio

At the federal level, the framing is almost entirely national security. The dominant argument for pushing data center buildout through, even over local objection, is that losing the AI race to China is an

existential threat and security risk, and that argument is explicitly being used to justify preempting local rate cases and permitting fights. It isn't that one side is rational and the other isn't. It's that the federal government is reacting to a threatened force, security, that operates on a national and multi-year timescale, while the communities living next to the substations are reacting to the loss of their community. Both reactions are legitimate expressions of the same underlying loss aversion wiring. They're just anchored to different scopes of loss and different clocks, which is exactly why neither side finds the other's argument persuasive. A resident being told this is a national security imperative doesn't feel more secure. They just hear the noise of construction, worry about the noise after the data center starts operating, and feel like their utility bill is a rounding error in someone else's strategic plan.

We wrote two quick takes on the PA announcement this week, and the Texas audit on data centers:

Quick Take: Pennsylvania follows NY and TX in pumping the data center brakes

Quick Take: Data Centers - Texas data center audit to slow progress on big builds

And it can't be more clear that while affordability is front and center, what people are feeling is the change in their community, and politics running on those feelings of loss.

The mother-daughter duo in Kentucky that turned down a $26 million offer (approximately $48,000 per acre) for their 1,200-acre farm, also can be chalked up to loss driving their decision. They had the farm for 200 years and 4 generations, and allowing for a data center to be built on it, felt like a loss of value and legacy...something money can't buy.

And this is exactly the perception of loss that is worth thinking about: most data center siting fights are affordability and reliability arguments that can, in principle, be negotiated with money through better rate structures, community benefit agreements, closed loop water systems.

The Kentucky case is a reminder that a subset of resistance isn't negotiable at any price (did I mention $26 million?), because the loss being guarded against was never really about money to begin with.

## A NOTE ON ELECTRICITY PRICES

If we look at electricity through a 'share of wallet' lens, it represents the portion of household expenditure spent on electricity. Per EIA, the average US household uses 10,500 kWh of electricity a year or ~875 kWh/month - at the US average retail electricity price of ~$0.17/kWh, that works out to $150/month on electricity or $1800/year. $1800/year is 2.3% of the average household spend of $78,535. If retail electricity prices increased by 20% the monthly spend increases to $180/month. For reference, housing accounts for roughly 33% of household spending, followed by 17% transportation (gasoline, vehicle, insurance...), and 13% food. We are not arguing in favor or against whether electricity price increase has meaningful impact or not on the consumer, we are simply observing that as compared to other household expenditures, electricity isn't big enough to warrant a line of its own in the BLS categorization of household expenditures.

This then simply translates to a loss of control, or signing up to a race that consumers didn't ask for. We acknowledge that in certain areas of the country, prices have increased much more than in other parts - and have included a map to reflect that.

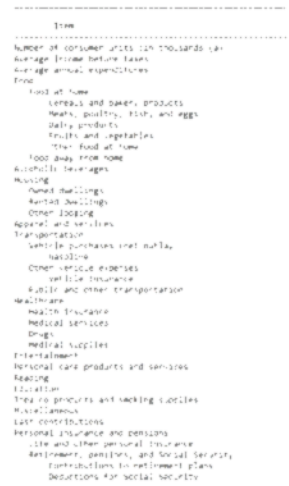
EXHIBIT 7: **Consumer Spend in % (Average Consumer Spend per year $78,535)**

| Spending Category | 2024 |
|---|---|
| Average annual expenditures | [illegible] |
| Food | [illegible] |
| Alcoholic beverages | 0.8 |
| Housing | 33.4 |
| Apparel and services | 2.4 |
| Transportation | 11.0 |
| Healthcare | 7.9 |
| Entertainment | 4.6 |
| Personal care products and services | 1.2 |
| Reading | 0.2 |
| Education | 2.0 |
| Tobacco products and smoking supplies | 0.4 |
| Miscellaneous | 0.6 |
| Cash contributions | 2.9 |
| Personal insurance and pensions | 12.5 |

Note: Percentages do not add to 100 due to rounding

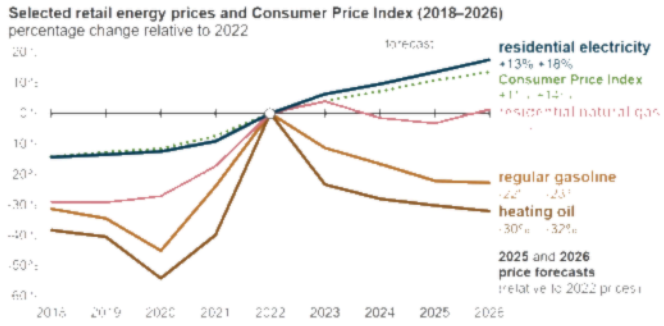
Source: US Bureau of Labor Statistics News Release December 2025

EXHIBIT 8: **Consumer Spend Line Items**




Source: US Bureau of Labor Statistics Table A

EXHIBIT 9: **Retail Energy Prices - relative change to 2022**




Source: EIA

## WHY THIS DOESN'T RESOLVE ON ITS OWN

Historically, these fights settle when the forces converge, when the thing threatening security also starts threatening affordability or reliability badly enough that everyone is reacting to the same loss at the same time, the way Europe did in 2022. Right now the data center build out doesn't have that convergence. At a federal level,

the country is responding to a security threat that most residents don't feel day to day, and residents are responding to affordability, reliability, community-related threats that Meta's or Google's framing doesn't really address. Until those two clocks sync up, either because AI competitiveness starts to feel like a kitchen table issue, or because rate and reliability pressure gets acute enough to become a national story on its own terms, this is likely to stay a slow-grinding fight rather than the kind of fast capital rotation you see when all four forces point the same direction at once. None of this means the build out won't happen. Most contested energy infrastructure eventually gets built, from rural power lines to interstate transmission.

Change is hard because someone, somewhere, is always being asked to absorb a real loss first and trust that the benefit arrives later, and that trust has to be earned on a case-by-case basis. The data center fight isn't an exception to how energy transitions normally go. It's just a faster, more compressed version of the same negotiation, happening in public, and in real time.

## BERNSTEIN TICKER TABLE

| Ticker | Rating | Cur | 20 Aug 2026 Closing Price | Price Target | TTM Rel. Perf. | Cur | Reported EPS 2025A | Reported EPS 2026E | Reported EPS 2027E | Reported P/E (x) 2025A | Reported P/E (x) 2026E | Reported P/E (x) 2027E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CQP (Cheniere Energy Partners) | M | USD | 68.67 | 58.00 | 7.7% | USD | 5.17 | 4.69 | 3.66 | 13.3 | 14.6 | 18.8 |
| VG (Venture Global) | M | USD | 14.29 | 14.00 | (5.7)% | USD | 0.86 | 0.86 | 0.86 | 9.5 | 8.8 | 8.7 |
| GEV (GE Vernova) | O | USD | 966.01 | 1,298.00 | 40.3% | USD | 17.70 | 28.30 | 29.49 | 54.6 | 34.1 | 32.8 |
| BE (Bloom Energy) | M | USD | 202.48 | 282.00 | 335.4% | USD | 0.82 | 2.98 | 5.02 | 245.8 | 67.9 | 40.3 |
| ENPH (Enphase Energy) | M | USD | 38.36 | 56.00 | (12.0)% | USD | 1.29 | 0.58 | 1.22 | 29.8 | 65.6 | 31.5 |
| TE (T1 Energy) | M | USD | 4.36 | 9.00 | 208.3% | USD | (2.19) | (0.31) | (0.07) | (2.0) | (13.9) | (60.6) |
| FSLR (First Solar) | U | USD | 214.06 | 197.00 | (15.8)% | USD | 14.21 | 16.26 | 19.96 | 15.1 | 13.2 | 10.7 |
| FRVO (Fervo) | O | USD | 17.00 | 47.00 | NA | USD | (0.25) | (0.10) | (0.16) | (68.4) | (173.7) | (108.0) |
| NEE (NextEra Energy) | O | USD | 85.03 | 108.00 | (7.9)% | USD | 3.71 | 4.31 | 4.49 | 22.9 | 19.7 | 19.0 |
| VST (Vistra Corporation) | O | USD | 138.94 | 181.00 | (47.4)% | USD | 2.18 | 9.44 | 11.70 | 63.9 | 14.7 | 11.9 |
| CEG (Constellation Energy) | O | USD | 272.92 | 296.00 | (32.6)% | USD | 7.40 | 11.82 | 12.67 | 36.9 | 23.1 | 21.5 |
| ORA (Ormat Technologies) | U | USD | 108.30 | 112.00 | (2.1)% | USD | 2.02 | 1.87 | 2.57 | 53.6 | 58.0 | 42.1 |
| LNG (Cheniere Energy) | O | USD | 279.17 | 283.00 | (1.2)% | USD | 24.19 | 16.70 | 15.06 | 11.5 | 16.7 | 18.5 |
| SPX | | | 7,641.16 | | | | | | | | | |

O - Outperform, M - Market-Perform, U - Underperform, NR - Not Rated, CS - Coverage Suspended

VG, BE, NEE estimate is Adjusted EPS; VG valuation is EV/EBITDA (x); BE, NEE valuation is Adjusted P/E (x);

Source: Bloomberg, Bernstein estimates and analysis.