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Why the ‘Everyone’s a Winner’ Energy Trade Can’t Last Forever

From solar to nuclear and coal, stocks have soared on AI demand

Almost every corner of the power sector has rallied this year. Can that winning streak continue?

The list of power-sector winners is long. It ranges from the greenest to the dirtiest, from established technologies to speculative ones, and even includes companies that play tangential roles in the sector.

The underlying theme is scarcity: In a sector used to moving slowly to match flat demand, supply isn’t able to keep up with the growing and urgent power needs of artificial intelligence. In the earlier days of the AI rally, investors piled into the stocks of nuclear and natural-gas power plant owners such as Since then, the rally has spread to almost every corner of the electricity universe.

Take renewable-energy stocks, which started the year weak as the sector’s subsidies landed on the chopping block as part of the One Big Beautiful Bill Act. Once the extent of cuts to renewable tax credits and the rules around qualifying for them became clear this summer, the sector started recovering. Then there was a “catch-up trade” from investors focused on AI’s growing power demands

The **Invesco WilderHill Clean Energy ETF** and the ... **Solar ETF** are up around 60% and 50% year to date, respectively. It isn’t just solar and wind. The geothermal-energy company [Ormat Technologies](#) is up around 65% this year. The company has said it is in talks with data-center customers to sign power-purchase agreements at some of its existing geothermal facilities at higher prices

Can all of these companies keep rallying? Most pockets of energy are already pricing in a hefty dose of optimism, which means it might take a lot of good AI news to take those stocks up further, and not much bad news to knock them

If investors' focus this year was on simply getting exposure to AI, next year they will start looking more closely at each company's execution, ... "2025 being still early in the cycle," exposure to AI was enough, he said. "In 2026, we'll need to see" actual deal announcements and backlogs being built, he said.

Companies with the most tangible ties to AI energy demand are already trading at loftier multiples than tech giants. Shares of ..., ... and ... are all trading at over 30 times forward earnings. The fuel-cell maker Bloom Energy is among the priciest energy stocks, at 90 times forward earnings.

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The one pocket that isn't pricing in a lot of growth is renewable energy. Even though some clean-energy stocks rallied this year, multiples haven't expanded, implying that earnings expectations aren't moving up. As a multiple of forward earnings, shares of ... , a top renewable-energy player, have stayed roughly flat compared with the beginning of the year at around 20 times. The U.S. solar manufacturer ... 's multiple has expanded this year to 12 times but remains cheap relative to its historical average.

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