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Trump 2.0: AI and Data Centers in a Time of Legal and Technological Disruption

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TAKEAWAYS

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01.30.25

In just over a week, the second Trump administration has already announced initiatives that could lead to major shifts in the legal landscape for artificial intelligence (AI) and associated energy sources. What is more, the global picture for the technology, economics and deployment of AI and associated data centers is undergoing changes beyond the upheaval in legal norms. Below is a summary of the current state of play and actions to consider in the days to come.

Navigating the Initial AI Actions of the New Administration.
Since retaking office, there have been a flurry of announcements from President Trump, including a repeal of President Biden's 2023 executive order on AI safety; the announcement of major investments, both private and public, into AI and data centers and associated energy facilities; and declarations of emergency conditions intended to speed the development of data centers and associated power sources.

President Trump has vowed to overturn policies set by the Biden administration he deems detrimental to AI innovation. On the first day of his second term, Trump repealed President Biden's first executive order on AI, which sought to regulate AI risks, signaling the new administration's adoption of a lighter regulatory approach to AI, national security focus, and enhancement of the U.S. competitive edge in AI development.

This approach was underscored by President Trump's appointment of David Sacks as the "White House AI and Crypto Czar," a newly established role focused on shaping U.S. policy in critical technology sectors. Sacks is a venture capitalist who played a pivotal role as PayPal's chief operating officer, founder of Yammer and co-founder of Craft Ventures.

These announcements were quickly followed by the release of the Removing Barriers to American Leadership in Artificial Intelligence Executive Order (the "Trump AI EO"). It mandates that White House officials work in coordination with federal agencies to produce a plan to "sustain and enhance America's global AI dominance in order to promote human flourishing, economic competitiveness, and national security." The Trump AI EO also includes a requirement to unwind any actions taken by former President Biden that might impede the new policy goals.

> **Investing in Data Centers and Competing in the Global AI Race**
> President Trump has made clear that he is focused on increasing investments into building, scaling, and speeding the development of AI infrastructure and data centers in the U.S., to compete with other countries, particularly China. To that end, he has trumpeted the announcement of investment intentions by major international and U.S. investors.
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> **Foreign Investors.** Ahead of his inauguration, President-elect Trump touted a $20 billion proposed foreign investment by Hussein Sajwani, an Emirati billionaire who owns the private investment firm DAMAC Group. Sajwani's $20 billion investment is to be used to build new data centers throughout the Midwest and Sunbelt regions.
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> **Domestic Joint Ventures.** On January 22, the White House announced the creation of a new investment project, Project Stargate, which intends to spend up to $500 billion to build new data center infrastructure to power AI development. Project Stargate is a joint venture with leading AI companies as investors, including OpenAI, Softbank and Oracle. President Trump has touted the project as the "greatest AI infrastructure project by far in history," and Softbank's Masayoshi Son has hailed the project as "the beginning of a golden age."
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> **Use of Emergency Proclamations to Accelerate Development.** On January 20, President Trump made an unprecedented move to address the skyrocketing energy demands of AI-driven data centers by signing an executive order declaring a "national energy emergency" pursuant to the National Emergency Act. If sustained, such a proclamation could allow certain federal agencies to waive environmental permitting review requirements and expedite authorizations needed to build new

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energy infrastructure. Historically used to temporarily address natural disasters, security threats and other public health concerns, the use of emergency powers to accelerate energy production and data center development is an untested approach that is sure to be challenged.

Data/Power Facility Co-Location and Electric Grid Issues. President Trump stated he intends to use the national energy emergency declaration to do what is necessary to fast-track data center development, including in particular supporting development on federal lands and promoting colocation of power generators with data centers. The projects include new natural-gas-fired generation (potentially coupled with carbon capture utilization and storage technologies) as a potential co-located energy source. Co-location could reduce concerns with overtaxing the utility grid used to supply the rest of the economy. However, thorny unresolved issues exist associated with fair allocation of costs of grid maintenance and expansion. The Federal Energy Regulatory Commission declined in November 2024 to approve an AI data center's arrangements for increasing behind-the-grid power sales from an existing power facility, and more proceedings are slated to establish the appropriate cost allocation rules for co-located load at both legacy and new generating facilities.

Navigating Changes in the Landscape of AI and Energy Technology

According to the Department of Energy (DOE), the energy demand for U.S. data centers tripled over the past 10 years and is expected to double or triple by 2028. Data centers are projected to consume between at least 6% to 12% of the nation's electric power output.

But dramatic changes in technology and the global market do not slow down for any change in national administrations. Newer, more efficient AI models, like DeepSeek, are said to require substantially lower energy resources to accomplish competitive results with the models of the existing players. Cybersecurity and national security issues are raised by the presence of a new model on the horizon. It is far from clear how the new entrant might affect the rising energy demands associated with AI developments, or whether open-source versions are now more likely to outcompete some or all of the closed-source models. As to the outlook for power demands for AI, it is far too early to say. A more efficient technology can in fact lead to greater not lesser demand for the technology, thanks to the Jevons paradox, and therefore greater demand for the power and cooling energy requirements.

Conclusion

The evolving regulatory, investment and technology landscape for AI and data center development presents challenges and opportunities for businesses. The Trump administration's prioritization of deregulation, foreign and domestic investment in the U.S., and accelerated energy infrastructure development presents an opportunity for companies to rethink their strategies for AI innovation, investments, and data center expansion. However, with unprecedented and continuing federal actions, possible legal challenges, and the inevitable advances in AI products and methods, organizations must stay vigilant, nimble and "product-agnostic."

To successfully leverage these opportunities, businesses should consider the following:

· **Proactive Planning**: Engage early in diverse energy procurement, site selection and managed services strategies to capitalize on streamlined processes and incentives.

· **Compliance Preparedness**: Monitor regulatory rollbacks and executive orders to ensure compliance while taking advantage of deregulatory incentives and being cognizant of litigation seeking to contest the executive branch actions.

· **Strategic Partnerships**: Collaborate with stakeholders with complementary skills across real estate, energy and technology sectors to ensure an integrated and resilient approach to development.

· **Network of Expertise:** Draw on internal and external sources of expertise and experience in the broad range of legal, public policy and technological disciplines needed to navigate a rapidly evolving AI and data center landscape. (For our part, Pillsbury's Trump 2.0 materials are available at here and Pillsbury's Data Centers materials are available here.)

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