

TEXAS LAWYER

Big Law's Data Center Work 'Off to the Races,' As Law Firms Expect More in 2026

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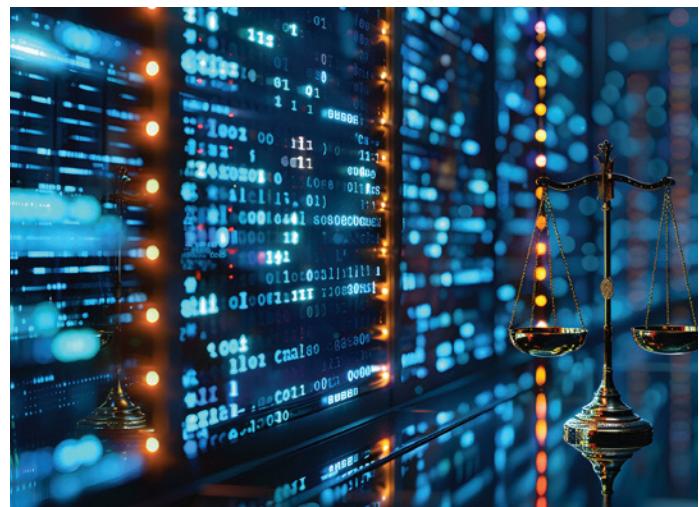
What You Need to Know

- The rise of AI has led to rising demand for data centers, which is keeping many firms in Texas busy.
- Firms have formed special working groups, because data center work spans a range of practices.
- Lining up a source of power for the data centers is crucial, elevating the importance of energy, infrastructure and power practices.

Big Law firms in Texas with energy pedigrees are feasting on data center work, as the rapid rise of artificial intelligence translates into the construction of data centers that have massive needs for power generation.

Lawyers at a number of big firms operating in Texas said demand for data centers translates into work across practices, including infrastructure, energy, tax, real estate, power and regulatory. In response, firms have created working teams across practices.

"In short, what we've been doing is all elements of the value chain of the data center," said Jared Berg, a corporate partner with Bracewell.



Credit: Adobe Stock

While developing a data center initially involves securing real estate and construction contracts, lining up a power source is key. Berg said that data center developers are realizing that to be up and running over the next two years, they need to develop their own power generation — and figure out how to finance that.

And, in Texas specifically, Senate Bill 6, which became law in June, increased regulation for power projects with a goal of making the state's power grid more reliable.

Bracewell partner Bryan Clark said SB6 has a "kill-switch option, which gives ERCOT [Electric Reliability Council of Texas] or utilities the

authority to shut down some power users to preserve the grid. However, Clark said, "If you have your own generation, you don't have to shut down."

That puts more pressure on data centers to secure their own source of power.

Berg, and lawyers at other firms in Texas, say they expect a coming wave of legal work related to data centers.

"We are kind of seeing the tip of the iceberg here," Berg said.

Similarly, Justin Stolte, global chair of Latham & Watkins' energy and infrastructure group, said data center work is significant now, and that will continue. "I suspect that data centers and digital infrastructure globally will be one of the biggest growth areas for Latham as a firm over the next several years," said Stolte, a partner in Houston and New York.

Latham was involved in the largest-ever data center deal, representing Macquarie in its \$40 billion sale of Texas-based Aligned Data Centers to a consortium that includes Artificial Intelligence Infrastructure Partnership (AIP), Abu Dhabi-based technology investment firm MGX, and BlackRock's Global Infrastructure Partners (GIP). Kirkland & Ellis represented the consortium, and Sterlington advised Aligned Data Centers' management team on the transaction announced in October. That deal is expected to close in 2026.

Seeing the demand growing, Stolte said Latham organized a working group — now up to about 100 lawyers in practices such as real estate, power, technology, regulatory and finance — that meets monthly to focus on data centers.

"It's doubled in size as far as people that are spending the majority of their time around the subsector. I think that's the result of there being

so much... crossover within the data center space, and different kinds of clients," he said.

"We are seeing an uptick in the work, because it's more of a power story than anything else. Projects require significant amounts of power. Naturally, it's an energy play," he said.

To be sure, there are data center projects all over, Stolte said, but the firm is seeing more in the Texas region and surrounding states, including Chevron's recent announcement that it will build a 2.5-gigawatt data center natural-gas-fueled power plant in West Texas, and Meta's planned \$10 billion data center project in Northwest Louisiana.

"Being so close to natural gas in Texas, and having real estate, and having a somewhat stable regulatory environment," translates into a concentration of work in the region, he said.

The firm saw a "really big uptick" in 2024, and it was "off to the races" in 2025, he said.

"It's been a really interesting ride. In Houston, we had the shale revolution in 2010, then two waves of restructurings, then people pivoted toward energy transition, now we are getting another tailwind from the data center movement, the AI infrastructure movement," he said.

According to a December 2024 U.S. data center usage report from the U.S. Department of Energy, data centers used about 4.4% of U.S. electricity in 2023 and are expected to consume about 6.7 to 12% by 2028. The growing consumption is prompting more political concern. According to a New York Times report, three Democratic U.S. Senators sent letters on Monday to major tech companies, expressing concerns that data center power needs that have forced utilities to upgrade the power grid will be passed along to consumers.

Kaam Sahely, a partner with Vinson & Elkins in Austin and a co-head of the transactions department globally, said data center work is the busiest area in and around infrastructure at the moment at his firm, with more than two dozen matters involving data centers in the works right now.

The firm has multiple cross-practice working groups working on projects related to data centers, which are mostly in the U.S., although some are ongoing now in the U.K. and Australia, he said.

"Power is the most critical issue," Sahely said. "Right now we are doing a lot of financings and a lot more of the core project work around the leases and the power arrangements."

Sahely was lead counsel for Houston-based Talen Energy in the expansion of its nuclear partnership with Amazon to supply carbon-free energy from Talen's Susquehanna, Pennsylvania nuclear power plant to support Amazon's more than \$20 billion data center project in Pennsylvania. Vinson & Elkins has also represented Dallas-based Aligned Data Centers in multiple transactions in recent years that secured total financing of more than \$10 billion.

"The demand for AI is very strong, and the tech companies are responding to it with a lot of capital. For us, there will be a lot of activity in '26 and beyond," Sahely said.

At Baker Botts, Elaine Walsh, firmwide chair of the power practice, said data center work involves a number of practices, which gives

the Am Law 100 firm a competitive advantage. The firm has a team of more than 100 lawyers in practices including projects, tax, corporate, finance, environmental, energy regulatory and real estate, working on projects in the U.S. and internationally, she said.

Texas is a hotspot for data centers, Walsh said. "It's the land, but also the electricity market. Texas has been deregulated," providing consumer choice and independent power producers and retail marketers, she said. "The state and local tax incentives have been helpful and generally favorable," she said.

Baker Botts has worked on dozens of projects from "dirt" to a complete data center, and hundreds of other matters related to data centers in Texas and elsewhere in the U.S., and in Europe, Africa and Asia, according to information provided by the firm. The data centers range from 50 MW to 1.5 GW.

Walsh's partner, Travis Wofford, said that on the corporate side, management teams are acquiring and aggregating data centers, and the securitization market is maturing.

Wofford said the firm's Texas roots matter when competing for data center work, since "most folks are expecting now that Texas is going to be the largest data center land mass." In addition to land, Walsh added, Texas also has a deregulated electricity market with consumer choice and numerous independent power producers and retail marketers, and some helpful state and local tax incentives.