Economic and policy review of three reports on copyright and AI

5 March 2026

This note provides an independent economic and policy review of three recent studies on copyright and AI. Each of these reports contains economic modelling on the impact of a new copyright exception for text and data mining (TDM) for commercial use. The reports are:

1. 'Text and Data Mining and its value to the UK economy', Public First commissioned by Microsoft, 19 February 2026
2. 'Estimating the impact of a TDM exception', Europe Economics commissioned by the Computer & Communications Industry Association (CCIA), June 2025
3. 'Copyright & AI: The Case for a Pro-Growth Approach', Centre for British Progress, 24 February 2025

This review has been commissioned from Oliver & Ohlbaum Associates (O&O) by the News Media Association (NMA), Publishers' Licensing Services (PLS) and the Publishers Association (PA). It is intended to inform policymaker consideration of the above three reports. It provides a high-level review of the modelling and claims around economic impact and growth, to test if these are credible.

The three studies also make arguments about the clarity of existing UK copyright law and the potential benefits of legal regimes in other jurisdictions. While analysis of these points is beyond the scope of this note, we would observe that they are contested.

The next step is for government to publish two reports on copyright and AI by 18 March 2026 under the Data (Use and Access) Act 2025. These are an Economic Impact Assessment of policy options around future copyright law and a Report on the use of copyright works in AI systems development. Importantly, the government reports are required to assess impacts on both copyright owners and AI developers.

What is a copyright exception for text and data mining?

In general, a copyright work may be used if the right holder authorises it and licenses the work, usually for payment. Where there is a copyright exception, the copyright work can be used without the right holder's consent and free of charge. For this reason, copyright exceptions must be limited to certain special cases, which do not conflict with the normal exploitation of the copyright work and do not unreasonably prejudice the legitimate interests of right holder – including to receive payment through current licensing practices and emerging or potential licensing markets.

Current UK law contains a copyright exception for text and data analysis, provided it is for *research for a non-commercial purpose*, the person had lawful access to the work and, where practical, the copy is acknowledged. The three reports examined in this note argue for a new, broad exception for TDM for commercial use (not only research), and aim to model the economic impact of its introduction.

What would this mean for the UK in the context of AI?

In the context of AI, this would enable the use of copyright works without licensing or payment for both initial training and for 'inference'. Broadly speaking, when training an AI foundational (general) model, developers initially use very large quantities of data for the model to learn language and patterns. The model uses this as the basis when responding to tasks. To improve accuracy and traceability of sources, when asked to perform a task the model begins inference (e.g. Retrieval-Augmented Generation or RAG), meaning that it also accesses new data sources to answer the question – having ongoing access to high quality and relevant data is therefore valuable to AI companies.

Beyond foundational AI models, the proposed TDM exception for commercial use would also cover the training of sector-specific and expert AI tools, such as for film special effects or to support newsroom workflows. This is the next phase of AI development and where the UK stands to have a competitive advantage, given its global strength in relevant sectors from the life sciences to finance to the creative industries. Ongoing access to high quality, sector-specific data is crucial to the next phase of AI innovation – and is becoming a key competitive differentiator between AI models. However, the proposed exception would allow broad commercial use of copyright works without right holder consent, licensing or payment.

In the following sections we set out our headline findings. We provide high-level reviews of each of the report methodologies in the Technical Annex.

None of the reports provide evidence that weakening copyright would lead to overall UK economic growth

The analysis and modelling on which the reports are based rely on unrealistic assumptions, are partial in their approach and contain important omissions. The growth estimates in these reports have not been produced in line with the government's own Green Book framework for appraising policy options. As we discuss below, none of the studies analyse the economic impact on sectors across the economy, and they do not assess the impact on the creative industries. They only look at the AI side.

As a result, the reports do not demonstrate that introducing a new copyright exception would result in an overall increase in UK growth.

Each of the reports assumes that the UK's current copyright regime is the constraint on growth

The three studies reviewed assume that copyright is the constraint on growth. The modelling design assumes that a copyright exception for commercial TDM will lead to use of better or more data, which will lead to greater text and data analysis and AI development, which will lead to growth. None of the studies consider other potential constraints on AI or TDM-related growth such as skills, compute capacity, infrastructure, energy or land. They do not consider why copyright is decisive compared to other factors in the UK.

For example, the Centre for British Progress report assumes that a full commercial TDM exception results in investment converging to '92.2% of US levels by 2030 on the assumption that companies no longer have to worry about copyright claims' and 'assumes removal of other capability constraints that might limit how much investment takes place'. However it provides no rationale for these assumptions (including the very precise percentage of convergence), and no analysis to see what happens to its headline growth figures if these strong assumptions are varied or uncertainties are accounted for. For example, a 2025 DSIT report on the economic impacts of emerging technologies in the UK, found that the most significant barriers restricting greater technology uptake are the financial cost and, related to that, access/ availability of finance, the workforce skills gap and inadequate technology infrastructure.[1]

The methodology of the studies appears contrary to the Green Book requirement to set out a logical chain of cause and effect to show how outcomes will be achieved – in this case, the studies do not demonstrate that copyright is logically the sole or main barrier to growth or that weakening copyright will logically lead to AI-related growth or net UK growth.

[1] Department for Science, Innovation & Technology, 'The wider economic impacts of emerging technologies in the UK', 9 April 2025

None of the studies analyse the economic impact on the creative industries, which are one of government's eight priority sectors for growth

The government's Industrial Strategy identifies the creative industries as one of eight priority high-growth sectors, 'best placed to create the wealth, jobs, and higher wages our country needs in every community'. They are also a long-standing and proven source of UK competitive advantage in the world. For example, due to the rigour of our academic publishing process, the UK is ranked first in the world among comparator research-leading countries for Field-Weighted Citation Impact, a benchmark of journal quality.[2] And the UK exports more books than any other country, 11% than the next highest exporter, the US.[3] The creative industries' investment and innovation is incentivised and rewarded by the UK's copyright regime.

Without analysing the impact on the creative industries, the headline growth numbers do not address where the costs sit, whether there is distribution from one sector (the creative industries) to other sectors (AI companies), and therefore whether there are net benefits or costs for the UK.

The same argument applies to other sectors where copyright incentivises and rewards invention. PEC notes that the importance of copyright extends to many other crucial parts of the economy. 'Using WIPO definitions and methodology, the IPO estimates that the economic output of copyright across the non-financial business economy amounts to £156.8bn in GVA for those firms making above average use of copyright'.[4]

All of the reports are designed to assume that no scalable licensing solutions will emerge

Under the government's Green Book, it is necessary to demonstrate market failure to justify regulatory intervention, in this case a new commercial TDM copyright exception. Market failure arises where market forces do not deliver outcomes that are efficient or aligned with the public interest. To test for market failure, a key market response that needs to be evaluated is whether there are current licensing practices *and emerging or potential* licensing markets.

The largest assumption in the methodologies of each of the studies is that there is no existing licensing market and no new scalable licensing solutions or collective arrangements will emerge. However, many licensing arrangements to facilitate AI development are already in place and would be lost if an exception was introduced. Recent examples in the publishing sector indicating the demand for high-quality data include OpenAI and the Financial Times (2024), OpenAI and HarperCollins (2024), Google and Associated Press (2025), OpenAI and Washington Post (2025), Meta and Reuters (2025). New licensing approaches are actively being developed and launched, including scalable solutions and collective arrangements to provide streamlined systems. See box below.

The methodologies also do not consider wider developments in AI policy, such as priorities around AI safety and assurance. These are likely to lead to greater transparency and auditability of inputs, and technical innovations to support this, which can also support licensing systems.

Under modelling scenarios for 'no new exception', broadly speaking, each study assumes that licensing is impractical or prohibitively costly. The headline growth numbers are relying on this assumption, and there is no analysis to test what would happen if this assumption was varied, or what potential licensing revenues would be foregone by other sectors now and in the future, if an exception was introduced.

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[2] Publishers Association, 'Content Superpower: UK publishing and the AI licensing market', March 2026. Analysis of data from Department for Science, Innovation & Technology, International comparison of the UK research base, 2025

[3] Publishers Association, 'Content Superpower: UK publishing and the AI licensing market', March 2026. Analysis of data from UN Comtrade Statistics, 2026 referring to trade in 2024 (goods exports only)

[4] Creative PEC Response to the AI and Copyright Consultation, March 2025

As licensing has not been evaluated, market failure has not been demonstrated and the government's standards to justify a change in copyright law have not been met.

UK publishers are active in an established and active AI licensing market

2026 research by the Publishers Association finds that there is a licensing market of scale and maturity, beyond previous estimates[5]:

- Publishers have been licensing content for TDM for a decade and the first licences for AI training were agreed by 2023
- Licensing for retrieval-augmented generation (RAG) is a meaningful and growing part of the licensing market. Publishers have also developed proprietary AI products and services
- Typically, publishers have licensed their 'back catalogue' of books and journals to fill gaps in current AI models, while also providing regular access to new journals, so that models can stay at the forefront of scientific discoveries
- All major academic publishers are expected to be active in the AI licensing market by the end of 2026[6]

New licensing solutions are being actively developed

Publishers' Licensing Services (PLS) will soon begin inviting publishers to opt-in their content to a new collective licensing scheme that allows AI developers to use text for training generative AI, as well as for fine-tuning and retrieval-augmented generation (RAG), for both large and small language models.[7] The scheme will be supported by a connected online content store and enable AI companies to legally access and use published works in return for a licence fee, under clear and transparent usage guidelines.

The licensing scheme has been developed by PLS, the Authors Licensing and Collecting Society (ALCS) and the Copyright Licensing Agency (CLA). It builds on the UK's established collective licensing model, extending a voluntary and proven framework to address generative AI. It is designed to be non-exclusive and to operate alongside direct agreements between publishers and AI companies.

Once sufficient publisher content has been opted in to the licence and content store to make the scheme commercially viable, CLA will take the licence to market and handle agreements directly with AI developers. Licensing revenue will then be passed to PLS for distribution to publishers and to ALCS for authors. Such a licence will offer AI developers a convenient solution while protecting rightsholders' copyright and providing an additional route to remuneration for use of their works.

The reports make contradictory assumptions about legal certainty and investment

Overall, the studies assume that the current copyright law (with no commercial TDM exception) creates legal uncertainty, and that this chills innovation. Yet the studies also recognise that significant TDM activity and investment in AI development has occurred. In particular, the Europe Economics study appears to assume that

[5] Publishers Association, 'Content Superpower: UK publishing and the AI licensing market', March 2026

[6] Active in the licensing market can include licensing for text and data mining (TDM), licensing for AI training, licensing for retrieval-augmented generation (RAG) and/or licensing other publishers' content for use in proprietary AI products and services. Publishers Association, ibid

[7] PLS is a non-profit, government-regulated, collective management organisation owned and directed by the four major UK publishing trade associations - the Publishers Association, the Independent Publishers Guild, Professional Publishers Association and Association of Learned and Professional Society Publishers. Over 2024/25, PLS returned £48 million to publishers in collective licensing and permissions revenue.

introducing a commercial TDM exception would allow the UK to maintain its *historic share* of global AI investment. It does not reconcile these two positions.

The methodologies implicitly assume that a TDM exception would give the UK a competitive advantage

As discussed, the studies do not assess the impact on other sectors where the UK has an established and long-standing competitive advantage, notably the creative industries. They also do not assess the impact on areas of AI development and innovation where the UK's opportunities and future competitive advantage are likely to lie.

Firstly, the use of licensed and high-quality data in AI development supports the transparency and auditability of AI models, which can support trust and adoption across the economy; this is not assessed. Secondly, the next phase of AI development is in high quality data for RAG and for the development of sector-specific and expert AI tools. It is here that the UK has potential competitive advantage, but this is not assessed by any of the studies. This is an important omission given that the UK has world-leading content and creative industries, as well as other leading sectors with specialist information and databases like life sciences.

As a result, none of the studies take these opportunities for UK competitive advantage into account in their headline growth figures or assess what the scenario of a new commercial TDM copyright exception means for net UK growth or contraction.

The studies do not evaluate international examples for evidence of the likely impact of a TDM exception in the UK

The government's Green Book (and the Better Regulation Framework when making legislative changes) recommend referring to international comparators for evidence on the likely impact of a proposal or its alternatives.

While the studies refer to the copyright regimes in the US, EU, Japan or Singapore, they do not examine in what ways those regimes are applicable to the UK's economy, society or existing legal framework. They do not set out why TDM activity, AI development or growth would follow up a similar path in the UK (i.e. how to the UK's advantages and constraints compare?).

For example, in Japan right holders have raised concerns that its TDM exception is not adapted to the era of generative AI development, and that while government has sought to encourage a licensing market between right holders and AI developers resulting in right holder remuneration, this has led to a competitive imbalance between domestic AI businesses and overseas AI developers, which continue TDM without seeking permission. Right holder concerns have also been raised about a decline in the international competitiveness of Japanese intellectual property and content in the content market, including AI-generated products.[8] There will be other perspectives and evidence to consider. However, none of the studies seek to objectively assess international comparators.

The report methodologies do not meet the requirements of the HM Treasury Green Book

The Green Book sets out the accepted framework for developing and assessing policy options in an evidence-based, objective and impartial way. It is designed to help decision makers understand the potential impacts and trade-offs

[8] Japan Newspaper Association, 'Opinions on the formulation of the "Intellectual Property Promotion Plan 2025', December 2024

of different policy options, considering the objectives. None of the three report methodologies follow the Green Book requirements. As a result, the growth estimates do not measure the overall impact on the UK. The headline growth figures could therefore reflect redistribution between sectors, or even an overall reduction in UK investment or GDP growth.

Broadly, to assess the net benefits or costs to the UK of introducing a commercial TDM exception, we would expect to see:

- **Transparency** about the assumptions and evidence base used
- **Case for change and theory of change**. This should establish that the market cannot deliver the policy objectives without changing copyright law and set out the logical chain of cause and effect that shows how outcomes will be achieved – in this case, why introducing a new copyright exception would logically lead to an increase in overall UK growth
- **Wider economic impacts across sectors**. This includes potential knock-on effects in different parts of the economy. None of the studies assesses the impacts on the creative industries, which is a significant omission. Without this, the analysis cannot speak to net growth in the UK
- **Impacts on consumers and citizens**. None of the studies considers how changes to copyright law may affect, for example, the public's access to a plurality of accurate news and information or investigative reporting, if publishing sector revenues decrease as a result of the new exception. This is relevant to policy priorities around democratic debate, addressing mis- and disinformation and informed consumer choice
- **Short-term and longer-term effects**. The studies do not consider, for example, the impact on revenues from right holders licensing their works to AI developers now and in the future, if the current law is maintained
- **How different groups are impacted**. The studies do not assess who gains and who loses. For example, if a new copyright exception led to fewer jobs and little or no corresponding increase in productivity, households could be worse off
- **How different places are affected**. None of the studies considers how effects might differ across the UK. This is a notable omission given that, for example, the creative industries support established and emerging clusters across the country, providing jobs and opportunities and regional economic activity. The studies do not compare this to the impact of AI and TDM-intensive sectors
- **Sensitivity analysis**. A Green Book appraisal would test how changes in key assumptions could affect the results, and whether that means that another policy option becomes more favourable. For example, each of the studies appears to assume there is no licensing activity under the current law and that no new, scalable licensing solutions or collective arrangements will emerge – however, this is not the case. Without sensitivity analysis, the reader cannot judge whether changing this assumption would significantly change the headline growth numbers
- **Treatment of uncertainty**. Uncertainty in assumptions and estimates should be assessed and reflected in ranges around headline figures (for example, confidence intervals). None of the reports quantify how uncertainty affects the headline growth estimates
- **Net impact assessment**. An appraisal should conclude with a clear view of the net costs or net benefits to the UK as a whole, weighing:
    - Potential gains in AI activity under a new copyright exception, against
    - Potential losses (or foregone gains) in other sectors and wider society

About the authors

O&O is a leading advisor specialised in the media entertainment and sports sectors, with over 30 years' experience of providing economic, policy, strategic and commercial advice. We work with stakeholders at all levels of the value chain in our focus sectors including government, regulators, trade associations and investors. More information is available on our website: www.oando.co.uk.

Technical Annex

1 'Text and Data Mining and its value to the UK economy', Public First commissioned by Microsoft, 19 February 2026

This study examines the extent to which different TDM regulatory regimes could affect AI adoption and its contribution to GDP growth by 2035.

1.1 Framing

Firstly, we have some broad observations about the scope and framing of the study, because these have fed through into the methodology used for the economic modelling.

Overall, the analysis drew on a business survey across life sciences, financial services and general private sector businesses, which included manufacturing, accommodation, professional, scientific and technical, business administration and support services, health, and information and communication. There may have been some creative industry companies in the general business sample, but the impact on the sector is not discussed or assessed in the report.

The study appears to frame the copyright and AI debate as a narrow one, 'between rights holders and technology companies', while text and data mining is being used 'across the wider economy'. This could imply that right holders are separate from the companies and sectors that use text and data mining. To some extent, right holders in data or databases that are relevant to text and data mining are present across different sectors, including in government's eight priority sectors for growth.

The study also notes that businesses engaged in TDM 'have a growth mindset'. This might imply that right holders are not focused on growth, innovation and competitiveness. However, intellectual property rights exist to incentivise and reward invention. Just as right holders are found across the economy, they may carry out text and data mining, apply AI tools and develop sector-specific proprietary models to power their business growth. This includes companies in the creative industries, for which IP and innovation are especially important given the nature of their output and business models; however, the sector is not included in this study.

1.2 Economic modelling summary

The report considers four scenarios:

- **Scenario 1:** A full commercial TDM exemption without the introduction of a rights reservation or opt-out
- **Scenario 2:** A commercial TDM exemption where an opt-out based on an industry code of practice is introduced
- **Scenario 3:** A commercial TDM exemption with a rights reservation and transparency requirements
- **Scenario 4:** An opt-in model requiring licences for all copyrighted content [for commercial purposes]

The report modelled AI's contribution to UK GDP by 2035 (and the difference compared to Scenario 1):

Scenario 1	Scenario 2	Scenario 3	Scenario 4
£510bn	£500bn (-£10bn/-2%)	£450 billion (-£60bn/-12%)	£290bn (-£220bn/-43%)

The percentages shown in the table are based on our own calculations.

The overall modelling approach is based on the US O*NET database, which sets out the task composition of different occupations. Estimates draw on a task-based model. This aims to understand the exposure of different occupations to AI. The authors used a large language model (LLM) to classify the tasks according to the points below. (We have added some examples for the lay reader in square brackets based on our own understanding; these do not come from the report's methodology).

- How likely it is that task can by augmented by today's AI and machine learning technology [*broadly, is this the type of task that today's AI can support well?*]
- How important fine tuning or customisation would be to the performance of AI augmentation on that task
- How important low latency or self-hosted models would be to the performance of AI augmentation on that task [*e.g. does the task require near-instant responses and does it need to run on the organisation's own systems rather than an external provider's servers?*]
- How sensitive a task is likely to be data governance, cultural, regulatory or security requirements, making use of an external API less appropriate [*e.g. does the task involve sensitive information or strict rules (data protection, national security) that mean data shouldn't be sent externally?*]
- To what extent the augmentation of the task would make use of externally sourced data

The report then mapped US data to UK occupation data and used an S-curve diffusion model to project baseline future adoption of AI under the different scenarios.

Public First provides further information on the methodology here.

1.3 Our observations on this approach

We have set out our observations on this approach, below, broken down into modelling and scenario assumptions, data sources and methodology, and forecasting assumptions.

Key weaknesses are:

- Assumption of no capacity constraints on AI-related growth, apart from copyright
- No evidence for copyright being a limiter or enabler for growth
- Does not acknowledge the existing licensing market or potential for future solutions, and assess the impact of a new copyright exception on the licensing market
- Does not demonstrate market failure
- Lack of analysis of the impact on the creative industries, which are a priority growth sector in the government's industrial strategy
- While the way that new technology is assumed to spread through society over time is sensible (an S-curve diffusion pattern), the lack of detail on how this would apply in practice undermines the credibility of the estimates of contribution to GDP by 2035

Scope of the modelling and scenario assumptions

We have considered some general limitations with the modelling approach, before looking at specific methodological elements. Overall, the modelling approach is not designed to meet the requirements of the HM Treasury Green Book.

Scenario 1 is described as a commercial TDM exemption with no opt-out. This assumes 'businesses would have the greatest opportunity to build domestic models', fine-tune models on UK data, and carry out data analysis.

- While this recognises that data has economic value, this seems to assume that, absent a commercial TDM exception, licensing solutions and collective arrangements would not evolve and scale in response to new use cases and technologies. There is licensing activity and new licensing solutions are being developed; incentives exist where copyright is protected and enforceable
- This scenario also does not consider any potential constraints on such AI activities, such as the availability of skills and compute and infrastructure capacity, and how they might develop over time. A 2025 survey commissioned by DSIT[9] shows that the UK is facing a critical skills gap. This disconnect between industry needs and workforce capabilities is likely to affect innovation and limit business performance, suggesting that the forecasts set out in the report are not achievable

The same observations apply to **Scenarios 2 and 3**.

Scenario 4 (an opt-in model requiring licences for all copyrighted content) is said to 'significantly raise the barriers to TDM'. This appears to rest on three implicit assumptions – which are in tension with one another:

- That copyright works are currently being used for commercial TDM without right holder authorisation, licensing or payment
- That such activity would stop unless a commercial TDM exception was introduced (i.e. Scenarios 1-3) and
- Right holder authorisation and licensing is a barrier

Scenario 4 states that 'only a minority of TDM use cases that require external data for fine tuning or inference would still be commercially viable'. As above, this assumes no adaptive market response to develop scalable licensing solutions and collective arrangements at fair value, and which do not involve an undue administrative burden.

Static and Dynamic effects

Overall, the modelling does not appear to consider, or provide detail on, knock-on effects across the wider economy, whether immediate (static effects) or longer-term (dynamic effects).

Potential impacts under Scenarios 1-3:

- Potential loss of revenues, innovation and competitiveness in copyright-intensive sectors
- Knock-on effects for the UK's competitive advantage in those sectors, where the UK is internationally strong
- Possible effects on the next phases of AI innovation, such as sector-specific and expert AI tools

For example, sector-specific AI systems are being developed in areas of UK strength such as academic publishing and film VFX. These typically draw on internal archives and licensed datasets. The modelling does not assess how changes to copyright incentives and rewards may affect these ecosystems.

Potential impacts under Scenario 4:

- Potential growth in licensing revenues
- Potential to attract companies that benefit from operating in a jurisdiction with strong copyright protection
- Longer-term dynamic effects on incentives to invest in high-quality content production

[9] Department for Science, Innovation & Technology, The wider economic impacts of emerging technologies in the UK, April 2025

- Potential implications for the UK's position in future AI innovation that is built on licensed and high-quality datasets

These possible benefits are not recognised or included in the modelling as described. The creative industries contributed an estimated £145.8 bn to the UK economy in 2024, accounting for 5.5% of UK GVA,[10] suggesting that these gaps in the analysis undermine the validity of the modelling included in the report.

Distributional and consumer impacts

The study also does not:

- Provide analysis of consumer welfare impacts whether from AI directly or from associated impacts on other sectors, including the creative industries. If AI leads to fewer jobs and no corresponding increases in productivity, the main beneficiaries will be companies rather than consumers and investment in AI could exacerbate the trend towards growing inequality[11]
- Consider regional impacts across the Nations & Regions – this is a notable omission given that the creative industries (which would be impacted by the Scenarios) support established and emerging clusters across the UK, providing jobs and opportunities and regional economic activity

Broader societal impacts

The study does not assess wider societal effects, such as:

- The implications of reduced incentives to invest in news and information production
- Potential consequences for democratic debate, information integrity and informed consumer choice

While difficult to quantify, these are important factors for policymakers to be able to weigh up.

Net impact

Finally, the study does not present a clear assessment of net costs or net benefits across the economy, weighing:

- Potential gains in AI activity under a commercial TDM exception, against
- Potential losses (or foregone gains) in other sectors and in wider society

Data and model input sources

There are some limitations with the data sources that ought to be considered, as these could impact on the conclusions.

Reliance on US data

The modelling relies on US data rather than UK data to identify the extent to which various occupations would be affected by AI. Although the report's authors accounted for differences in occupational code and sector definitions, it is not clear how they used the data that fed into their model

LLM task classification

The modelling relied on an LLM to classify the occupational tasks. However:

[10] DCMS Sectors Economic Estimates, February 2026

[11] Acemoglu, D., & Johnson, S. (2024), 'Power and progress: our thousand-year struggle over technology and prosperity'

- There is no published validation of the way that the LLM classified the tasks
- It is unclear how accuracy was tested, or any indication of benchmarking

This lack of information severely limits confidence modelling since the task classification forms the foundation of the forecasts.

Methodological approach and transparency

In several areas, information is lacking on the assumptions used and the confidence levels around key outputs.

High degree of uncertainty

The forecasts are subject to substantial uncertainty, as acknowledged by Public First. However:

- No confidence intervals are provided around the headline figures
- No sensitivity analysis is presented, where key assumptions are varied. Without this information, it is difficult to gauge whether altering the assumptions underpinning the modelling would significantly undermine the robustness of the headline figures

Diffusion Assumptions (S-Curve)

The modelling assumes an S-curve diffusion pattern. An S-curve describes the typical way that a new technology or innovation spreads in society over time, from slow early uptake to rapid mainstream adoption and then levelling off as the market becomes saturated (giving a window of opportunity for new innovations to enter the market). Several factors will influence the speed of diffusion, such as the type of innovation, the need for supporting infrastructure, and regulatory and institutional frameworks. As a result, different innovations will follow different trajectories.

However:

- No information is given about the assumed timeframes for each of these stages
- There is no year-by-year breakdown of projected impacts

As a result, it is difficult to assess the potential impact of AI's contribution to GDP by 2035.

Sectoral Breakdown

The report includes a sectoral breakdown of the estimates. Previous research[12] has shown that there are strong sectoral patterns of technical change, but it is unclear whether these have been considered. For instance, the report does not indicate whether AI adoption in the UK would have differential impacts on the composition of the workforce across sectors. If investment in AI technologies led to a decline in entry-level roles in the UK workforce, this could have longer-term implications for firms' ability to develop a strong pool of workers to fill more senior positions over time. This shortage of senior labour would likely impact growth forecasts, particularly those in Scenario 1.

[12] See for example Pavitt, K. (1984) 'Sectoral patterns of technical change: Towards a taxonomy and a theory', *Research policy*, 13(6), pp. 343–373

1.4 Overall assessment

The methodology does not follow the Green Book requirements. It assumes that copyright is the barrier to growth without consideration of other potential constraints. The modelling appears to rely on the assumption that there will be a strong take up of TDM and AI, but no adaptive market response in the form of current and future licensing solutions. However, there is an active licensing market and new solutions are emerging. This undermines the headline growth figures. In addition, the study does not include an assessment of the static and dynamic effects across the economy – including in sectors where the UK already has a competitive advantage like the creative industries – or wider societal impacts, or any sensitivity analysis. The headline figures must be considered in this context and should be interpreted with caution.

2 'Estimating the impact of a TDM exception', Europe Economics commissioned by the Computer & Communications Industry Association (CCIA), June 2025

This report estimates the impact of a commercial TDM exception on investment in the UK in AI and non-AI TDM-intensive sectors over a 12-month period (2025). The non-AI TDM-related categories are science and academic research, legal and financial analysis, and healthcare and pharmaceuticals.

2.1 Framing

Europe Economics focused on AI development and non-AI sectors that rely on TDM, which are scientific and academic research, legal analysis, financial analysis and healthcare and pharmaceutical R&D. The report does not consider the impact on the creative industries. As noted in relation to the other studies, this is a significant omission given the sector's contribution to the UK economy and its potential to drive growth. It means that the headline figures cannot provide a view of the net impact on the UK of introducing a new copyright exception for commercial TDM.

Secondly, the study assumes that, with a commercial TDM exception, the UK would 'maintain its historical share of global AI investment across all sectors'. This assumption appears to imply two things, which are in tension:

- That AI and non-AI TDM intensive sectors have been carrying out some TDM without right holder authorisation, licensing or payment and
- That a commercial TDM exception is required for this to continue

The reasoning is not set out. The study seems to rely on the idea that the need to clear data for TDM is legally uncertain (as mentioned above, this is contested in the wider debate), and that this has enabled as much TDM to take place as would be the case with a new commercial TDM exception. However, it then argues that government deciding against introducing a commercial TDM would lead to 'legal uncertainty in accessing and mining copyrighted material, leading to higher costs, longer processing times, and potential barriers to innovation'. If legal clarity is considered essential to investment decisions, it is not explained why previous activity would have taken place in conditions of alleged uncertainty.

Secondly, the study states that 'even if all the material they needed to access and analyse were not protected by copyright, the need to go through the process of establishing that the material is not protected by copyright at scale would be a prohibitive expense. The lack of an exception would particularly affect areas where real time data analysis is critical, forcing businesses, research institutions and scholars to seek costly individual agreements or limit the scope of their analytical work'. This reasoning appears to assume that rights clearance would necessarily involve costly individual negotiations and that no scalable licensing solutions or collective arrangements would emerge. As noted in relation to the previous study from Public First, licensing activity is taking place and new scalable solutions

are being developed; the incentives exist where copyright is protected and enforceable. The modelling does not appear to consider the possibility of market adaptation through new licensing mechanisms or the impact on the current and future licensing market of a new copyright exception.

2.2 Economic modelling summary

The study considers two scenarios:

- **Scenario A** (With Commercial TDM Exception): The UK maintains its historical share of global AI investment across all sectors, including TDM-intensive activities. Non-AI TDM-intensive sectors continue to attract investment growth in line with global trends
- **Scenario B** (Without Commercial TDM Exception): UK investment in TDM-intensive activities stagnates or declines, reflecting a loss of competitiveness due to the absence of a commercial TDM exception. Non-TDM AI investments continue to grow, but TDM-exposed AI investments remain flat or drop, and non-AI investments remain flat

The study provides a quantitative estimate of how much UK investment would be lost or gained in 2025 if there were an 'effective' TDM exception compared to a counterfactual where there is no exception.

The approach involves several steps:

- Quantify global investment trends across AI and non-AI TDM-intensive sectors
- Clarify the scope of TDM-impacted activities
- Segment Global AI and Non-AI investment into TDM-intensive and non-TDM areas
- Estimate UK investment shares under two scenarios:
    - UK maintains its historical share of global investment in TDM-intensive activities, and
    - UK investment stagnates or declines in TDM-intensive sectors, in the absence of a commercial TDM exception
- Calculate the investment gap

The modelling draws on results of a survey of 500 developers, investors and others working in the UK AI ecosystem. This gives the following results:

Sector	Scenario A (Commercial TDM exception), TDM sensitive (Total)	Scenario B (No commercial TDM exception, TDM sensitive
AI-related TDM investment	$4.3bn ($6.4bn)	$1.9bn-$3.2bn
Scientific and academic research	$6.691bn ($89bn)	$6.496bn
Legal & financial analysis	$1.545bn ($6bn)	$1.5bn
Healthcare & pharmaceuticals	$654m ($8.3bn)	$623m

2.3 Our observations on this approach

The usefulness of this report might be questioned since it only provides forecasts for the year 2025.

Secondly, the modelling focuses on three specific sectors that rely on TDM. While these sectors may be sensitive to a commercial TDM exception, no consideration has been given to sectors that may be net beneficiaries from the absence of a commercial TDM exception, such as the creative industries.

Overall, the methodology is not designed to meet the requirements of HM Treasury Green Book. It does not consider:

- **Static and Dynamic effects** – the knock-on effects across the wider economy, including in copyright-intensive sectors
- **Distributional and consumer impacts** – including regional impacts
- **Broader societal impacts**
- **Net impact** – a clear assessment of net costs or net benefits across the economy, weighing:
    - Potential gains in AI activity under a commercial TDM exception, against
    - Potential losses (or foregone gains) in other sectors and in wider society

In addition, the model results hinge on strong assumptions about TDM-sensitive investment under different scenarios:

- **Scenario 1**: Stagnation of UK investment in the absence of a commercial TDM exception. This assumes that the UK has attracted some investment in AI and data-intensive sectors to date 'because the current legal environment is ambiguous' and firms have invested under the assumption that 'they would not be targeted' or government would clarify the law in their favour. In this scenario, existing levels of investment would continue absent a commercial TDM exception, but without further growth
- **Scenario 2**: Decline in UK investment in TDM-intensive activities. This assumes that a decision not to introduce a commercial TDM exception would reduce investment from the current level, with some withdrawn and some future investments flowing to countries 'that offer legal certainty', and some right holders 'emboldened' to take legal action [although we would note that there are many cases before the courts today, across jurisdictions]

These scenarios contain the same tensions around the effect of legal certainty on current and future investment levels, as well as the same assumption that licensing frameworks and collective arrangements would not emerge. Ideally the methodology would have included additional analysis to test the sensitivity of the results to the assumptions in these scenarios. Finally, the modelling assumes no change in production processes or workflows in the absence of a commercial TDM exception.

2.4 Overall assessment

The methodology does not follow the Green Book requirements. It does not consider the impact on the creative industries. The modelling appears to rely on strong assumptions and tensions between those assumptions around the take up of TDM and AI and about licensing market responses, while omitting an assessment of the static and dynamic effects across the economy and wider societal impacts. While it includes some scenarios, ideally it would have tested the sensitivity of the results to these scenarios. It is not designed to provide an estimate of the net impact on the UK economy. This means that the headline figures should be viewed in this context and interpreted with caution.

3 'Copyright & AI: The Case for a Pro-Growth Approach', Centre for British Progress, 24 February 2025

This report considers the options set out in the government's copyright and AI consultation published in December 2024. It estimates the economic impact of different approaches to a copyright exception over five, ten and twenty years.

3.1 Framing

The report takes a broad look across the economy, but it does not include an appraisal of the impacts by sector to support a net impact number. The modelling does not take account of the impact on the creative industries.

The narrative discusses the contribution of the creative industries sector to the UK economy. It argues that IT, software and computer services makes up the largest share of the sector's total GVA; advertising is closely entwined with software; and software and advertising together have experienced sustained growth since 2010, while other sub-sectors have declined or remained flat. However, the full set of GVA data is not presented in the report to allow comparison between the sub-sectors, and the chart which accompanies these assertions instead relates to share of GDP. While this chart shows a relatively steady state share of GDP for the creative industries beyond software and advertising, in the context of overall growth in UK GDP, a steady share performance represents growth. A comparison to other UK sectors and to other major economies would have been informative.

The study then recognises that 'AI poses both a challenge and an opportunity for the creative industries'. It argues that the software and the advertising sectors must adapt by innovating and integrating AI in order to maintain their momentum. It does not appear to consider how:

- Other parts of the creative industries, including publishing or film and TV, are also integrating and innovating in AI. As noted above, the UK has the opportunity of a competitive advantage in the next phase of AI development around sector-specific and expert AI tools in such sectors where it is already a global leader
- There is considerable licensing activity for AI development today, and new scalable licensing solutions and collective arrangements are being developed to enable continued AI innovation while also supporting continued growth across the creative industries

The study goes on to note that licensing requirements 'create prohibitive costs in legal fees, administrative overheads, and technical enforcement' and that these can be insurmountable for UK small businesses and excessive for large companies. Again, this appears to overlook the existence and future development of smart licensing solutions in response to new technologies and use cases, provided incentives exist due to copyright protection and enforcement. Scalable licensing solutions would also support AI innovation in the creative industries.

The study includes assumptions around each policy scenario. The scenarios contain internal tensions and there are contradictions between scenarios. This makes it difficult to interpret the implied effects for the UK or to compare the options on a like-for-like basis. For example:

- The baseline or 'business as usual' framework assumes that UK AI investment and adoption patterns follow UK/EU trajectories established in the Stanford AI report (though it is unclear which data were used and over what period). However, the 'opt-out' scenario also assumes the UK maintains EU-equivalent investment growth – when the EU has an 'opt-out' regime, and the UK does not. Meanwhile, the 'opt-in scenario', effectively where use of copyright works for commercial AI training requires authorisation and licensing (which right holders consider is the status quo or baseline), assumes 'very large costs on the development of models in the UK relative to Europe' and that AI companies would develop models in other locations. These copyright regime and investment assumptions are difficult to reconcile

- Constraints on investment are not treated consistently. The 'full use' scenario assumes removal of all capability constraints limiting how much investment takes place in the UK. The other scenarios only contain assumptions about copyright as a constraint and do not acknowledge other potential constraints (e.g. skills, infrastructure)
- Productivity and spillovers are treated inconsistently between scenarios. The 'opt-out' scenario (weakening the copyright regime) assumes no productivity or spillover effects from investment, but the 'opt-in' scenario implies there would be some, albeit lower than in the baseline

3.2 Economic modelling summary

The study considers the economic impact of the four options set out in the government's consultation:

- **Option 0:** Status quo. Current legislation contains some grey areas which chill investment
- **Option 1**: AI models can only be trained on copyright works if an express licence is obtained. This is the least permissive option
- **Option 2:** Introduce a broad exception allowing AI training on copyright works without permission. This is the most permissive option
- **Option 3:** AI models can train on works unless rights holders expressly opt out

The economic modelling compares Options 1, 2 and 3 against Option 0 as the baseline 'business as usual' scenario. Each scenario is based on a series of assumptions, as noted above.

The study argues that Option 3 (exception with an opt-out) would encourage companies to locate their activities in countries that have no restrictions and that it would not be practical (and so does not meet the consultation's objectives of effective right holder control over use of their content, access by AI developers to large volumes of online content without infringing copyright, and transparency about works used to train AI models and their outputs). Instead, the study argues for Option 2 (a broad exception), considering that this would yield the best economic and strategic dividends. It then suggests how this could be implemented.

The modelling gives the following results compared to the status quo:

- **Option 1:** AI models can only be trained on copyright works if a licence is obtained. 20-year impact is minus £181.96bn
- **Option 3:** AI can train on copyright works unless right holders expressly opt out. 20-year impact is minus £153.07bn
- **Option 2:** A broad exception is introduced allowing AI training on copyright works without permission. 20-year impact is plus £131.61bn

We note that the 5-year economic impact estimates in the main body of the report (Table 6) do not appear to match the 5-year estimates in Table 8 of the appendix, though the reason for this is not clear. It would be ideal to provide an explanation.

3.3 Our observations on this approach

The report does not assess the impact of a new copyright exception on the creative industries, or other potentially impacted sectors. Its methodology is not designed to follow the requirements of HM Treasury Green Book. The modelling does not consider:

- **Static and Dynamic effects** – the knock-on effects across the wider economy, including in copyright-intensive sectors
- **Distributional and consumer impacts** – including regional impacts
- **Broader societal impacts**
- **Net impact** – a clear assessment of net costs or net benefits across the economy, weighing:
    - Potential gains in AI activity under a commercial TDM exception, against
    - Potential losses (or foregone gains) in other sectors and in wider society

The study assumes that UK investment in AI follows trajectories similar to those of the US (in the full use scenario) and the EU (in the opt-out scenario). This is a significant weakness since this approach underplays the importance of country-specific socio-economic factors – such as physical infrastructure, institutional systems, culture and economic factors – that stimulate the creation, adoption and diffusion of new ideas, technologies and products. For example, the UK scores particularly badly on its ability to absorb knowledge relative to other countries[13], which acts as a significant barrier to AI adoption.

In addition, it is not clear how dependent the modelling results are on highly specific assumptions, or what the assumptions are based on. For example:

- The 'full use' scenario does not explain why investment converges specifically to 92.2% of US investment
- The choice of a 5% adoption gap between the UK and the EU in the 'opt-in' scenario

Ideally, the report would have included some sensitivity analysis to show the impact of changing these assumptions.

There is very little detail on how the report's authors estimated the three types of impact:

- Does the direct productivity estimate account for GVA from increased investment in AI models following a change in the exception?
- What assumptions are made about spillovers – e.g. the likelihood of the development of apps that rely on existing AI models?
- What assumptions are made about time frames for the adoption of AI across sectors?

In the case of the last two points, should it be assumed that the UK follows the same pattern as the US or the EU?

Finally, the analysis is conducted from a UK perspective and does not consider potential interactions between domestic copyright legislation and international requirements.

3.4 Overall assessment

While it broadly refers to impact on the UK economy, the study does not assess the impact on other sectors including the creative industries. As with the other studies, the methodology is not designed to meet the requirements of the Green Book. The modelling appears to rely on strong assumptions around the potential for AI investment in the UK and about licensing market responses. Although it includes different scenarios, it is not clear how sensitive the modelling results are to the highly specific assumptions. It would have been ideal to include some sensitivity analysis to show the impact of changing these assumptions. It does not include an assessment of the static and dynamic effects across the economy and wider societal impacts, and it does not provide a view of the net impact for the UK

[13] See Global Innovation Index 2025, WIPO

economy and society of its recommended option. This means that the headline figures should be viewed in this context and interpreted with caution.