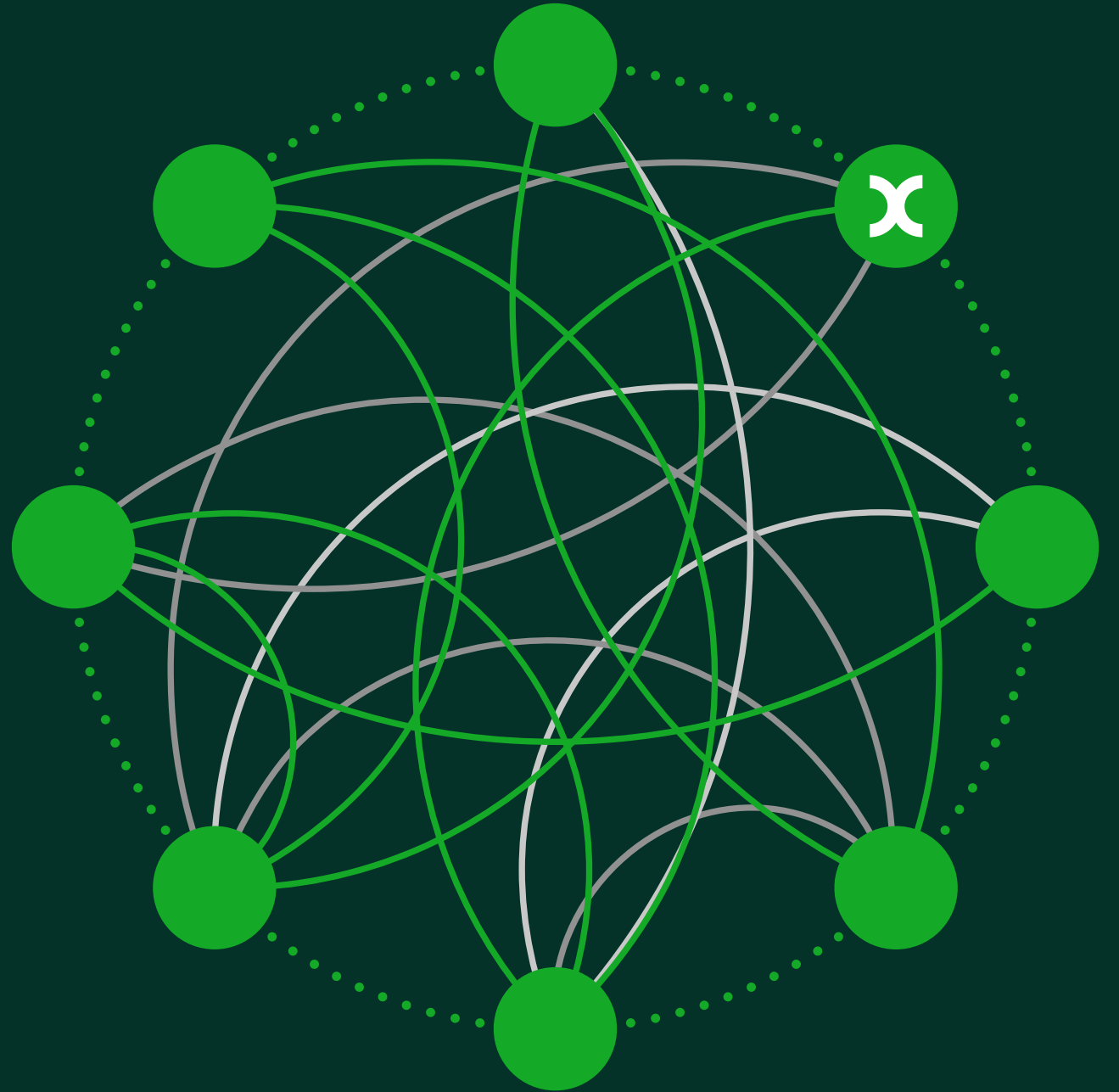


# The AI transition

## Risks and Returns



# Agenda

State of AI

Economics of transitions

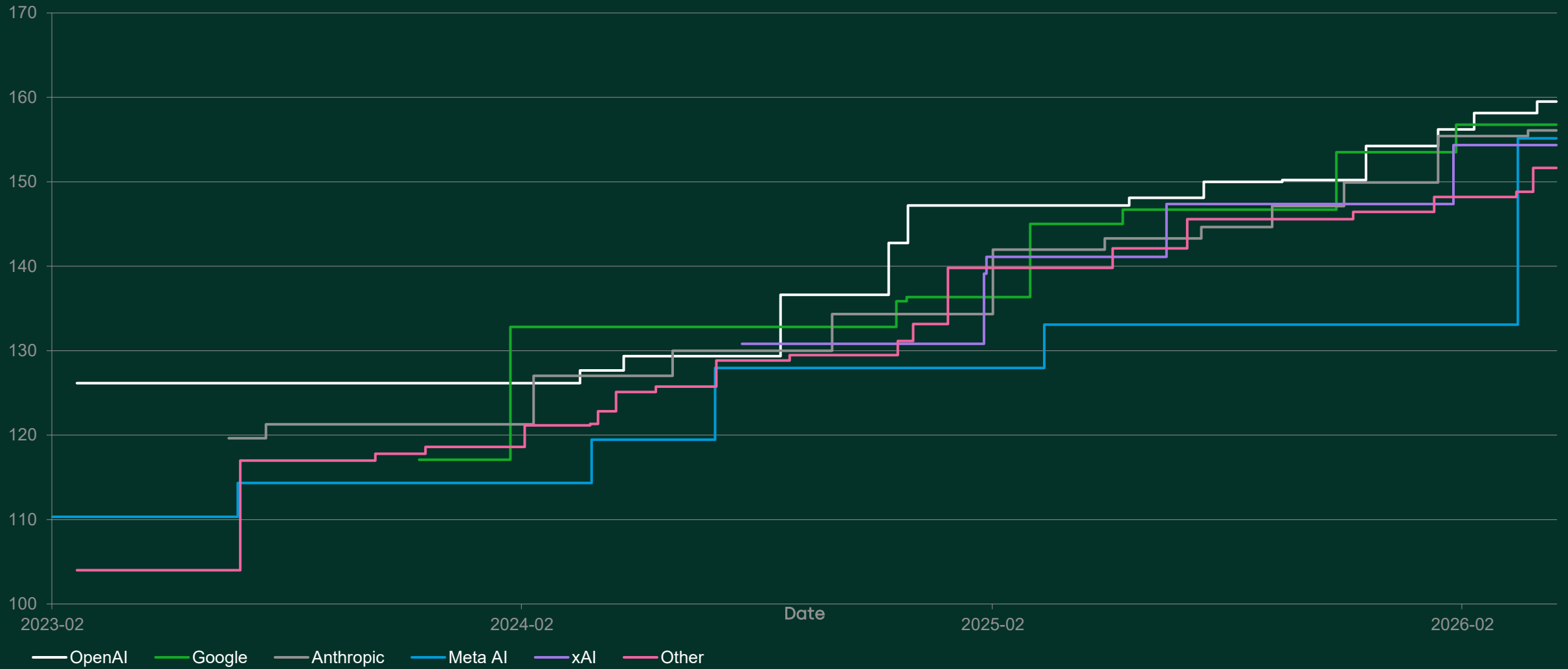
Structural changes to the economy

Who captures the returns?

New risks



# Frontier model benchmark scores



Source: EPOCH AI (2026), May.

***A.I. Chatbots Defeated Doctors at Diagnosing Illness***

– The New York Times

***AI robot rules ping pong: A table tennis clunker named Ace beats elite human players***

– Los Angeles Times

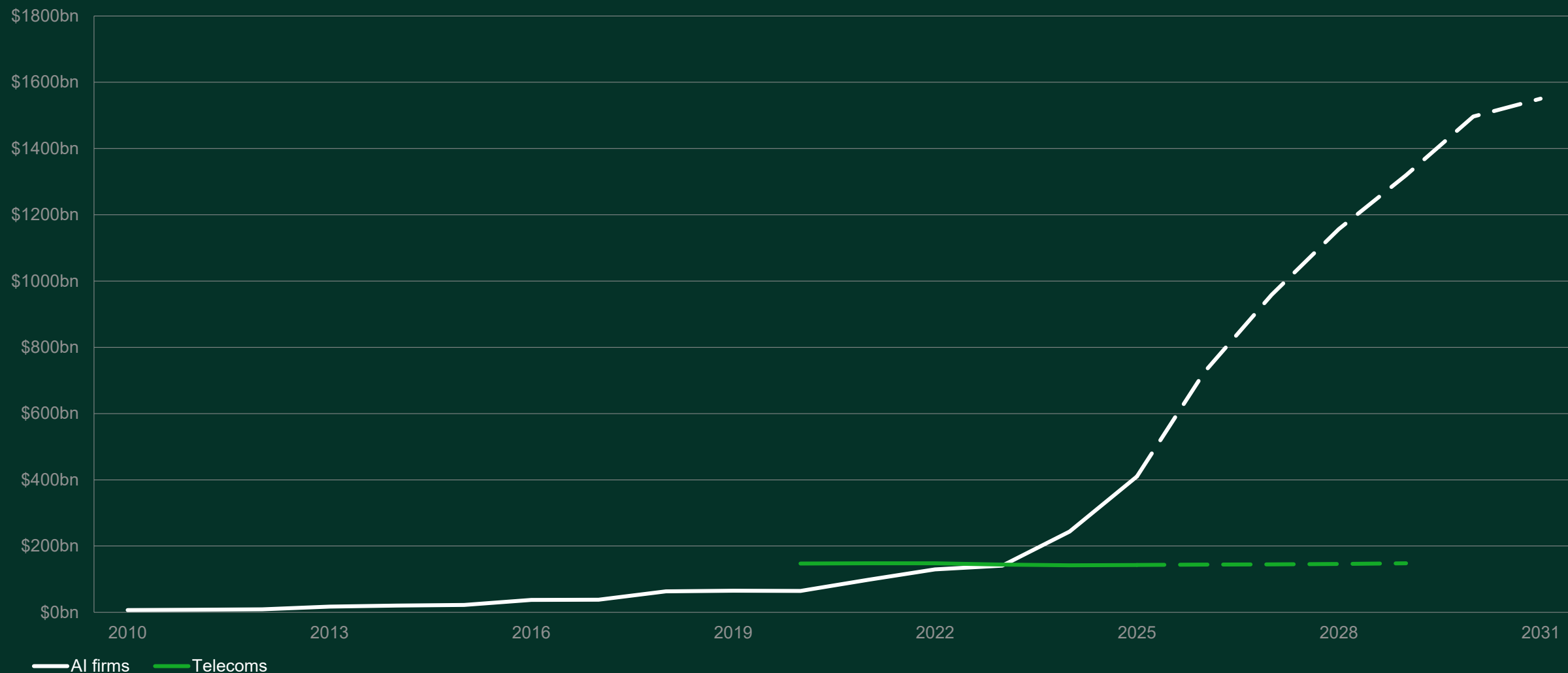
***An AI System Passed Peer Review. The Scientific Community Isn't Ready***

– Forbes

***Artificial Intelligence is now an A+ law student, study finds***

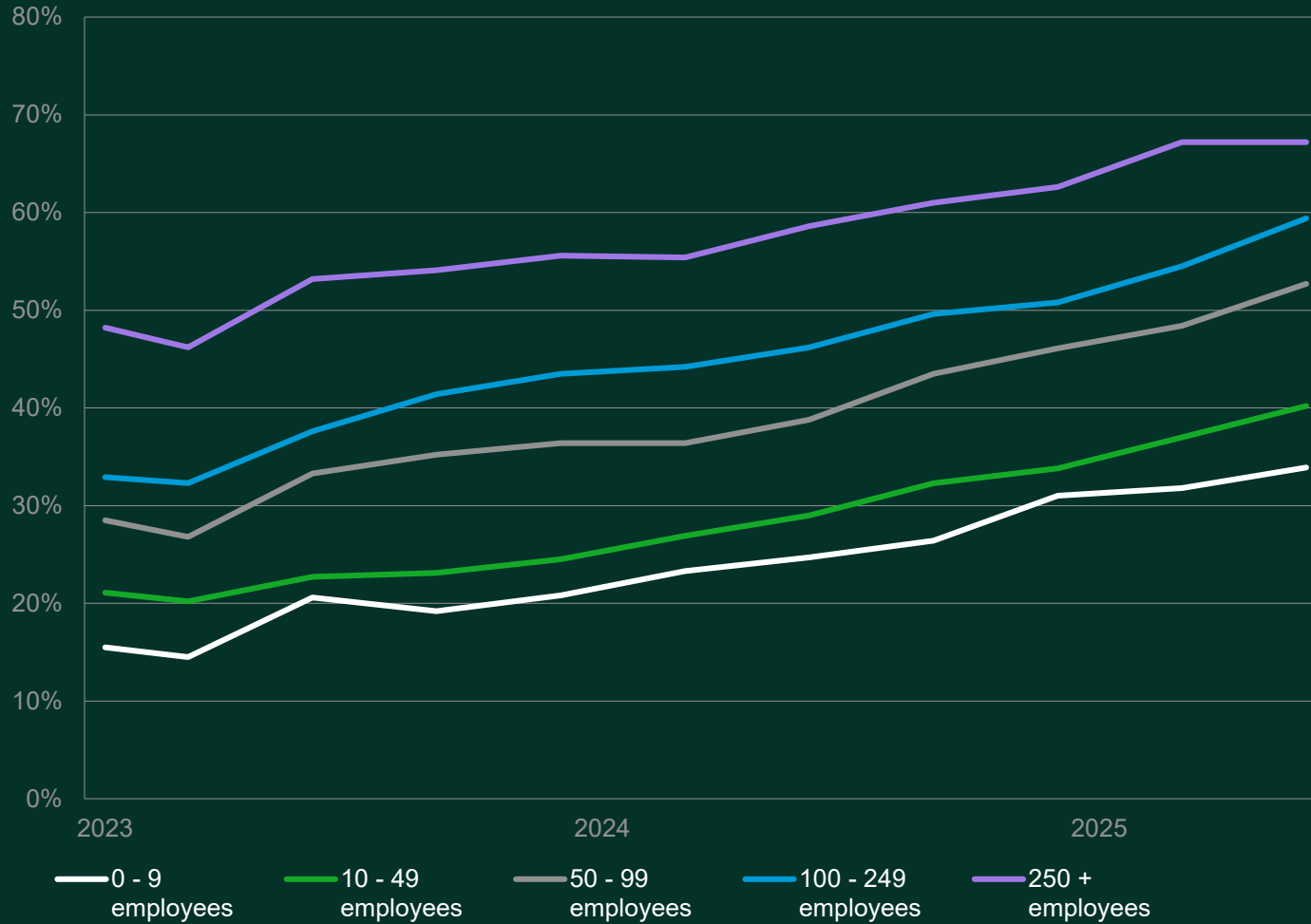
– Reuters

# CAPEX—Meta, Alphabet, AWS, Microsoft



Source: Evans, B. (2025), '[AI eats the world](#)', November; James, L. (2026), '[Google, Microsoft, Meta, and Amazon capex spending to hit \\$725 billion in 2026, up 77% from last year — analyst says bear thesis is "garbage"](#)', Yahoo! Finance, May; Lee, G. and Greenbaum, L. (2026), '[Tracking Trillions: The Assumptions Shaping the Scale of the AI Build-Out](#)', Goldman Sachs, May; Oxera (own calculations); PricewaterhouseCoopers (2026), '[Perspectives from the Global Telecom Outlook 2025–2029](#)'.

## UK adoption by firm size



# 35%

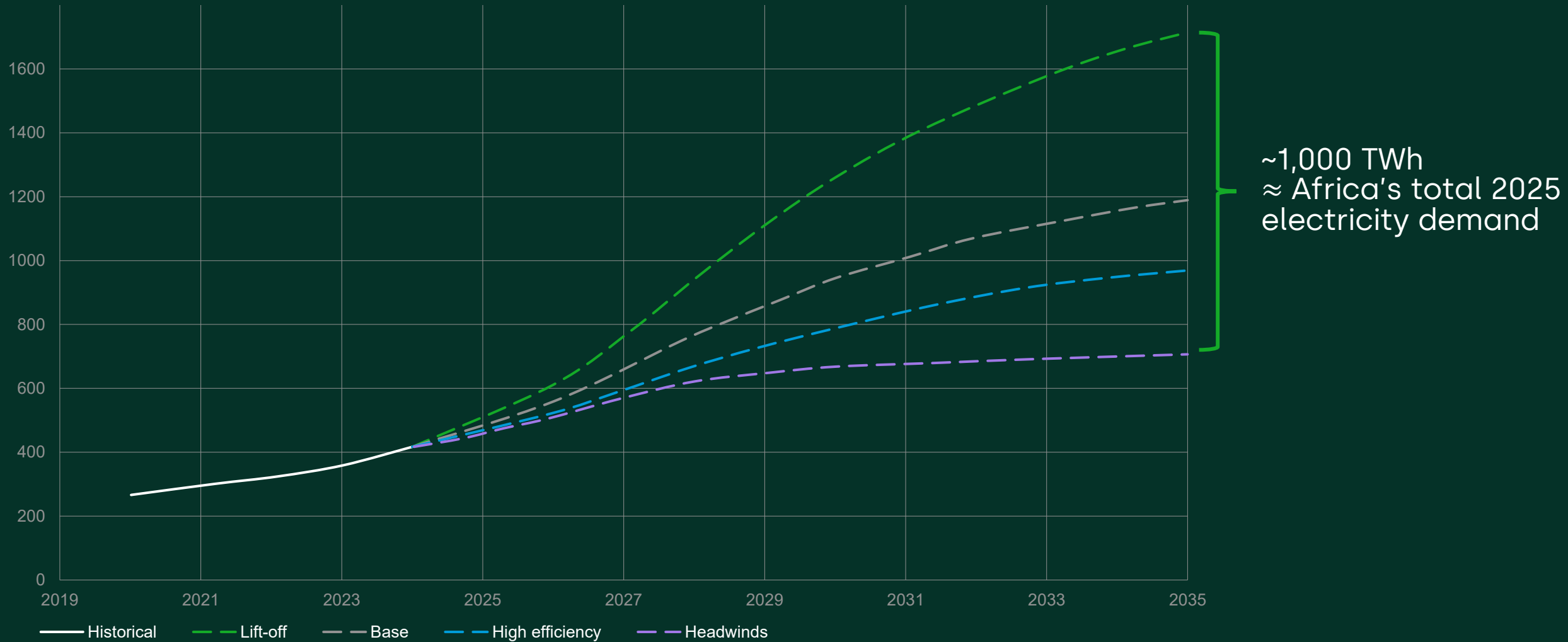
Of UK businesses used AI recently

# 74%

Of UK consumers used AI recently

Source: Office for National Statistics (2026), '[Business insights and impact on the UK economy \(Wave 153\)](#)', April; Brown, C. (2026), '[UK embraces AI at scale, with trust and governance rising up the agenda](#)', EY, May.

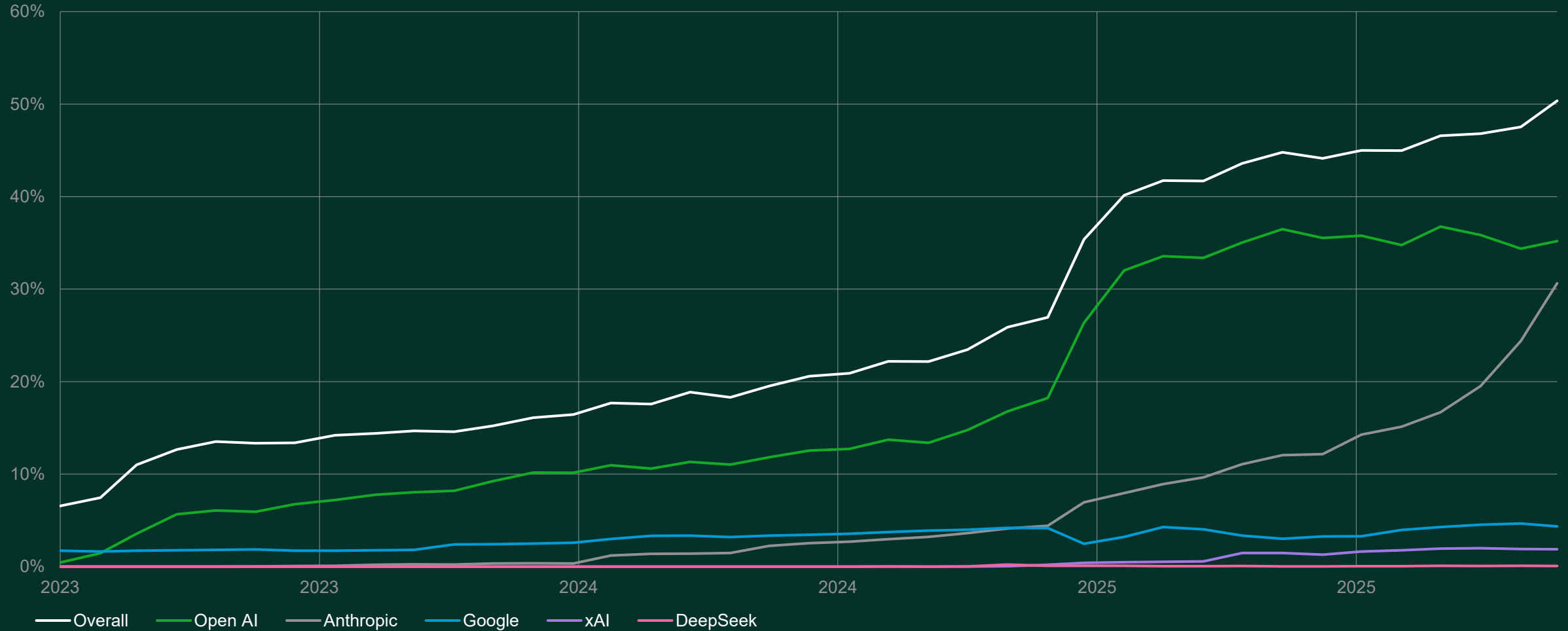
# Global data centre consumption by sensitivity case



Source: IEA (2025), ['Global data centre electricity consumption by sensitivity case, 2020-2035'](#), April; EMBER (2026), ['Yearly Electricity Data'](#), accessed 12 May 2026.

# Where are the revenues?

## Share of US businesses with paid subscriptions to AI models, platforms, and tools



Source: Kharazian, A. (2026), ['What drives AI adoption?'](#), *Ramp*, April.

# Which parts of the transition do we have?

## What do we have?

Technological break through

Capital funding infrastructure build

Competition

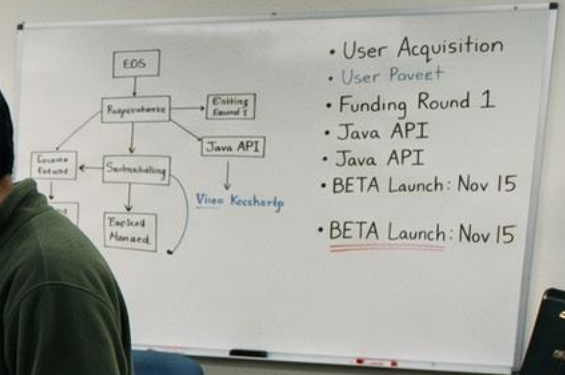
## Still being worked out:

Killer use cases

Business models

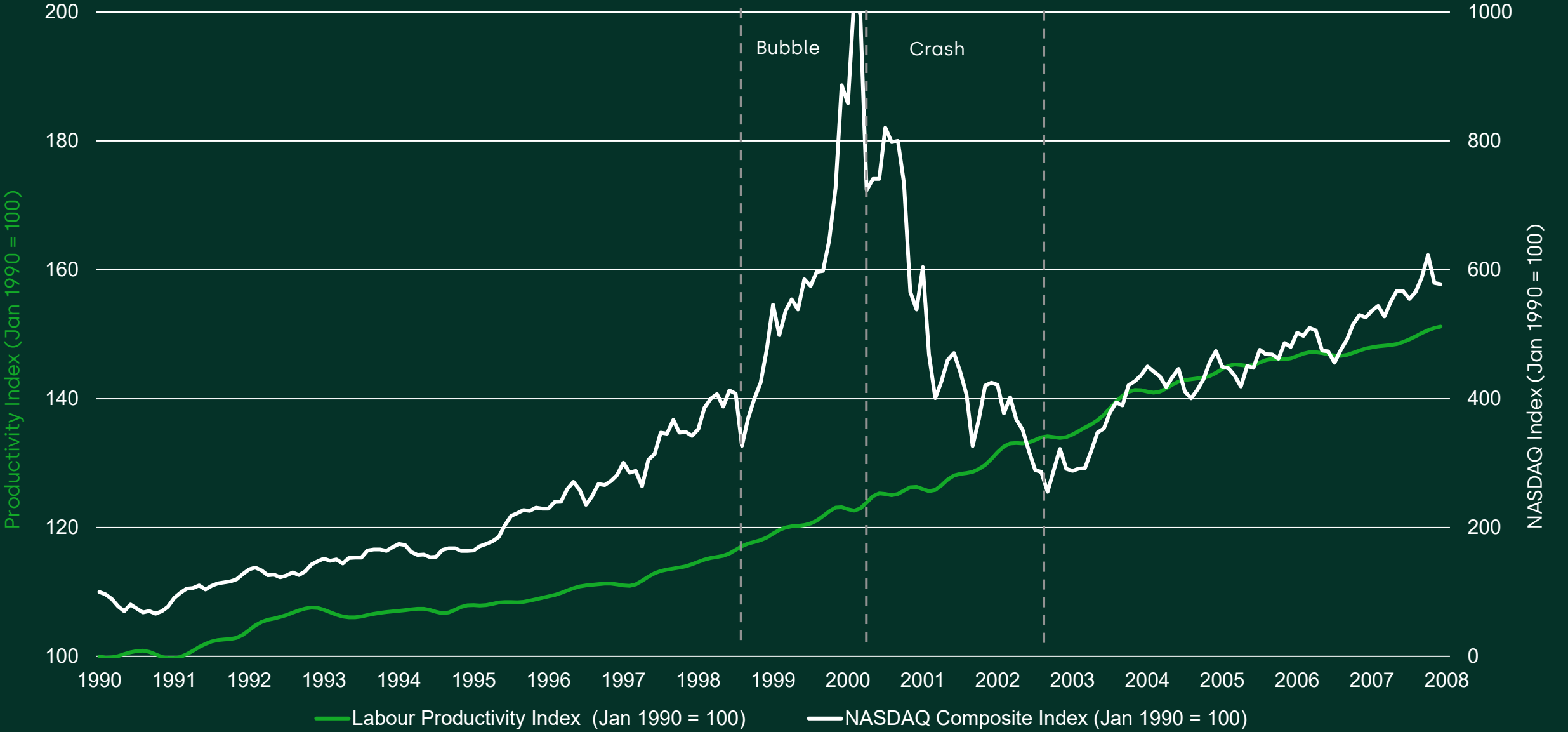
Distribution channels

Competitive moats



- User Acquisition
- User Povert
- Funding Round 1
- Java API
- Java API
- BETA Launch: Nov 15
- BETA Launch: Nov 15

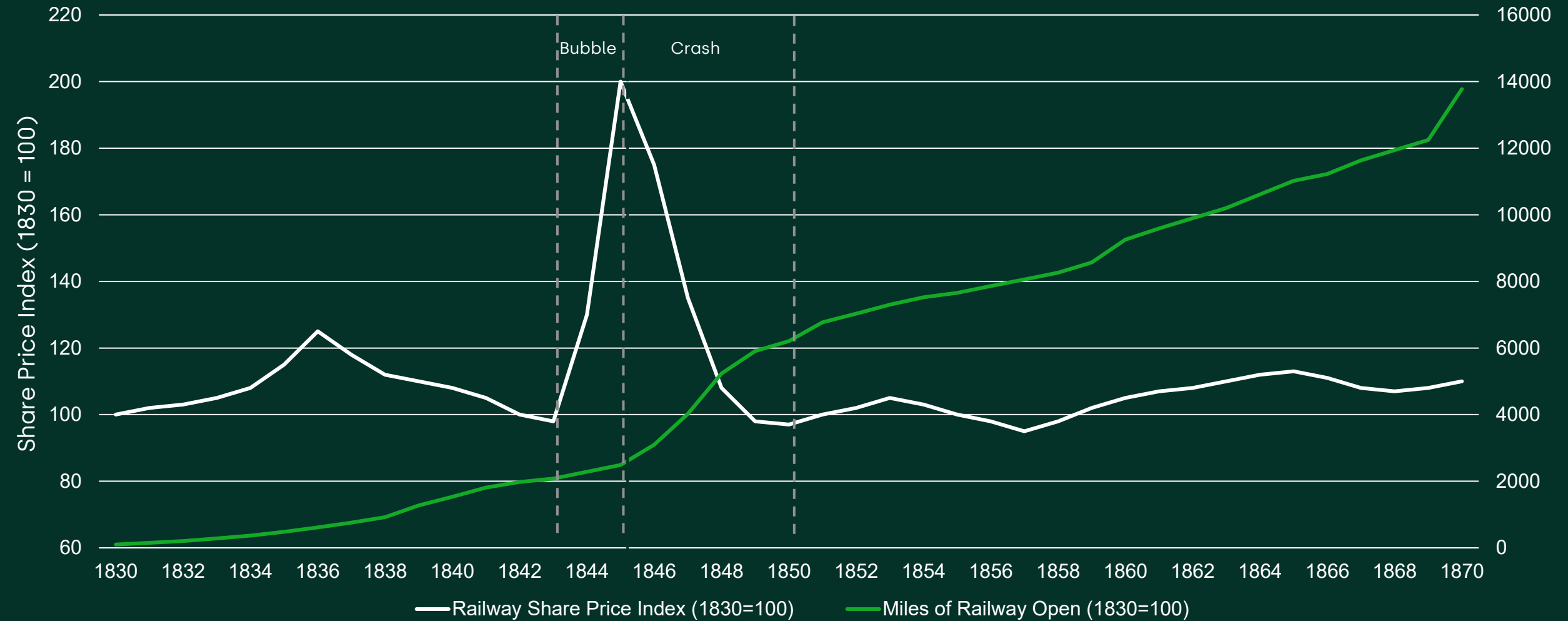
# Dotcom bubble



Source: NASDAQ Composite Index: Approximate historical monthly closing values, 1990–2007; US Bureau of Labor Statistics via FRED, [series OPHNFB](#), accessed 13 May 2026.



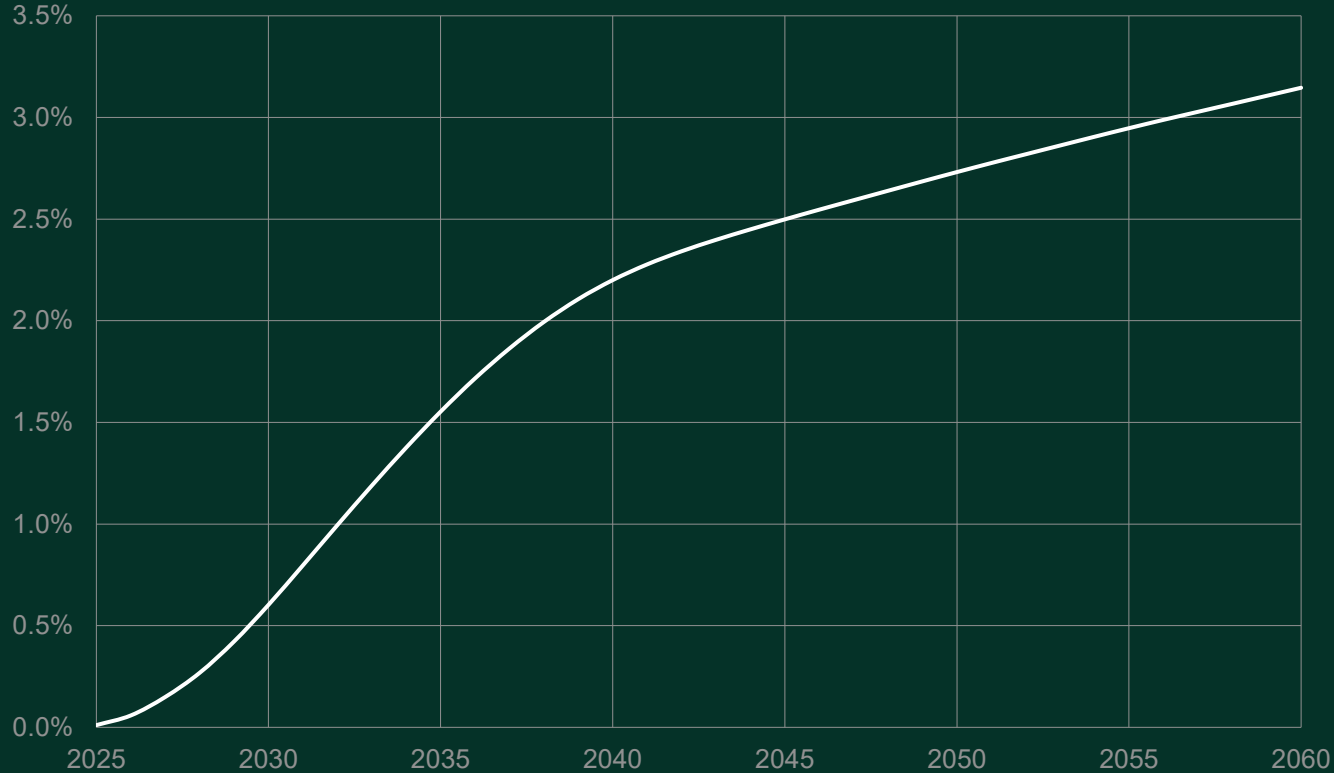
# Railways bubble



Source: Campbell, G., and Turner, J.D. (2012). '[Dispelling the Myth of the Naïve Investor during the British Railway Mania, 1845–1846](#)', *Business History Review*, 86:1, pp. 3–41; Odlyzko, A. (2010). '[Collective hallucinations and inefficient markets: The British Railway Mania of the 1840s](#)', Available at SSRN 1537338; Mitchell, R.B. (1988), *British Historical Statistics*, Cambridge University Press; Wolmar, C. (2007), *Fire and Steam: A New History of the Railways in Britain*, Atlantic Books; Wikipedia (2026), '[Railway Mania](#)', accessed 13 May 2026.

# Productivity

## Cumulative contribution AI to total factor productivity growth



## Projected GDP growth driven by AI:

7%

– Goldman Sachs, 2023

10%

– J.P. Morgan, 2024

15%

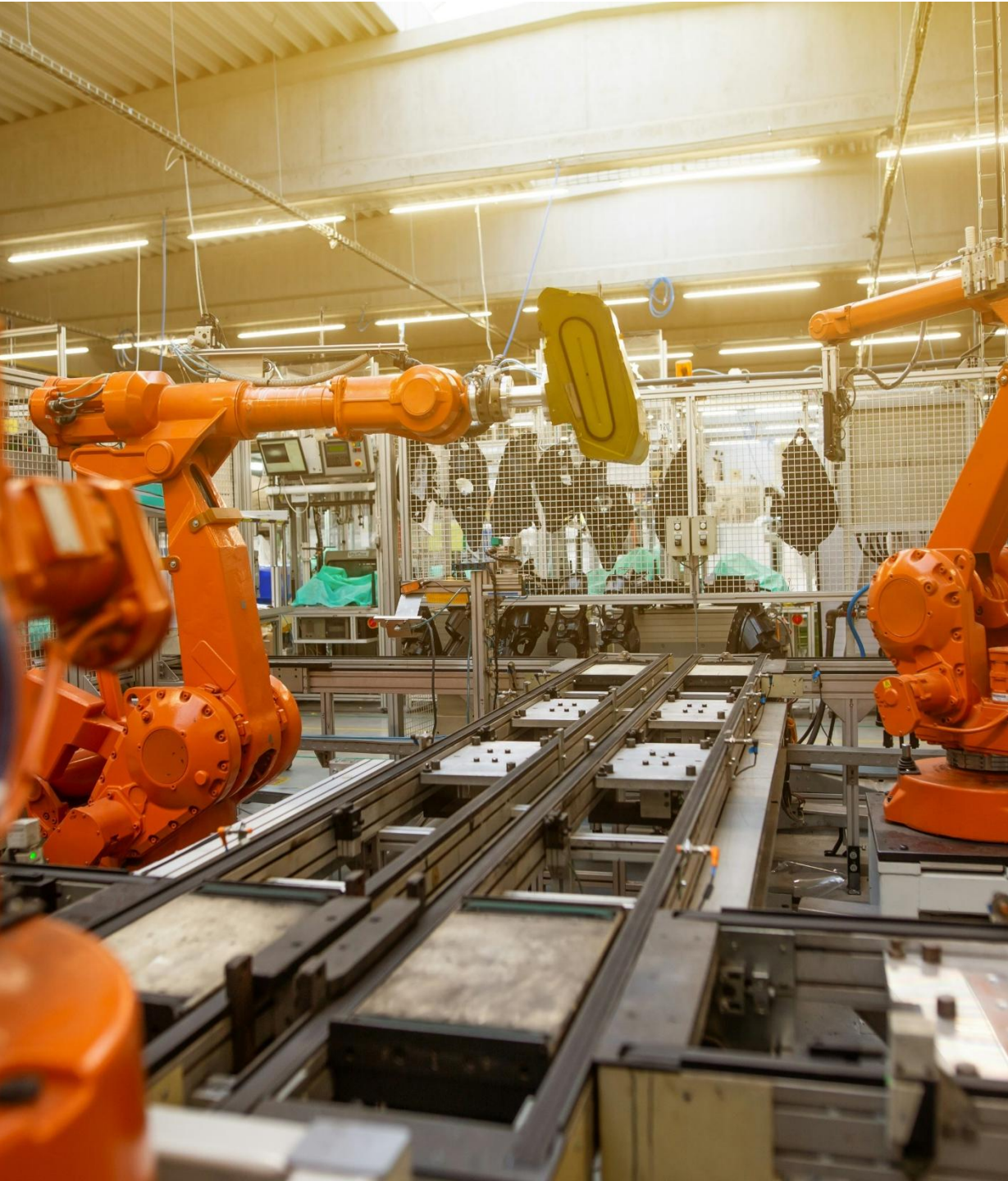
– PwC, 2025

Source: Arnon, A. (2025), ['The Projected Impact of Generative AI on Future Productivity Growth'](#), Penn Wharton Budget Model, September; Goldman Sachs (2023), ['Generative AI could raise global GDP by 7%](#)', April; J.P. Morgan (2024), ['Is generative AI a game changer?'](#), February; PricewaterhouseCoopers (2025), ['AI adoption could boost global GDP by an additional 15 percentage points by 2035'](#), April.

## Which occupations are the most exposed?

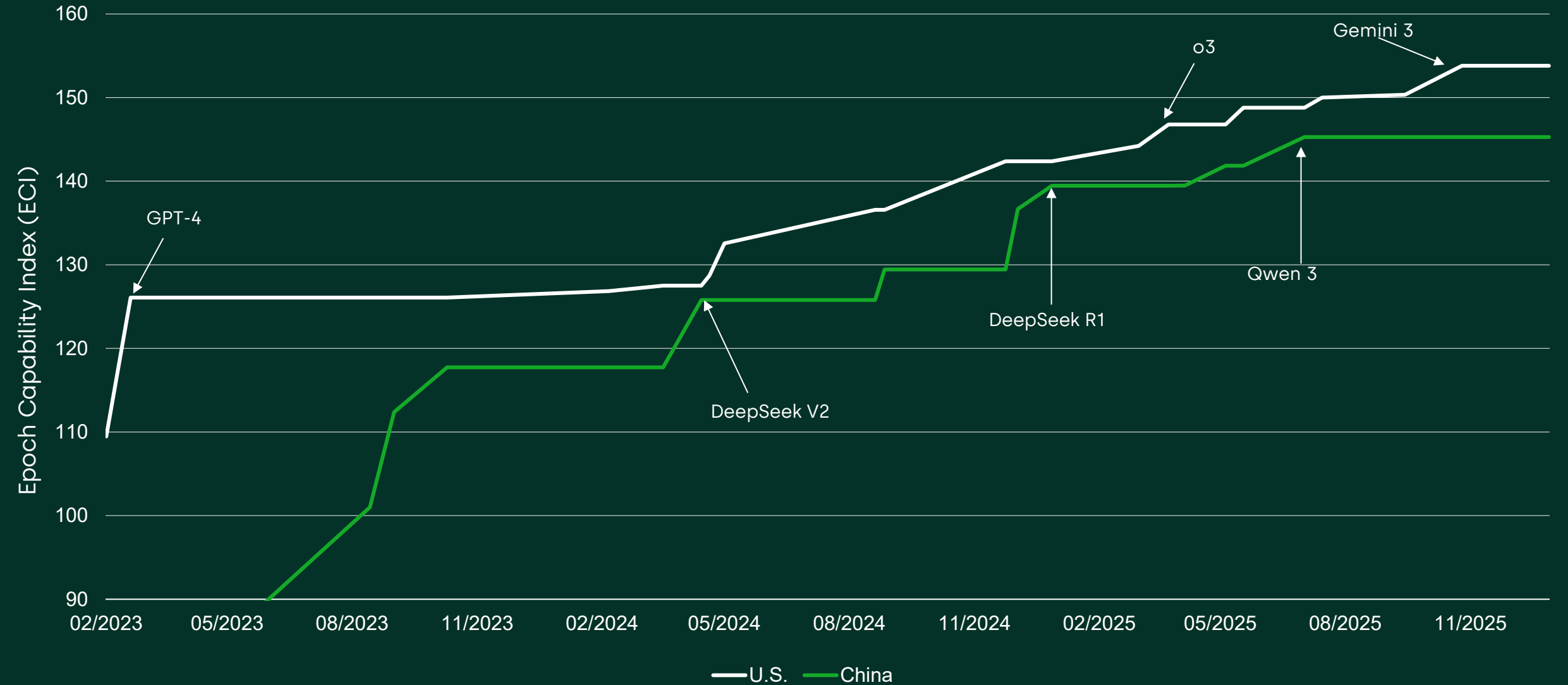
Occupation	Observed exposure	Leading automated task
Computer programmers	74.5%	Write, update, and maintain software programs
Customer service representatives	70.1%	Confer with customers to provide info, take orders, handle complaints
Data entry keyers	67.1%	Read source documents and enter data into systems
Medical record specialists	66.7%	Compile, abstract, and code patient data
Market research analysts and marketing specialists	64.8%	Prepare reports of findings, illustrating data graphically and translating complex findings into written text

Source: Massenkoff, M. and McCrory, P. (2026), '[Labor market impacts of AI: A new measure and early evidence](#)', Anthropic, March.





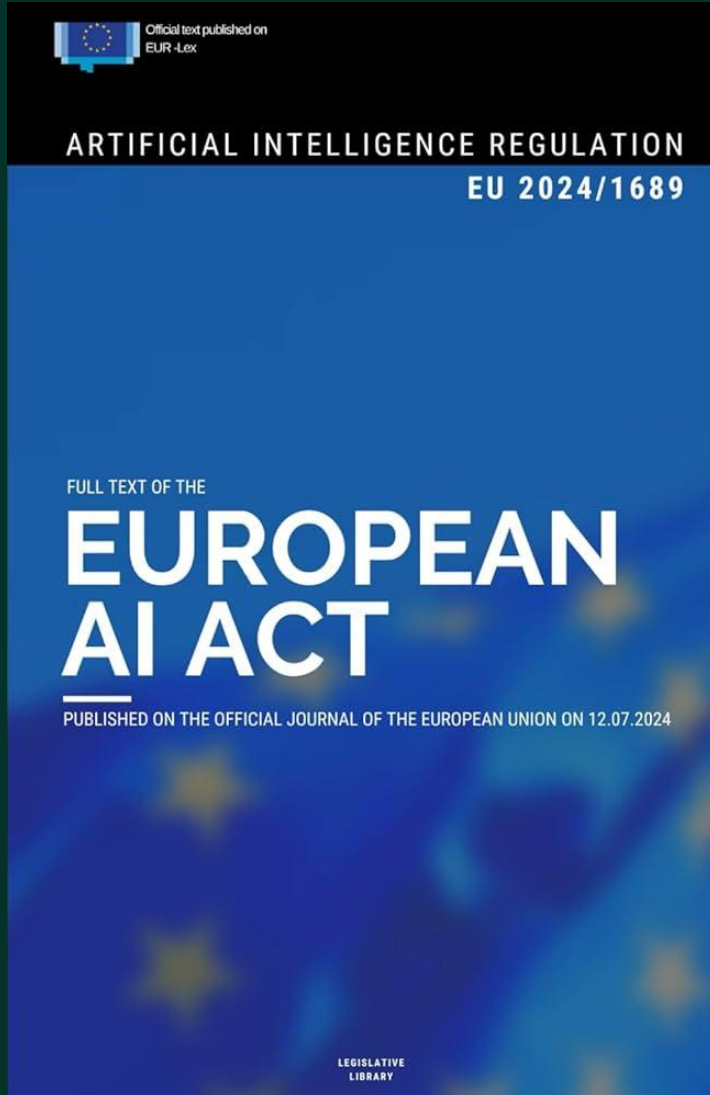
# The Epoch Capability Index (ECI) of AI models: US vs China



Source: Ostrovsky, N. (2026), '6 Graphs that show where the U.S. leads China on AI—and where it doesn't', *TIME*, January, based on data from [Epoch AI](#).

Note: The Epoch Capability Index (ECI) is a composite score based on 39 different benchmarks.

# What is happening in Europe? Regulation

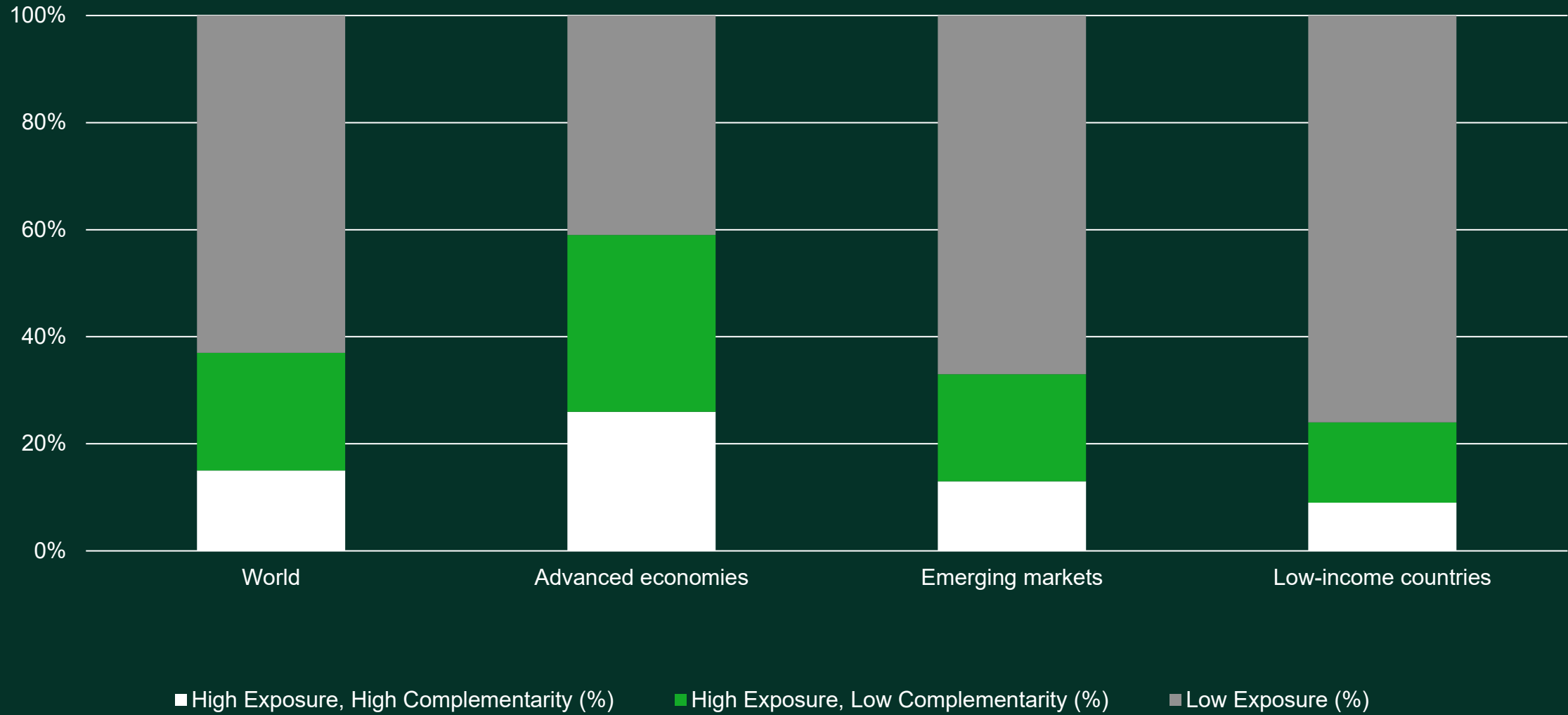


The EU AI Act employs a risk-based approach to regulate AI systems based on their level of risk



Source: Fiser Consulting, 2023

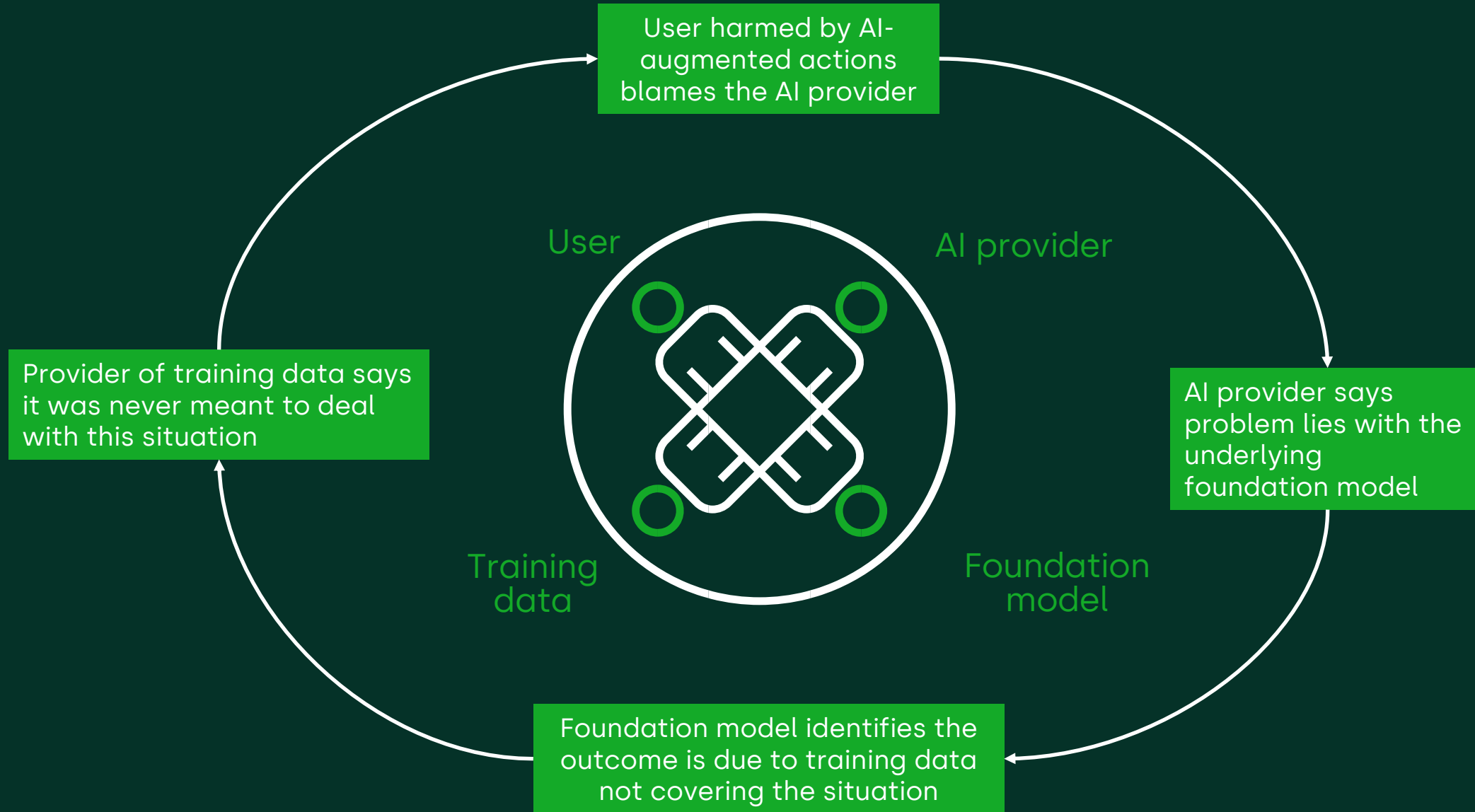
# AI's impact on jobs

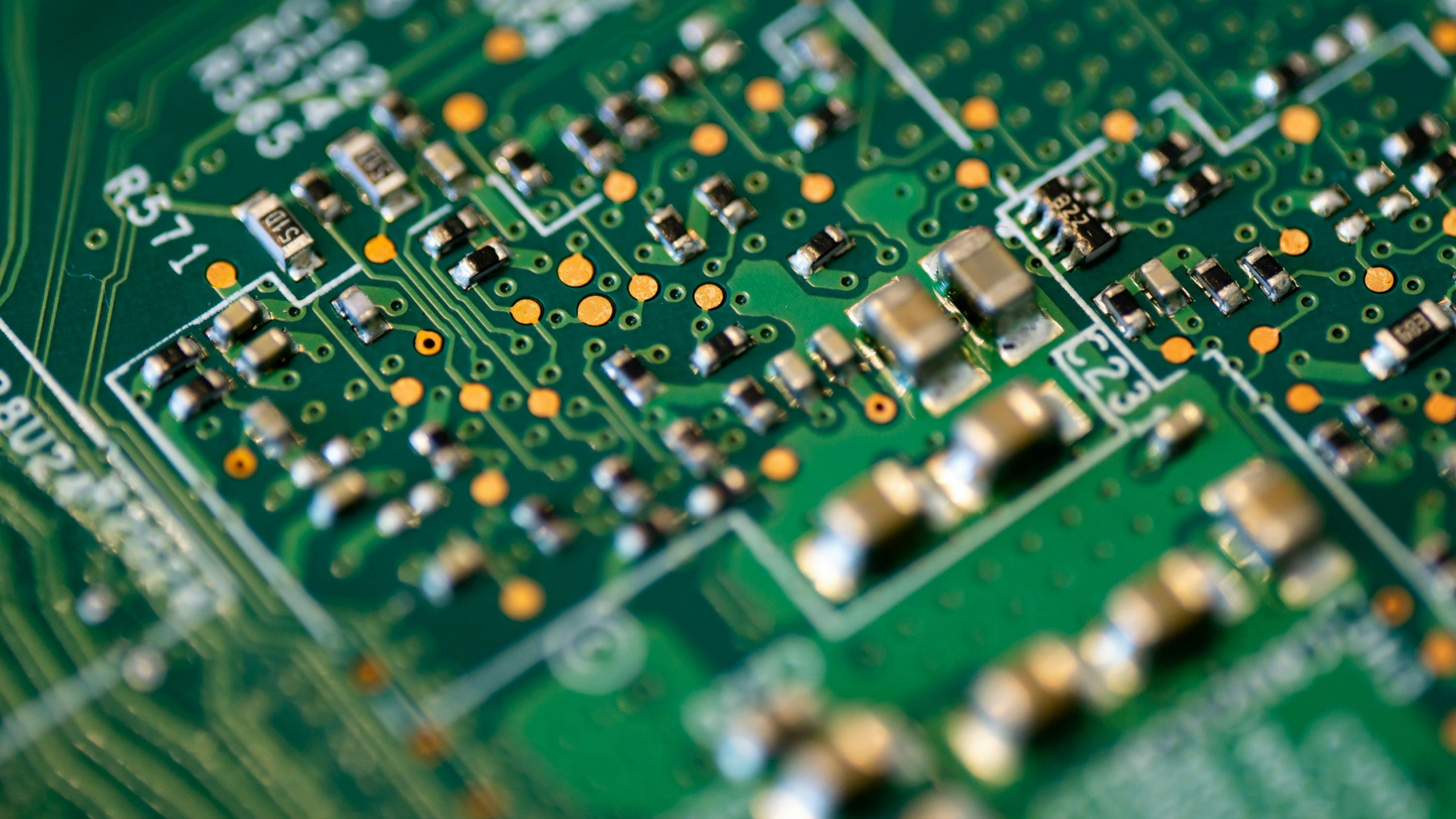


Source: International Labour Organization (ILO) and [IME](#) staff calculations.

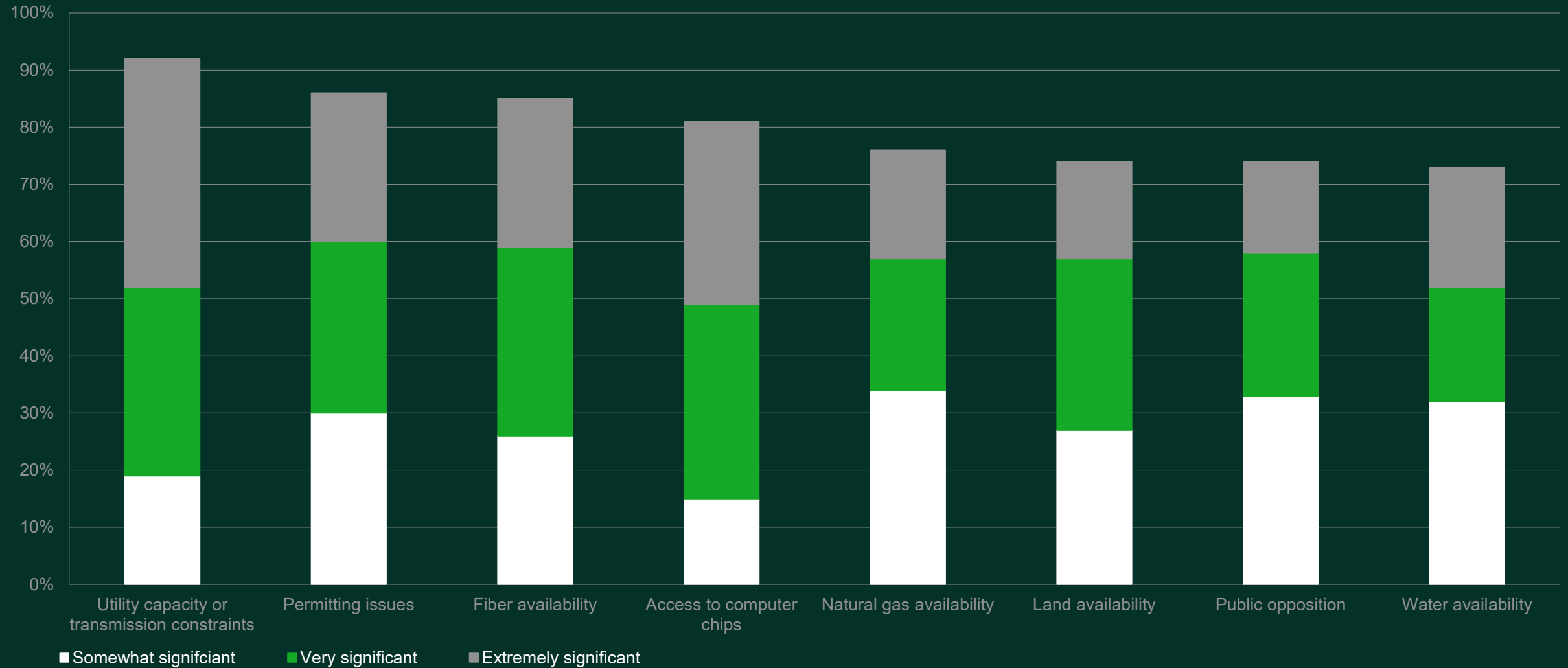


# What happens when things go wrong?





# What is slowing down data centre projects?



Source: AlphaStruxure, Schneider Electric and Data Center Frontier (2025), ['Before AI, After AI'](#).



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