



Response to the Economy, Trade and Rural Affairs Committee Report – AI and the Welsh Economy

June 2025

In May 2025, the Economy, Trade and Rural Affairs Committee submitted its report on AI and the Welsh Economy – Can Welsh Androids Dream of Electric Sheep? The report includes 8 recommendations with zero conclusions. This is the Welsh Government's response to those recommendations.

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Introduction

The Digital Strategy for Wales sets out a national ambition for adopting a digital approach across Wales. Its high-level and stretching vision is to improve the lives of everyone in Wales through collaboration, innovation and better public services. The strategy comprises 6 missions: digital services, digital inclusion, digital skills, digital economy, digital connectivity and finally, data and collaboration. Largely technology agnostic, various thematic activities seek to address a broad range of digital agendas, Artificial Intelligence being just one, but one that spans several of the missions.

Innovative and effective use of data, including Artificial Intelligence, is a core component of the Digital Strategy for Wales and is helping us improve our public services as well as growing the Welsh economy. We want to inspire businesses to adopt and embrace digital and data-driven innovations to drive economic prosperity, resilience and sustainability.

The Welsh Government recognises the risks around AI use including the potential for bias in the data used to deliver AI services, disruption and impact on the labour market and concerns around misinformation. That is why ensuring AI technologies are used in responsible, ethical, inclusive, and safe ways is vital.

This government, in the delivery of the Digital Strategy for Wales, is working in collaboration with multiple stakeholders including, but not limited to, the UK Government, partners across various elements of the digital & technology private sector and academic institutions to strong effect.

A critical influence on the Artificial Intelligence agenda in the UK has been the publication of the UK Government AI Opportunities Action Plan as announced by the Prime Minister on 13 January 2025. This post-dated the ETRA committee consultation and subsequent day of oral evidence sessions but is recognised within the report.

I thank the members of the Economy, Trade and Rural Affairs Committee for their report on AI and the Economy. I have set out my response to the Report's individual recommendations below.

Response to the 8 Recommendations

Recommendation 1.

Adoption of AI: implications for the economy and businesses.

The Committee recommends that

The Welsh Government should develop an action plan setting out the approach it will take to maximising the potential benefits of AI, including specific actions relating to supporting businesses and the workforce, and development of AI infrastructure.

Response: Accept

The Welsh Government has been undertaking a coordinated review into the benefits, opportunities and areas of impact of AI and the Economy. This has explored several priorities including supporting businesses, skills and infrastructure demands. The recommendations for action resulting from this review will be presented to the Cabinet Secretary for Economy, Energy & Planning in the coming weeks for consideration.

The Welsh Government is working hand-in-glove with global brands who are investing billions of pounds in Wales in the development and growth of AI infrastructure in the form of increased Data Center capacity.

Financial Implications – None.

Recommendation 2.

Adoption of AI: implications for the economy and businesses.

The Committee recommends that

The Welsh Government should set out which areas of AI it considers Wales has a competitive advantage in, and how it will support Wales based businesses in these areas of specialisation to develop and grow.

Response: Accept in principle

As part of the aforementioned review and complimentary work in developing the concept and bid for an AI Growth Zone, recommendations for fostering and developing emerging and growing businesses with specialist AI products will be presented to the Cabinet Secretary for Economy, Energy & Planning for consideration.

Financial Implications – Yet to be identified.

Recommendation 3.

Adoption of AI: implications for the economy and businesses.

The Committee recommends that

The Welsh Government should review what support is available to support businesses to adopt and benefit from AI and identify where gaps exist. Resulting from this review, the Welsh Government should work with partners to address these gaps.

Response: Accept in principle

Welsh Government officials leading on activities associated with AI and the economy have been working cross portfolio to support the work of a review into SME productivity. This will result in recommendations for mechanisms to support the broader education, training and adoption of AI where gaps exist.

The Welsh Government acknowledges the need and appetite from businesses to be better informed of the opportunities and challenges of AI adoption and is working towards the development of appropriate solutions with partners to fill this gap.

The Welsh Government is already working in partnership with initiatives such as the STFC funded Hartree Hub, delivered by Cardiff University. Strategic extension and pathfinder activity seeking to extend the reach of the Hartree hub's activities are already underway.

Financial Implications – Yet to be identified.

Recommendation 4.

AI Infrastructure

The Committee recommends that

The Welsh Government should set out how it intends to support any AI growth zones that are developed in Wales, including how it will help to address potential consequences around higher energy and water use

Response: Accept

Since the time of the launch of the AI Opportunities Action plan by the Prime Minister (13 January 2025), Welsh Government officials have been working closely with Department for Science, Innovation and Technology (DSIT) officials running the AI Growth Zone (AIGZ) bid process and have authored a WG led submission whilst supporting and advising external parties with additional bids from Wales.

The Welsh Government has partnered with a cohort of world-class international and domestic digital private sector organisations and academic partners in the development and submission of its AI&GZ bid.

Implications relating to both energy and water use are entirely subjective to the individual designs of data centers. It should be noted that water use differs significantly dependent upon individual design of data centers and the design as relates to new developments in Wales utilise 'closed loop' water cooling systems formally known as adiabatic cooling systems.

Whilst data centers do require significant energy provision, the upgrades and investment associated with supplying necessary new-power provision is realising additional power infrastructure for Wales from the national grid that would not, without these data center investments, be attained for many years if at all.

Financial Implications – None.

Recommendation 5.

Procurement

The Committee recommends that

The Welsh Government should consider how procurement of AI can be incorporated into its forthcoming guidance on the socially responsible procurement elements of the Social Partnership and Public Procurement Act 2023

Response: Accept

As per response to recommendation 1 above; The Welsh Government review into AI and the Economy has included in its scope the need to review AI procurement activity. This will include recommendations for consideration for inclusion into the forthcoming guidance on the socially responsible procurement elements of the Social Partnership and Public Procurement Act 2023.

Financial Implications – None.

Recommendation 6.

Skills and workforce

The Committee recommends that

The Welsh Government should analyse which areas, sectors and demographic groups are most likely to be negatively affected by job displacement due to AI. Based on its findings, it should work with partners to develop and target tailored support for these groups

Response: Accept in principle

The Welsh Government is analysing several reports and publications that directly analyse and provide insight into the sectors and demographic groups which may be most likely to be negatively affected by job displacement due to AI. This analysis will support the recommendations and proposed partnership activities put forward to the Cabinet Secretary for Economy, Energy & Planning as part of the broader AI and Economy review activities.

Financial Implications – Yet to be identified.

Recommendation 7.

Skills and workforce

The Committee recommends that

The Welsh Government should assess which skills the workforce requires to enable Wales to maximise potential benefits from AI and review the extent to which the workforce and future workforce have these skills. Where gaps are identified, it should prioritise working with partners to develop the necessary education and skills interventions to address them

Response: Accept in principle

As per response to recommendation 1 above; The Welsh Government review into AI and the Economy has included in its scope the need for recommendations for action as they relate to the skills agenda pertaining to AI. Whilst activities are already underway in partnership with academia in Wales, recommendations for action resulting from this review will be presented to the Cabinet Secretary for Economy, Energy & Planning for consideration.

The Welsh Government is aware of the future demands for data scientists and data science skill sets required to satisfy the future demands to realise the potential benefits of AI and will be working with partners to identify appropriate interventions.

Financial Implications – Yet to be identified.

Recommendation 8.

Skills and workforce

The Committee recommends that

The Welsh Government should build on its existing guidance in relation to AI and the workplace by:

- Working with partners to identify what further guidance is needed in the devolved public sector in relation to job quality and equality issues regarding AI and the workplace and developing this.
- Considering what guidance on AI and the workplace is needed to support businesses and private sector workers, and working with partners to develop this

Response: Accept

The Welsh Government welcomed guidance published by the Workforce Partnership Council for Wales on the ethical and responsible use of artificial intelligence across public sector workplaces, reinforcing our unique ‘Welsh Way’ of social partnership. The principles are taking a social partnership approach, preserving human oversight and interaction, ensuring Fair Work for all, building capability to manage AI systems, and, protecting jobs

The Social Partnership Council is also considering the demand and supply for AI skills across the public and private sectors in Wales.

There is a cross-public sector AI leadership group which is driving forward transformation using AI in our public services across Wales. Alongside this, the Centre for Digital Public Services convenes a Community of Practice on Automation and Artificial Intelligence to enable public service workers to share experiences, as well as discuss challenges and opportunities, on the use of AI in the public sector in Wales.

More widely on skills, we are refocusing our skills programmes with increased funding and flexibility to address skills gaps and support priority areas like digital, AI and cyber skills.

Financial Implications – Yet to be identified.