

Crypto: A scam ... that's costing us all

A while back, I learned that cryptocurrency (or "crypto" for short) mining companies can make more money from shutting down their power-hungry server farms and earn a payment from ERCOT (the entity that manages the Texas power supply), than they can make from generating actual crypto.

After some research, I learned that crypto mining and its business structure is just as big a scam as I thought it was.

Let me back up a bit. According to Forbes, "A cryptocurrency is a digital, encrypted and decentralized medium of exchange. Unlike the U.S. dollar or the Euro, there is no central authority that manages and maintains the value of a cryptocurrency."

Bitcoin was the first cryptocurrency. Crypto is generated by solving complex math problems. Crypto mining companies build "server farms" with bank upon bank of servers to solve these math problems to generate crypto.

These server farms are enormous power hogs due to the amount of cooling those banks of computers require. The largest one is Riot Platforms near Rockdale.

Texas is the world's No. 1 location for crypto mining. During winter storm Uri in February 2021, when ERCOT's failure to manage the power grid caused massive and days-long power outages, ERCOT paid many of these mining companies to shut down, to help alleviate the crisis.

According to Inside Climate News, a new report from the Energy Information Administration (EIA) "found that the world's crypto miners used as much electricity in 2023



as the entire country of Australia."

According to San Antonio Express-News columnist Chris Tomlinson, "A single bitcoin transaction uses as much power as the average U.S. household does in 37 days, according to the Bitcoin Energy Consumption Index."

Tomlinson also said "ERCOT pays (crypto miners) millions of dollars for every 15 minute-interval they go dark ... The industry creates a problem (too high demand) and then demands payment to solve it.

"During extreme temperatures, the state-controlled ERCOT pays Riot to shut down, which sometimes pays better than mining bitcoin."

The EIA report stated the Biden administration is concerned "that the growing (crypto) industry could pose a threat to the nation's electricity grids. Concerns have grown about the energy-intensive nature of the business and its effects on the U.S. electric power industry. Concerns include strains to the electricity grid during periods of peak demand (and) the potential for higher electricity prices."

Ben Hertz-Shargel, a grid expert at a global consulting firm, said, "Nearly all hours of the year, power demand from bitcoin mines pushes up the real-time cost of electricity in Texas, which is determined every 15 minutes based on supply and demand. This raises electricity costs \$1.8 billion per year on homeowners and businesses, a 4.7% increase in

what they currently pay," according to the Inside Climate News article.

Here's an idea: why don't the crypto miners build their own solar arrays, use that power and leave our wobbly power grid out of it?

But they won't. Making money off payments from ERCOT — and ratepayers — is baked into their business model.

Crypto is just a scheme by which people who really understand how it works and how to manipulate it scam millions off of those who don't. A federal court convicted crypto company founder Sam Bankman-Fried of fraud and money laundering and sent him to prison for 25 years.

Bitcoin is an insider's and speculator's dream. We have watched the rise in sports betting and stock plays like GameStop that prey on folks who try to make a quick buck. In the end someone is always left holding the bag.

Think about Enron and the Mad-off Ponzi scheme; we can be so easily fooled. Best to stay vigilant and keep your money safe.

Crypto is an ephemeral currency that has absolutely no backing whatsoever. Someone is getting rich, and it isn't utility ratepayers.

It's infuriating that hundreds died in the 2021 freeze and countless others spent millions for repairs, and for what? To enable some private companies to make cartloads of money off the backs of Texas ratepayers. It's wrong.

For information on our activities and how to get involved, call our office at 830-331-1243 or visit kcdems.us.

Laura Bray is Chair of the Kendall County Democratic Party.