States debate whether to restrict—or invite—crypto mining

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As cryptocurrency mining draws increased scrutiny on Capitol Hill in Washington, D.C., some state legislatures are considering proposals to restrict the industry over growing concerns about its energy use. Other states, though, are advancing bills to protect cryptocurrency miners from such crackdowns, citing the economic potential of hosting mining operations.

Last year, New York became the first state to limit cryptocurrency mining based on energy usage. Lawmakers passed a two-year moratorium on new mining operations that use electricity directly supplied from fossil fuel plants. The bill was drafted in response to mining companies that repurposed aging coal and gas plants to power their operations.

"Can we reach our climate goals while adding cryptocurrency mining onto our grid?" asked Assemblymember Anna Kelles, a Democrat who sponsored the bill. "That's an important question."

The measure also ordered a study, conducted by the New York Department of Environmental Conservation, to look into the industry's environmental impacts. Kelles said it will examine air and water pollution, as well as the potential for cryptocurrency mining to divert renewable energy resources from existing demands and increase the strain on the state's transmission infrastructure. The study could guide future legislation and regulation, she said.

Now, some lawmakers in Washington and Oregon want to extend emissions and clean energy standards to cryptocurrency mining operations that are currently exempt.

Cryptocurrency mining is the process by which bitcoin and other types of digital money verify transactions and generate new coins. "Miners" operate the computers that contribute processing power to a decentralized network that verifies virtual ledgers by solving complex equations generated by the currency's protocol. The miners who are first to process those equations are rewarded with newly minted coins, or cryptocurrency.

Mining operations require powerful computers, often in specialized facilities that use large amounts of electricity. Last year, the Biden administration published a fact sheet estimating that cryptocurrency consumes 0.9% to 1.7% of the nation's electricity usage. The industry's rapid growth, the White House said, "could potentially hinder broader efforts to achieve U.S. climate commitments to reach net-zero carbon pollution."

But lawmakers in many states see the industry's growth as a good thing.

"We need to plant our flag now as a pro-crypto state," said Missouri state Rep. Phil Christofanelli, a Republican, in an interview with Stateline. "It's going to continue to grow, and we want Missouri to be open and welcoming to this new form of innovation and industry."

Christofanelli has sponsored "right to mine" legislation that would prohibit local governments from restricting cryptocurrency mining. The bill also would exempt cryptocurrencies from property taxes and specify that digital currencies don't need the same licensing required for banks.

The bill, which passed out of committee earlier this month, is similar to measures proposed in Montana and Mississippi this year. The Montana bill, which passed the state Senate last month and awaits a hearing in the House, would prohibit zoning restrictions that target cryptocurrency miners. It also would direct the state Public Service Commission to offer electricity rates to miners that are consistent with other industrial customers.

"We just want to make sure the rules are known and fair, so if companies want to invest in Montana, they know what they are," said state Sen. Daniel Zolnikov, the Republican who sponsored the bill. "Maybe something big happens, maybe not, but why wouldn't we open the door and see?"

While some see promise in cryptocurrency's economic potential, others think its growth could slow the path to reaching states' clean energy goals.

"There's only so many green electrons right now," said Mandy DeRoche, deputy managing attorney for clean energy with Earthjustice, a nonprofit environmental law group. "We're not going to meet our emissions targets with this extra load."

DeRoche raised concerns about electricity rates in areas that have to build new infrastructure to meet the demands of cryptocurrency mining, adding that the jobs created by the industry rarely live up to initial promises.

But industry advocates say their operations could be an asset, rather than a liability, for the electrical grid. They claim cryptocurrency mining operations will create demand that will help developers build more wind and solar, creating a key "offtake" for that power when generation outstrips the demand from homes and businesses.

"It's an alternate funding stream for these companies, so they're going to be incentivized to build out renewable clean energy," said Tom Mapes, director of energy policy with the Chamber of Digital Commerce, a blockchain advocacy group. "In areas where there's excess energy capacity, this really fits in."

Mapes acknowledged "bad actors" that have given cryptocurrency mining a bad name, but said only a small percentage of miners have sought to use repurposed fossil fuel plants. He said questions around cryptocurrency's use as a financial instrument have driven efforts to restrict mining, leading to skepticism that other energy-intensive industries haven't faced.

"You have certain policymakers who don't like this technology, who see it more as a nuisance than a help, and if there's one way to combat that right now it's to argue that the energy usage is wasteful," he said.

One of the policymakers making that argument is Oregon state Rep. Pam Marsh, a Democrat. Oregon's clean energy law applies to investor-owned utilities, which cover about 75% of the state's population. Marsh has sponsored a bill that would require cryptocurrency miners and data centers that purchase power from other entities—such as public utility districts and electric co-ops—to hit the same clean electricity targets.

"A big data center can use as much power as 80,000 homes," she pointed out. "These are the outliers, and they need to be compelled to corral their energy use in the same way that they would if they were in an [investor-owned utility] territory."

Marsh said questions about the "legitimacy" of cryptocurrency as a financial instrument have added to concerns about whether its energy usage is justified. The bill is scheduled for a hearing this week in the House Climate, Energy, and Environment Committee.

Washington state lawmakers are considering a similar bill. For now, customers that bypass a local utility to buy electricity from a power generator or broker are only subject to the state's clean electricity requirements if they're within the territory of an investor-owned utility. The measure would expand the rules to consumer-owned utilities, which sell about half the electricity in Washington.

While the bill does not specifically call out cryptocurrency mining operations, the industry's growth was among the reasons that state leaders felt compelled to introduce the proposal. Glenn Blackmon, energy policy manager with the state Department of Commerce, said a proposed cryptocurrency operation in Pend Oreille County was seeking to use power bought outside of the local public utility district, calling into question whether the imported power would be renewable.

"We envision that over the next couple of decades, we will double the amount of electricity that's used in our state," Blackmon said. "All of that increase is going to be renewable resources, and we need to make a lot of investment to do that. If you were to add crypto to that, it's possible it would be a significant extra amount."

The Washington bill has passed the House and had its first Senate hearing last week.

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