



## Bitcoin: A Safe Investment or a Complete Gamble?

### Description

Bitcoin prices have resiliently marched north, regardless of the recent global economic turmoil. Why? Well, investors seem to love the elegance of the underlying technology. Specifically, investors are enamoured with the potential breakthroughs blockchain technology can have in a number of key sectors.

Many investors have made a great deal of money in crypto. Since March 2020, Bitcoin's price has surged to be a near-10 bagger, trading near its all-time high.

That being said, this is a highly speculative nascent industry with high levels of risk. Investors need to consider the idea that there is a very real speculative-like nature to these investments today.

Accordingly, here are two top risks I think investors should consider right now.

### Bitcoin mining simply uses way too much power

There are two ways to get Bitcoin: it can either be bought or new coins can be mined. Cryptocurrency mining essentially involves using specialized computers to solve highly complex cryptographic problems, validating transactions across the blockchain. These mining activities are rewarded via transaction fees and, in the case of Bitcoin, in cryptocurrency as well.

As Bitcoin miners like **Hive Blockchain Technologies** ([TSXV:HIVE](#)) will tell you, after setting up a mining rig (which itself is pretty costly), the second-biggest expense of a miner is electricity. Canada has very affordable average electricity rates compared to global standards. However, running several rigs simultaneously can become quite expensive for miners.

Additionally, crypto mining has already begun to put strain on local power grids globally. By some estimates, more power is used to mine Bitcoin than many large countries use today.

For those with an environmentally conscious focus, this isn't a good thing. Consider the fact that in many parts of world, coal and natural gas-fueled power plants still provide the vast majority of

electricity generation.

## Regulatory risk a big deal for cryptocurrencies

Following the U.S. president's fiscal stimulus announcement, Bitcoin saw its highest-ever price surge and reached US\$61,781 per Bitcoin. However, recent downside momentum has been provided by news from the other side of the world.

India, Asia's third-largest economy, is rumoured to be preparing a bill to criminalize the possession, mining, and trading of cryptocurrencies within the country. Governments want a slice and want to regulate cryptocurrencies but can't do so because of their decentralized nature. Accordingly, some investors expect increased regulation in Western nations could pour cold water on this trade.

There's also the idea that governments are looking at their own regulated versions of cryptocurrency right now. Investors may forget that for decades, gold ownership was banned by the federal government, as it eliminated the gold standard and moved to a fiat currency system.

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