



Bitcoin Investors: Beware of this Key Risk Today

Description

Safe-haven stocks have visibly underperformed of late in terms of providing a decent hedge for investors. Accordingly, many investors have begun shifting away from traditional hedges like gold toward cryptocurrencies. This shift has taken a lot of luster away from the gold trade. Indeed, this rotation has also helped spur demand for speculative assets, with many investors reaching up for risk in today's market.

Those who are looking to diversify into crypto today certainly have their choice of options. There's a range of publicly-traded [crypto mining](#) companies like **Hive Blockchain Technologies** ([TSXV:HIVE](#)). Additionally, investors could buy one of the fancy new Bitcoin ETFs that have come to Canada first. Or, there's always the option of holding Bitcoins directly in a digital wallet.

However, these investments aren't without risk. Indeed, there's one key risk I think has the potential to seriously disrupt the momentum in crypto today. And, oddly, it stems from the ESG movement.

Bitcoin mining uses more power than small countries

For environmentalists out there, Bitcoin mining ought to be considered a nightmare.

The fact that global Bitcoin mining uses more energy than entire countries consume is absolutely mind-blowing. A Cambridge report states that Bitcoin mining consumes approximately 121.36 TWh of electricity per year. For context, Argentina utilizes 121 TWh of electricity annually. The Netherlands utilizes 108.8 TWh of electricity in a year.

I'm of the belief that growth in computing power related to crypto mining is hitting an inflection point. Power grids may no longer be sufficient to support the kind of power needed to continue this exponential rise in energy usage. Plus, it's just plain terrible for the environment.

I don't think it's possible to be a crypto investor and also claim to be an environmentalist. Most of the electricity that's produced today is still "dirty." The sheer amount of pollution created as a result of Bitcoin mining should shock investors. However, it's a fact that's simply overlooked in the name of

progress.

Bottom line

In my view, cryptocurrency mining is about as wasteful an activity as exists today. All that computing power and electricity usage supports a vast network of digital coins which really only provide utility for speculators today.

I think when more investors start seeing the problems Bitcoin mining is causing the energy grid, there's real downside potential for crypto investors. Indeed, I do think ESG could be the pin that pricks the Bitcoin bubble. How big the bubble could ultimately get – no one knows. But I'm going to stay on the sidelines on this trade.

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1. TSXV:HIVE (Hive Blockchain Technologies)

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