



Was Elon Musk Right to Stop Accepting Bitcoin?

Description

Recently, Elon Musk made waves when he tweeted that **Tesla** ([NASDAQ:TSLA](#)) would stop accepting Bitcoin. Citing energy use, he said that the company could no longer tolerate Bitcoin's fossil fuel consumption. Over the years, Tesla has made a name for itself as a "clean energy" company. A manufacturer of electric cars, it is helping to wean the world off of fossil fuels. Given that this is a huge part of Tesla's brand, it makes sense that Musk would stop accepting an environmentally unfriendly payment method.

But is Bitcoin actually such a threat to the environment? In this article, I'll explore that question and other topics pertaining to Tesla and Bitcoin.

Bitcoin DOES use a lot of energy

Elon Musk's claim when he banned the use of Bitcoin at Tesla was that the cryptocurrency uses excessive amounts of energy. Many studies agree that it does. Specifically, *mining* Bitcoin uses high amounts of energy. According to a [study by Cambridge University](#), Bitcoin uses about 0.6% of the world's electricity. That puts it on par with a small country; for example, Sri Lanka or Jordan.

0.6% might not sound like a lot. But remember that Bitcoin gets harder (i.e., more energy intensive) to mine over time. As of right now, Bitcoin only uses about 10% of the energy the banking system does. But the banking system powers far more transactions than Bitcoin does and Bitcoin mining will only get more energy intensive over time.

Musk still holding on to his Bitcoin hoard

While Elon Musk has [banned Bitcoin transactions at Tesla](#), he hasn't stopped *holding* Bitcoin. Earlier this year, Tesla bought \$1.5 billion worth of BTC as an investment. Later it sold \$250 million worth, but it still holds a sizable position. It's not clear exactly why Elon Musk thinks Bitcoin is fair game to hold but not to accept. It's neither holding nor spending Bitcoin that uses up energy, but *mining* it. We'll have to wait and see how this plays out. But given Musk's capricious nature, it wouldn't be surprising if

he changes course yet again.

An implication for Canadian investors

Musk's comments on Bitcoin have implications for Canadian investors.

Canadian businesses have bet on Bitcoin in a big way. Crypto mining companies like **HIVE Blockchain Technologies** (TSX:HIVE) have been some of the biggest gainers in the Canadian stock market. We've also seen Canadian companies roll out Bitcoin ETFs and other crypto-adjacent services.

Musk's comments on Bitcoin could be a bad omen for these companies. Unlike people who merely buy and sell Bitcoin, companies like HIVE actively participate in mining it. This makes them much more complicit in crypto energy issues than Tesla ever was. HIVE prides itself on mining crypto currency in cold climate data centres, which lowers energy usage.

It may indeed be the case that HIVE's cold data centres in Iceland and Sweden reduce cooling costs. Still, its energy usage is almost certainly sky high. In its most recent quarter, HIVE held 5.2 million Bitcoin and 9.7 million Ethereum. The electricity needed to mine all that is massive. At the end of 2020, HIVE had \$11.2 million on deposit with electricity companies in Sweden — indicating high energy usage. If crypto energy consumption becomes a bigger concern, then HIVE might come under scrutiny. So, maybe Musk was right to ban Bitcoin after all.

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