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New York's Crypto Moratorium Would Leave Most Mining Untouched. There's Another Reason the Industry Is Up in Arms.

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For months, it's been a game of "will she or won't she?" Under pressure from both directions, Governor Kathy Hochul has so far kept mum on whether she will sign one of the only notable climate bills to pass the New York legislature this year: a two-year moratorium on certain forms of cryptocurrency mining.

The moratorium vaulted to the top of lawmakers' agendas this spring largely due to one company: Greenidge Generation, which revived a long-shuttered fossil fuel plant in the Finger Lakes for the sole purpose of mining Bitcoin. The bill would, for two years, prevent other companies from following Greenidge's example and repowering a fossil fuel plant to mine crypto using the energy-intensive process known as "proof of work."

It would not affect existing crypto mining operations — including Greenidge — nor block new operations using any other kind of power supply. Just two of New York's dozen current operations are powered by fossil fuels, and all of the new projects waiting for approval to connect to the grid would largely use hydropower.

So why is the industry fighting so hard to block the bill? Crypto interests have framed it as a referendum on their future in New York, and spent nearly $1 million on lobbying from January to August, including more than $200,000 this summer — after the bill passed the legislature — to press their case to the governor.

The answer may lie in a provision of the bill that has attracted less attention than the partial moratorium, but could contain the seeds of a much wider crackdown: a requirement that the state conduct a thorough environmental assessment of the industry as a whole, analyzing its effects on water, public health, the economy, and, crucially, New York's climate targets.

That analysis could fuel a deeper debate over crypto's place in a state struggling to ramp up renewable energy. Just the four large-scale crypto data centers currently under development, New York Focus found, would use more than four times as much energy at full capacity as the grid has added in renewables over the last decade.

Crypto companies see this "as the opening salvo in a continuing targeting of this industry," said Kyle Schneps, director of public policy at Rochester-based Foundry Digital, which currently runs the world's largest Bitcoin mining pool.

"Most people don't dig into the nitty-gritty of bills, and what people understand is that New York is having an acrimonious relationship with Bitcoin," Schneps said. "Anybody could be next under the spotlight."

Representatives of the industry's top lobbying association, the Blockchain Association, echoed this view. (The group spent $225,000 lobbying in Albany in the first eight months of this year, and its director Kristin Smith donated $5,000 to Hochul's campaign in May, according to state records.)

"I think New York is at an inflection point," said John Olsen, the group's New York state lead. If Hochul signs the bill, he said, it "provides a foothold for proponents to continue to attempt to pass legislation that would expand the moratorium, strengthen it. The end goal really is, I think, to eliminate crypto mining in the state."

ASSEMBLYMEMBER ANNA KELLES, the moratorium's lead sponsor in that chamber, has strenuously denied this claim.

"I think it's a ridiculous argument, because the bill is so narrow," Kelles said. Rather than seek to chase the industry out, she said, it would instead create "a more even playing field" in the industry, combating a trend toward consolidation by shutting out only the big corporations that could afford to revive a power plant.

But the original version of the bill did point in a more hostile direction, proposing a three-year moratorium on all Bitcoin mining. And Kelles remains concerned about the impact of mining beyond the potential fossil fuel operations targeted by the moratorium as passed.

"I'm sort of flabbergasted at the lack of a balanced conversation [about] an industry that is using so much energy," she said. Kelles pointed to the enormous amounts of renewable energy New York needs to build by 2040 to meet its climate targets, and noted that adding "massive" demand from crypto mining could only add to the challenge.

A recent study by the New York Independent System Operator (NYISO), which manages the grid, found that New York's total energy capacity will need to roughly triple over the next 18 years, while taking all fossil fuels — which make up more than two-thirds of the state's current capacity — off the grid.

Increased power demand from electrification of buildings, transportation, and other sectors is a key factor driving the need for that enormous buildout. But there's a lot of leeway in how power-hungry our carbon-free future could be: NYISO estimates that demand on the grid could increase anywhere from 10 percent to 60 percent by 2050. Staying on the low end of that estimate would mean prioritizing energy efficiency — but also raising tough questions about reining in the most energy-intensive industries.

Many crypto critics are ready for that debate, including some not traditionally associated with the environmental movement.

"There is no public benefit to New Yorkers for using large amounts of our valuable energy resources to generate profit for a small number of wealthy private equity investors," the influential healthcare workers' union 1199SEIU said in April, pushing back against some of its counterparts in labor.

One of the crypto industry's core arguments for expanding upstate is that the area has lots of clean, cheap hydropower, which it can't easily send downstate because of lack of transmission. Schneps, of Foundry, said the industry was ideally placed to capitalize on this "stranded" energy.

But the New York Power Authority (NYPA), which generates the overwhelming share of the state's hydropower, told New York Focus it doesn't produce any surplus power: All the power it produces gets sold, whether to the public sector or to the wider market.

Crypto proponents further argue that mining could actually incentivize new renewable development, by giving wind and solar facilities a lucrative outlet for any excess energy they generate when the sun and wind are strongest. New York generated about 2 percent more wind energy than it was able to use last year, and that number is likely to go up over the next decade unless the state rapidly upgrades transmission, NYISO warns.

But Anne Reynolds, executive director of the Alliance for Clean Energy NY, said she hasn't heard

of any renewable developers banking on crypto, and noted that any excess renewable energy points above all to a need for storage. (Her group, a coalition of renewable developers and green groups, has not taken a position on the moratorium.)

COLIN READ, AN economist at SUNY Plattsburgh, author of a new book on crypto, and former mayor of Plattsburgh, dismissed the industry's green promises as "hogwash."

"If that green power wasn't going to them, it'd be going to somebody else," he said. It could for example be put to use accelerating the state's push to get fossil fuels out of buildings, he said — something New York is well behind on, according to clean energy group RMI.

Crypto backers, and even some skeptics, counter that politicians shouldn't be in the position of picking winners and losers among industries, or deciding what counts as a valid use of energy.

"It's more of an ideological perspective than a practical one," Olsen said.

Reynolds shares the industry's concern that such a crackdown could backfire. "Crypto might be kind of weird and lame and not create a lot of jobs, but the next thing, if we start down that path, it'll be something that we actually want — some sort of high-tech industry or recycling of solar panels, and it uses a lot of electricity," she said. "Do we not want them to come to New York because of that?"

Read maintains that the argument isn't just political, but grounded in a hard accounting of Bitcoin's costs and benefits for local communities. He compares the handful of jobs that mining brought to Plattsburgh to the roughly 400 at a local plastics plant, which uses much less power. By his count, the factory generates about 90 jobs per megawatt of power it uses, compared to "one or two" for Bitcoin.

Read was mayor of Plattsburgh, the seat of Clinton County on the border of Quebec, when New York got its first real taste of the Bitcoin rush. The town has some of the cheapest electricity rates in the country, thanks largely to its monthly allocation of NYPA hydropower. If it goes over that quota, it has to buy electricity on the open market, and rates go up accordingly. That's what happened in the winter of 2018, when a combination of cold weather and crypto demand caused utility bills to jump.

The state's Public Service Commission (PSC) found that the two crypto mines then operating in Plattsburgh drove up households' bills by $10 that January. The town responded by imposing a year-long moratorium, while the PSC ruled that municipalities could charge crypto miners more for any excess power they used. Cryptocurrency mining has since resumed in Plattsburgh, on a smaller scale, and residents say they're still facing higher power bills as a result.

MEANWHILE, CRYPTO COMPANIES have taken up shop elsewhere around the state, and show little sign of packing up despite the threatened moratorium. NYISO records list four large-scale crypto data centers waiting for approval to connect to the grid, and another that was recently approved and is still under development.

Taken together, the five projects could consume nearly 750 megawatts at full capacity. That's nearly five times the renewable capacity New York has added to the grid in the last decade, according to NYISO, or six times the capacity of the state's first offshore wind farm, expected to open at the end of next year.

That's in addition to about half a dozen smaller mining operations identified by the environmental group FracTracker Alliance and shared exclusively with New York Focus. The map offers a rare glimpse into the scope of an industry that the group describes as intentionally opaque.

The most ambitious mining enterprise is the Lake Mariner Data Center on the shores of Lake Ontario, which began mining in March and eventually aims to ramp up to 500 megawatts of capacity. Its owner, Maryland-based TeraWulf, did not respond to requests for comment by press time, but a recent press release noted that the company is on track to reach its interim goal of 110 megawatts by the end of this year. Founder and CEO Paul Prager has touted the facility as immune to the moratorium, writing on Twitter, "our model anticipated policy and legislative efforts like this."

Prager's bullishness offers a sharp contrast to crypto lobbyists' contention that miners are already pulling out of the state out of fear of the moratorium. Pressed for evidence of miners leaving, Olsen, of the Blockchain Association, said there was "nothing concrete" yet but that "everyone is kind of holding their breath" for Hochul's decision.

At this point, that is not likely to come until after the election, Kelles said. Crypto groups hope that when Hochul does make up her mind, she will instead sign a rival study bill that also passed the legislature this year. The bill would create a sixteen-member taskforce and give it two years to survey the industry's effects on the state broadly — but it makes no mention of climate.

"Industry will do anything it can to prevent scrutiny," said Karen Edelstein, eastern program coordinator at FracTracker. "We've seen it forever."

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