

Musk decries bitcoin's 'insane' energy use after Tesla payment U-turn



[Tesla](#) Inc boss [Elon Musk](#) denounced the “insane” amount of energy used to produce bitcoin on Thursday, doubling down on his sudden rejection of the cryptocurrency as a means of payment over environmental concerns.

[Bitcoin](#) fell more than 10% after Musk, one of its most famous backers, tweeted his decision to suspend its use, less than two months after Tesla began accepting it as payment for its electric cars. Other cryptocurrencies, including ethereum, also fell before regaining some ground in Asian trade.

“Cryptocurrency is a good idea on many levels and we believe it has a promising future, but this cannot come at great cost to the environment,” Musk tweeted on Wednesday.

He followed this up on Thursday, tweeting a graph of bitcoin's power consumption and saying: "Energy usage trend over past few months is insane." (bit.ly/33BYV8Z)

[Tesla](#) revealed in February it had bought \$1.5 billion of bitcoin, the world's biggest digital currency, before announcing it would accept it as payment for its electric cars in March. The company later said it had trimmed its position by 10% in the first quarter.

The announcements turbo-charged the crypto market, driving the price of bitcoin up by about 20%. Yet they highlighted an apparent contradiction with billionaire Musk's reputation as a champion of low-carbon technology.

Some Tesla investors and environmental campaigners have been increasingly critical about the way bitcoin is created or “mined”; high-powered computers compete to solve complex mathematical puzzles in an energy-intensive process that often relies on fossil fuels, particularly coal.

Musk said he backed that concern, especially the use of “coal, which has the worst emissions of any fuel.”

Tesla would retain its bitcoin holdings with the plan to use the cryptocurrency as soon as mining transitions to more sustainable energy sources, Musk said.

Some investors welcomed the U-turn.

“We were surprised it took Musk so long to recognize the detrimental impact of Bitcoin on the environment but are happy to see the reversal of Tesla’s position,” said Ben Dear, CEO of Osmosis Investment Management, which holds Tesla stock in several portfolios.

He said the reversal will “put pressure companies moving forward to think twice about the consequences before accepting it as a form of payment,” adding the volatility of bitcoin makes it commercially nonviable for large scale corporate adoption.

‘HASTY AND PRECIPITOUS’

Meltem Demirors, chief strategy officer at digital asset manager CoinShares Group, said Tesla was unlikely to have sold many, if any, cars using bitcoin and the back flip generated positive publicity while simplifying payment processes.

“Elon was getting a lot of questions and criticisms and this statement allows him to appease critics while still keeping bitcoin on his balance sheet,” Demirors said.

Mark Humphery-Jenner, an associate professor of finance at the University of New South Wales, said he was more concerned about Tesla management’s “very hasty and precipitous” decision-making.

Musk did not say in his Twitter comments whether any vehicles had been purchased with bitcoin and Tesla did not immediately respond to a request for comment.

Musk reiterated he remained a strong believer in cryptocurrencies.

“We are also looking at other cryptocurrencies that use <1% of bitcoin’s energy/transaction,” he tweeted on Wednesday.

Just a day earlier, Musk had polled Twitter users on whether Tesla should accept dogecoin, a currency he has helped turn from a joke into a valuable commodity.

He announced on Sunday that his commercial rocket company SpaceX would accept dogecoin as payment to launch a lunar mission next year - just hours after he sent the cryptocurrency spiraling downward when he called it a “a hustle” during a guest-host spot on the “Saturday Night Live” TV show.

The dominance of Chinese bitcoin miners and lack of motivation to swap cheap fossil fuels for more expensive renewables could mean there are few quick fixes to the cryptocurrency’s emissions problem.

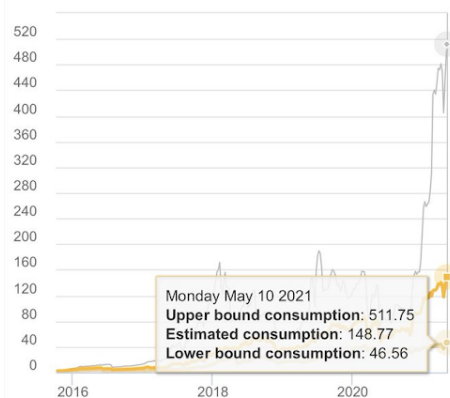
Officials in Beijing are conducting a check on data centers involved in cryptocurrency mining to better understand their impact on energy consumption, sources told Reuters last month.

Tesla has suspended vehicle purchases using Bitcoin. We are concerned about rapidly increasing use of fossil fuels for Bitcoin mining and transactions, especially coal, which has the worst emissions of any fuel.

Cryptocurrency is a good idea on many levels and we believe it has a promising future, but this cannot come at great cost to the environment.

Tesla will not be selling any Bitcoin and we intend to use it for transactions as soon as mining transitions to more sustainable energy. We are also looking at other cryptocurrencies that use <1% of Bitcoin's energy/transaction.

Bitcoin electricity consumption, TWh (annualised)



Tesla