Crypto-Mining Destabilizing Iran's Electrical Grid

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OE Watch Commentary

Despite having some of the largest oil reserves in the world, a combination of poor management, inadequate infrastructure, and increasing demand have left Iran with tenuous electricity resources. The excerpted article from the reformist website *Etemad Online*, cites comments by Minister of Energy Reza Ardakanian following a recent cabinet meeting. Ardakanian is well-positioned to discuss the interplay of environment and energy. He previously served as Deputy Minister of Water Affairs, Deputy Minister of Planning at the Ministry of Energy, and Deputy Minister for Urban Development at the Ministry of Interior.

The significance of Ardakanian's comments, however, is his acknowledgment that increasing mining of cryptocurrency by ordinary Iranians is beginning to increase demand and decrease the availability of electricity for other priorities. Iranian reporting on the subject appears to blame cryptocurrency mining for increasing urban blackouts, including in the capital Tehran. Since 1979, Iran's economy has largely been closed. Most Iranian officials, regardless of where they stand on the spectrum from reformist to hardliner, have embraced a command economy and eschewed significant autonomy for non-Iranian enterprises, even if foreign companies can both avoid sanctions and win permission to invest in the country. As a result, not only has wealth growth for ordinary Iranians been anemic but also, even prior to "maximum pressure" sanctions, inflation was severe.

That tech savvy young Iranians would seek to mine cryptocurrency makes sense as it would enable them to increase their standard of living, while serving as a hedge against inflation. For the Iranian government, the problem of cryptocurrency mining is not only the potential loss of political control over the economy, but also the fact that government subsidies encourage electricity-intensive mining. Cutting such subsidies could lead to unrest among a population already on edge.

Iranians are using their limited electricity resources to mine cryptocurrency.

Source: Mashregh News, https://cdn.mashreghnews.ir/d/2021/02/28/2/3073167.jpg

In the short term, Ardakanian claims the government has reduced electricity exports and may cut them off entirely—a decision that could adversely affect Iraq and western Afghanistan but will only delay the need to address the problem rather than resolve it. Ardakanian also said the government has confiscated illegal cryptocurrency mining rigs and would ban cryptocurrency mining during the summer months when electricity needs are greater. It is unclear whether the government has the ability to enforce such a ban.

> "Cryptocurrency miners. . .consumed 300 megawatts of electricity."

Source: "Barasihaye Jahan-e Moshakhes Kard 10 dar sad Mosaraf-e Jahan-e Barq baraye Ramzaraz-ha dar Iran ast" ("Global Studies Suggest Ten Percent of Iran's Electrical Consumption is for Crypto-Currency"), *Etemad Online* (reformist website), 9 June 2021. https://etemadonline.com/content/494056/روشک-قرب-یموم‌ع-هکبش-رگا-تسا-نارای-رد-امزرازمر-یارب-قرب-ینهاج-فرصم-دصرد-10-دش-صخشم-ینهاج-یاه-یسرر-اب/

Minister of Energy Reza Ardakanian, speaking to reporters at the end of the cabinet meeting, said, "Electricity is an important issue these days and this year, despite some predictions, we faced some unusual situations and one of them was increasing temperatures." The Minister of Energy declared, "Decreased rainfall and drought decreased hydroelectric generation from 73,000 megawatts, and we had a reduction in output. Ardakanian emphasized, "Early heat, decline in hydroelectric generation, and cryptocurrency have all caused problems. We had cryptocurrency miners who consumed 300 megawatts of electricity, but global studies have shown than ten percent of Iranian generation goes toward cryptocurrency mining."