MAY 18
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# How fintechs can keep riding crypto trading hype while addressing environmental concerns

Article

2021 has seen record cryptocurrency adoption among retail and institutional investors: Robinhood Crypto onboarded 6 million customers in the first two months of 2021, and eToro hosted 61% more unique Bitcoin holders in January year-on-year. But as cryptos go mainstream, their increasing carbon footprint has led to growing environmental concerns. Just last week, Elon Musk announced Tesla would suspend Bitcoin payments and later implied the electric car firm may sell its $1.5 billion worth of Bitcoin holdings.

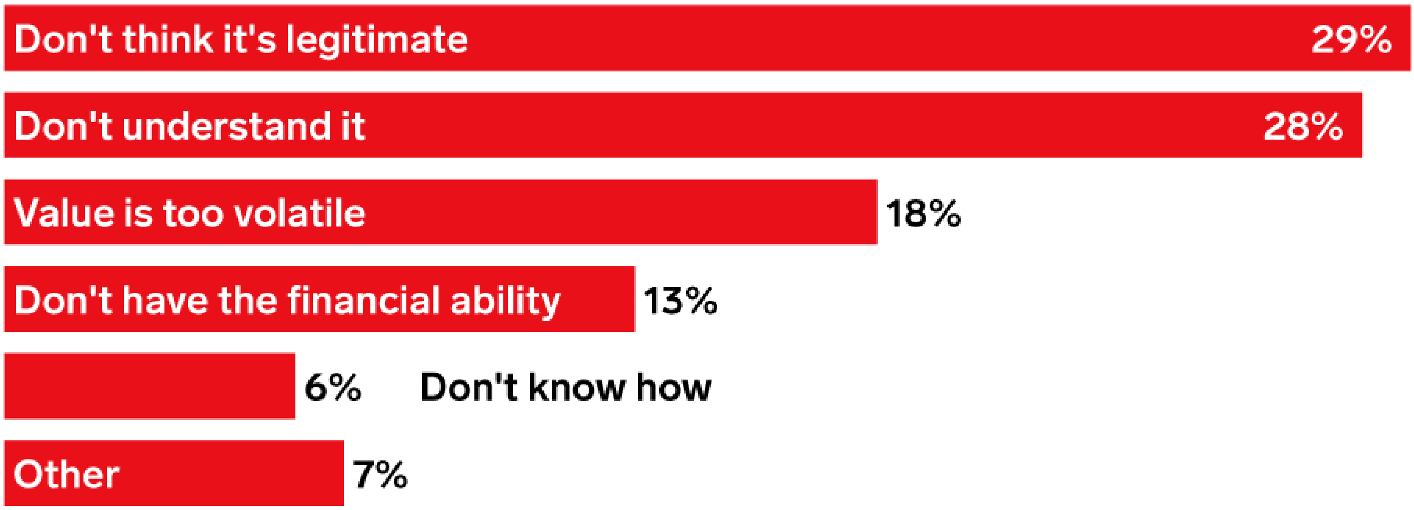
**The most popular cryptos have a significant environmental impact that clashes with investor demand for sustainability.**

- **More crypto trading means more energy consumption.** The two largest cryptos by market cap, Bitcoin and Ether, are mined via a process called "proof of work," which uses tremendous amounts of energy: Bitcoin mining consumes more electricity annually than Argentina, while Ethereum's energy use is on par with all of Ireland. And as the trading of these cryptos increases, so does mining activity, as seen in this graph, where energy consumption spikes in tandem with the crypto hype peaks of 2018 and today.
- **Investors increasingly want ESG-based investing.** ESG-based assets are on track to be worth $53 trillion in 2025—compared with $2.13 trillion for cryptocurrencies, per CoinMarketCap—or a third of total global assets under management (AUM) as asset managers scramble to meet investor demand. This is in part due to millennials, who tend to be climate-conscious and are expected to hold five times as much wealth as they do today by 2030 thanks to a $68 trillion generational wealth transfer.

**Fintechs should add trading options for less energy-intensive cryptos to keep leveraging the sector's user acquisition opportunities while alleviating environmental concerns.** Green investing options are key to fintechs securing their growth momentum, per Insider Intelligence expectations, but getting rid of crypto trading would rob them of significant investor activity. Demand for the likes of Bitcoin and Ether is unlikely to crash simply because of environmental concerns, but fintechs should add access to other cryptos with smaller carbon footprints to their product suites. Cardano, for example, uses the less energy-intensive "proof of stake" verification protocol and was recently added by Revolut. In addition, firms like Tesla may one day pick Cardano or other green cryptos as more sustainable alternatives to Bitcoin, enhancing their recognition among investors.

## Reasons for Not Investing in Cryptocurrency According to US Adults, April 2021

*% of responses*




*Note: n=3,039*
*Source: CivicScience as cited in company blog, April 21, 2021*

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