

Meeting with Sweden's financial supervisor and environmental agency  
26-11-2021

Personal  
data

[redacted] (CNECT F3)  
[redacted] (financial regulator)  
[redacted] (advisor, environmental protection agency)

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[redacted] The EC is together with MS in the EBP focused on developing a Blockchain for public services built on a permissioned Blockchain using consensus mechanisms that are sustainable. EU Blockchain Observatory and Forum has released an Energy Efficiency report on different Blockchain. We noticed your article and would like to understand the background. Highlights the current migration from Proof of Work to Proof of Stake for Ethereum.

[redacted] Views expressed are the view from the financial regulator, not of the Swedish government as such.

Crypto assets create risks for financial markets. Miners establish themselves in Sweden. Regulator pushed back, with EBA & ESMA issued warnings & conducted own analysis in Sweden with market focus on price volatility and valuation issues & lack of understanding.

Analysis of environmental aspects of crypto assets: financial authorities have statutory objectives amended requiring them to promote development of sustainable financial markets, in addition to well functional markets and consumer protection.

Why miners are establishing in Sweden? It's cold (cooling is cheap and readily available) + Sweden has a tax system that gives them tax deductions for some of their equipment.

Miners have argued that they are turning to renewable energy sources.

The regulator argues that they have responsibility in line with Paris agreement to ensure that renewable energy, which is a scarce resource should be primarily used for essential services.

Establishment of miners has been more a Swedish (and Nordic) problem than a European problem.

[redacted] We would like to assess feasibility of ban PoW to go towards PoS and more environmental friendly consensus mechanisms.

[redacted] Should it be a ban on trading in crypto assets that are based on bitcoin's PoW?

Ongoing  
decision-  
making  
process -  
Art 4(3) first  
subpara

[redacted]  
[redacted]  
[redacted]: [redacted]



- PoW versus PoS: Ethereum started moving PoW to PoS because of its community. Suggests that one could also migrate BTC from PoW to PoS. If Ethereum is able to shift, we could legitimately request the same from BTC. We need to “protect” other crypto coins that are sustainable. Don’t see need to “protect” the bitcoin community.
- : Certain fuels for cooling of datacenters were prohibited under environmental acquis. Those production methods were prohibited due to their environmental damage. Which service does Bitcoin offer that Solana<sup>1</sup> does not offer to society? If you can prove that other crypto currencies can operate without POW then why can’t bitcoin ...
- : Comes to this from a consumer perspective. How would disappearance of bitcoin affect consumers? Participants in BTC are fully aware of the volatility of the currency/investment risk. Do not need additional protection measures.

### **FOLLOW-UP:**

- We agreed to stay in touch on the issue
- Meet DG ENER, ENV, DG CLIMA about EU acquis

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<sup>1</sup> Solana is a new blockchain platform that combines three algorithms: Proof of History, Proof of Stake and Proof of Replication. For PoH, at any given time a system node is designated as Leader to generate a Proof of History sequence, providing the network global read consistency and a verifiable passage of time.