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## UPDATE: New developments in Crypto mining regarding future regulations in the province of Québec

Publié le 26 juin 2018



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A hearing is currently being held by Quebec's Energy regulators to review Hydro Québec's ("HQ") rates and cities supplying electricity may need to follow the same rules. The aim of this hearing is to find a solution and a more efficient process to handle the increasing demand for power from the industry of crypto mining (cryptocurrency and blockchain combined), which is now totaling 18,000MW. As of today, HQ has a power capacity of 36,908MW with access to additional sources of supply such as wind farms or geomass, which would add another 10,314MW. However, HQ estimates it will require 37,853MW to supply the power demanded this year for both enterprises and households across the province. In other words, HQ does not currently have the structure in place to generate enough power to accommodate the demand from crypto miners.

First read from the hearing that began this morning: it seems like HQ may grant a grandfather right - which the right to use such term was challenged at the hearing - to crypto miners already in business in Quebec or already under contract with HQ. This means everything would remain status-quo with the crypto miners under the grandfather right with rates as low as 3.43 cents/kWh CAD and, for the above-mentioned reason, HQ has imposed a 15 cents/kWh CAD as an ongoing dissuasive rate until a new set of rates and rules has been implemented.

In addition to the 150MW already granted by HQ to specific crypto miners, the most viable solution facing crypto miners' booming demand for power without excessively



challenging the structure of HQ seems to be limit it to a 500MW maximum capacity to serve the industry, and to the implement of a selection process to determine the beneficiaries of this power. A more extreme rule would be to interrupt these miners' power for a period up to 300 hours at the peak of HQ's activity so it can accommodate other users. However, the latter does not seem to be practically feasible because switching off the power of a whole industry is a big ask and it would be difficult to verify which users actually abide by HQ's policies and which ones don't.

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HQ aims to hold a bid process on July 16th, 2018 - which was demanded today to be postponed - to provide new rates in September that would be specific to the crypto Mining industry - which also was demanded today to monitor the density of power consumed in kW per sq. ft. as a barometer instead of imposing an industry specific standard. Otherwise, it was suggested that the regulator could impose a new rate as of December. It goes without saying that this is a very interesting challenge to resolve, and some have suggested to push the bid process to a later date in order for more analysis to be done. **In other words, landlords/vendors, if you own a high-power capacity asset and you would like to get on the crypto mining bandwagon, be patient! Think carefully about your approach and you may find yourselves on the right side of the opportunity.**

The hearing resumes tomorrow, Wednesday, June 27th. If you have any questions, please do not hesitate to send an email @ stephane.robillard@am.jll.com or call me @ (514) 827-2700

*You can always click here to access our white paper on crypto mining and its implication on the industrial real estate market, published back in May.*



**Stéphane Robillard, SIOR**  
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**David Soucy** 10 h.  
Senior Financial Analyst | Asset and Portfolio Advisor | Process Improvement Specialist | Commercial...

This is a well-written article that highlights potential regulatory challenges faced by those involved in the industry as well as those considering entry. Very well done, Stéphane - I'm looking forward to your next installment.

J'aime Répondre



**Dimitri (Jimmy) Mouhteros**

Commercial Real Estate | Industrial User & Landlord Representation | Land | Built-to-suit consulting

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Well done! Great read!  
J'aime Répondre

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