Abkhazia renewable electricity

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Abkhazia holds numerous advantages when it comes to the production of renewable energy, having a territory that is propitious for the deployment of solar panels and windmills. In addition, water is abundant in the region and the hydroelectric power can provide the 250 000 inhabitants with enough electricity while also exporting some to the Russia partner. Nonetheless, the subject of sustainable energy has remained a dead letter for several years within the local authorities and companies, preferring the conventional use of fossil fuels despite the environmental consequences on the landscape and healthcare, increasing the growing budget deficit, and leading to a growing dependency on Russia support.

This current context is leading to increasing tensions between both partners as Abkhazia does not increase its legitimacy as a state, while Russia is giving away its resources because Abkhaz authorities are unable to pay their debts to Russian suppliers.

There is however a revival of interest in renewable energy in the region due to recent events and the rise in the price of cryptocurrencies, the best known of which is Bitcoin, that is attracting many investors who are developing "farms" (the name given to places mining Bitcoin) in Abkhazia.

To begin with, it should be remembered that Bitcoin mining is a profitable practice that requires (a lot of) electricity.

In the context of cryptocurrency, a mining pool is the pooling of resources by miners, who share their processing power over a network, in order to distribute the reward equally, according to the amount of work they have contributed to the probability of finding a block. If this definition puzzles you, you belong to the majority of us. In short, you need to use electricity to run computers (the more the better) and you will get as a reward some Bitcoins you can sell, which is why it consumes energy because you are using several computers.

So there is a correlation between the amount of electrical energy you use and the amount you can earn. If you decide to mine bitcoin in a country where electricity is expensive, you will end up paying a lot for electricity consumption. As such, regions like Transnistria, Abkhazia or South Ossetia, are either not recognised or partially recognised, making electricity prices lower or even zero, which is why it is so interesting to mine cryptocurrencies in Abkhazia compared to other places around the world.

Due to attractive energy prices, investors have seen a high return on investment in Abkhazia compared to elsewhere, and have started mining extensively, over-consuming energy resources in a country lacking capacity and in need to modernise infrastructures such as the Inguri hydroelectric plant.

In addition, cryptocurrency prices have risen this winter, while inhabitants are already using more energy to heat their homes. All the effects combined, shortcuts are common in the region and a ban has been placed on

cryptocurrency mining, which has not been very successful in light of the high prices of Bitcoin (up to $33 000 in January 2021). The current crisis has led Abkhaz leadership to request Russian assistance for help in taking over the energy sector, leading to concerns regarding the autonomy of the region among local authorities and abroad.

Instead, a smart strategy would be for the Abkhazian leadership to invest in cryptocurrency mining in order to finance the construction of new energy infrastructures, and to invest heavily in solar panels and wind turbines to produce Bitcoin for even less, leading to a virtuous circle with an ecological transition from fossil to renewables energies, followed by increasing exports to the Russian Federation and a decrease in the public deficit.

Some might consider the current situation in Abkhazia to be an unexpected crisis, even more after the fire at an electricity substation in December 2020, combined with the transfer of the energy sector under the control of the Russian authorities.

Others would see this as a critical moment in Abkhaz history that can lead to prosperity, using cryptocurrencies to modernise ageing infrastructures and develop the society. An inspiring example can be found in the United Arab Emirates (UAE), which used energy (oil at that time) to create investment funds like the Abu Dhabi Investment Authority (ADIA) and develop ambitious projects such as the Sorbonne in Abu Dhabi and the Louvre Museum Abu Dhabi. The UAE example is relevant because the country was far from the current economic success we know today, invested accurately into its future, and still does.

Cryptocurrencies might decide the future of Abkhazia, on the one hand with more shortages and increasing difficulties, on the other hand with leaders able to see the overall picture and invest in the modernisation of the country while ensuring the renewable energy transition.

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