

Crypto hunger in Kazakhstan: to Bitcoin or not to Bitcoin?

Recently definition of mining has drastically changed into something else. Today, when people hear mining, they do not think about an extraction of ore and minerals but they think about a complex process performed by high-powered computers that solve compound computational mathematical equations. Bitcoin, Ethereum, Ripple and even meme-based-crypto coins like Dogecoin are widely discussed in private jets and dinner parties of elite businessmen.

Some people may raise the question, how does a third world country connect to complex computers and billion-dollars cryptocurrency trend? The answer is simple. A mix of cheap electricity and allegiance of lawmakers attracts big players from Western countries who have already sharpened their teeth for a new cash cow.

Currently, there are 20 crypto farms in Kazakhstan. China has officially banned the use and mining of crypto money. Chinese miners are running from the sank ship to our landlocked country which can satisfy their needs. Thus, in July 2021, Chinese bitcoin mining giant – BIT Mining has delivered its first batch of 320 machines to Kazakhstan. Executives of this company have announced that the company's operations in China have been suspended. The company expects to deliver another 2,600 machines.¹

You may not believe it but Kazakhstan positively holds the fourth place in the global mining race. It only concedes to Russian, China and the USA in computing power to validate Bitcoin blockchains. But it does not concede in electricity cost. At a cost of approximately US\$ 0.03-0.04 per kWh (depends on the exchange rates of USD to KZT), electricity tariffs in Kazakhstan are among the cheapest in the world. Meanwhile Kazakhstan's crypto mining rivals charge:

- US\$ 0.06 per kWh in Russia;
- US\$ 0.08 per kWh in China; and
- US\$ 0.09-0.12 per kWh in the USA.

Moreover, unlike China, Kazakhstan's laws do not exactly prohibit mining of cryptocurrency. In support of the above stated, on June 25, 2020, president of Kazakhstan, Kassym-Jomart Tokayev signed a law that introduced amendments to the regulation of digital technologies² that officially legalize crypto mining in Kazakhstan.

In addition, on June 25, 2021, president Tokayev has proved that he plans to allow crypto mining in Kazakhstan by introducing a new tax fee to the Tax Code of the Republic of Kazakhstan. This amendment which stipulates fee of one tenge per 1 kW/h for miners will enter into force starting from January 1, 2022.³

¹ <https://bitcoinmagazine.com/business/bit-mining-moves-to-kazakhstan>

² https://online.zakon.kz/Document/?doc_id=32772963#pos=4;-52

³ <https://kapital.kz/finance/96749/kakiye-izmeneniya-vneseny-v-nalogovyy-kodeks.html>

We also want to stress that not long ago, Mr Almighty Tweets has decreased the price of Bitcoin from more than US\$ 60,000 to US\$ 32,000. All he needed to say that Bitcoin is not sustainable and his company will not accept payments in Bitcoin, he also added that he will wait until Bitcoin is “green”.

Although, his statement may become a blessing for Kazakhstan, since “green economy” is rapidly developing in here. Not only political stability and low electricity cost make crypto mining so attractive in Kazakhstan but also Kazakhstan’s approach towards green economy. On May 26th, 2021 the President of Kazakhstan, Kassym-Zhomart Tokayev, held a meeting, in which he identified the key points for the development of renewable energy sources in Kazakhstan. The President highlighted that the renewable energy sector in Kazakhstan is developing rapidly, and it is required to adopt a package of incentives aimed at sustainable development of the renewable energy sector. He also indicated that the share of renewable energy sources in electricity generation should reach 15% by 2030.

Beside all above stated factors which make Kazakhstan so attractive for crypto miners there are also other points which we want to highlight:

- ✓ relatively easy set-up of a new legal entity in Kazakhstan;
- ✓ legal framework provided by the state;
- ✓ presence of Astana International Financial Centre and Astana Hub;
- ✓ attractive tax regime;
- ✓ political stability;
- ✓ approach to green economy
- ✓ low electricity tariffs.

There are also many other factors which crypto mining companies may consider attractive. Our law firm, Unicase will assist you to undertake crypto mining projects and mitigate your legal and tax risks. We have been assisting crypto mining companies in their daily business processes since 2019. Currently, we support four companies which connected to crypto mining in Kazakhstan. Our firm will gladly share our experience and help you in your daily operations.

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