



May 19, 2022

Professor Carla L. Reyes, Chair
Texas Work Group on Blockchain Matters
Texas State Capitol

Subject: Written Testimony for Public Hearing on May 20, 2022

Professor Reyes:

Thank you for the opportunity to submit this written testimony to the Texas Work Group on Blockchain Matters. Argo Blockchain is a publicly traded cryptocurrency mining company with operations in Canada and the United States. Our flagship Bitcoin mining facility, Helios, is located in Dickens County, Texas.

Argo made the strategic decision to locate our flagship Helios facility in Texas for two primary reasons:

1. Texas has a high amount of renewable energy in its grid mix, primarily wind and solar power; and
2. the Texas grid, which is independent and managed by ERCOT, offers unique and economically compelling demand response programs.

The combination of these two factors results in Texas having some of the most inexpensive electricity prices in the world. In Bitcoin mining, electricity makes up the largest portion of operating expenses, which is why Bitcoin miners are attracted to locations with low cost electricity.

While these factors make Texas an optimal environment for Bitcoin mining, I believe that there is also a growing symbiotic relationship between Bitcoin miners and the state of Texas. Not only does Bitcoin mining incentivize continued development of renewable energy, but it also contributes to overall grid stability by being a significant source of flexible load. Additionally, many Bitcoin mining facilities, including the Helios facility, are located in rural areas that have experienced economic decline over the last few decades. Bitcoin mining facilities are bringing real economic benefits to these local communities in the form of tax revenue and job creation.

Incentivizing Renewable Energy

Argo's Helios facility in Dickens County is located in the West Texas sector of the Texas electrical grid. According to ERCOT data, 86%, or approximately 31 GW, of the power generation capacity in the sector comes from wind and solar. However, West Texas has very little energy demand, which means that most of this electricity must be moved hundreds of miles to the population centers in the central and eastern portions of the state. However, current transmission line capacity from West Texas is approximately 12 GW, which results in grid congestion. When this occurs, electricity prices in the sector drop below zero in order to disincentivize wind and solar energy production, which leads to curtailment. In 2021, energy prices at the West Hub were negative approximately 9.3% of the time, resulting in significant economic loss for wind and solar power producers.

Phase 1 of the Helios facility, which is currently online and will be utilizing 200 MW of electricity by the end of the year, helps to mitigate this problem by being a significant source of local load in West Texas. The electricity generated by renewable sources can be used without having to be transported on the congested transmission lines. This reduces curtailment for wind and solar generators, improves project economics, and ultimately incentivizes continued development of renewable generation in West Texas.



Grid Stability

As previously mentioned, ERCOT offers demand response programs whereby large-scale power users can voluntarily reduce their energy demand in exchange for market-based compensation. This is critical for grid stability in times when electricity supply and demand are at risk of losing equilibrium. Bitcoin miners are uniquely suited to participate in these programs because they a) use a large amount of electricity, and b) can quickly reduce energy usage with minimal impact to operations (unlike other large-scale users of electricity, such as steel mills, manufacturing plants, or hospitals).

Brad Jones, the Chief Executive Officer of ERCOT, has spoken publicly on many occasions about how Bitcoin mining facilities can help to stabilize the grid by actively participating in demand response programs.

Economic Development in Rural Communities

Argo's Helios facility is located in Dickens County, Texas. According to the 2020 Census, the County's population is 1,770, which is down 28% from the 2010 Census. Dickens County is just one example of the population decline in rural communities, which have traditionally relied upon agriculture and ranching as main economic drivers.

During the construction of Helios, the project created more than 130 temporary jobs, with most of the construction work provided by local or regional contractors. Now that the facility is operational, it supports 45 full time jobs ranging from security personnel to data center technicians. The facility is also contributing significantly to the local community in the form of tax revenue and increased economic activity. Additionally, Argo is completing a community service project whereby it is refurbishing the community pool in the nearby town of Spur, which has been closed since 2009.

Conclusion

Texas has proven to be an attractive location for Bitcoin mining, and Argo Blockchain is proud of the benefits that the industry can provide to the state by incentivizing renewable energy development, stabilizing the electrical grid through participation in energy demand response programs, and bringing economic benefits to rural communities.

Respectfully,

A handwritten signature in black ink, appearing to read "Peter Wall".

Peter Wall
Chief Executive Officer
Argo Blockchain plc