BIZCOMMUNITY

Bitcoin miners made bank in December, but hard times are coming

By Lindsey Schutters

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Bitcoin miners celebrated a record-breaking revenue of $1.6bn in December 2023, as reported by Stocklytics.com. This represents a significant 38% increase from November's figures. The surge in revenue is attributed to the discovery of new blocks and transaction verification fees, with on-chain transaction fees alone contributing over $324m.

Source: Brian Wang/Unsplash

By the end of December, the average fee per transaction was $9.60, with a notable spike to $40 on 17 December, surpassing the previous high of $31 in May. This spike played a key role in boosting the month's revenue from transaction fees.

"December 2023 has set a new benchmark for monthly revenue in the Bitcoin mining industry. The on-chain transaction rates for the month have shown a remarkable trend, with an average fee of 231 satoshis per virtual byte, or approximately $20.86 per transaction," explains Edith Reads, a financial analyst at Stocklytics.

"This highlights the growing economic significance of blockchain technologies and the sustained potential of the crypto mining sector."

Bitcoin's soaring energy consumption remains a sustainability concern

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Additionally, the hash price for Bitcoin soared to a remarkable $133.62/PH/second on 17 December, breaking the previous record of $125.64 set in May and marking a new high for the cryptocurrency's trading activity.

Despite these impressive revenues, the Bitcoin network faced a backlog of over 496,000 unconfirmed transactions and significant congestion across more than 430 blocks.

James Butterfill, head of research at CoinShares raised concerns in a recent report.

“The Bitcoin mining network has grown by 90% in 2023, raising questions about its environmental sustainability and profitability,” the CoinShares report said.

Butterfill also highlighted that Bitcoin’s hash rate increased by 104% last year, indicating a dramatic increase in competition for block rewards. However, the report forecasts a decline in network hash rate as inefficient miners struggle to remain profitable due to reduced block rewards and increased mining difficulty after the halving.

“Post-halving, higher-cost miners may struggle due to decreased immediate income… Only a handful of miners are expected to operate profitably if Bitcoin prices remain above $40,000.”

The recent approval of spot Bitcoin Exchange-Traded Products has fuelled optimism for Bitcoin's prospects in 2024. With the anticipated halving event and the approval of new ETFs, projections suggest Bitcoin prices could exceed $100,000 in the coming year.

Crunch incoming

As of 12 January, approximately 11 Bitcoin ETFs have been approved, with industry giants like Blackrock, Grayscale, and Fidelity leading the pack. Grayscale is the largest Bitcoin ETF with nearly 29 million assets under management. Valkyrie has also made headlines by reducing its fees by 0.25%, attracting almost $30m on the first day of its ETF trading.

The Bitcoin market is facing a crunch in its liquid supply. Unlike tangible assets like gold or cash, Bitcoin's availability is finite, with only an estimated 6.2 to 11.6 million coins in circulation, valued at approximately $400bn.

As ETFs expand, the strain on the already limited supply of Bitcoin intensifies, driving down profitability for miners.

Post-halving, miners’ immediate income is slashed in half, which can make mining even less profitable, especially if Bitcoin’s price doesn’t increase to compensate for the reduced block reward.

While the outlook remains positive, the volatile nature of cryptocurrency means that miners must stay cautious, especially with increasing regulatory interest from governments worldwide.

ABOUT LINDSEY SCHUTTERS

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