Ethereum Business Readiness Report 2023

Highlights

Assessing the potential and capabilities of public Ethereum and the broader Ethereum ecosystem for businesses

v1.0 December 21, 2023

Download the full report
Report Highlights

Section 1: The Year in Business Ethereum

• Crypto winter had a dampening effect on business adoption.
• Significant hacks and frauds underscored the importance of security.
• The ecosystem as a whole showed remarkable resilience despite market turbulence.
• Sectors like Institutional DeFi and NFTs for global brands saw strong growth.

Section 2: A snapshot of the Use of Ethereum and EVM in Business Today

• There is a growing ecosystem of projects being built on Ethereum and EVM technology.
• Both large corporates and startups alike are embracing the technology.
• The majority of applications that have been announced are on public networks.
• High numbers of competing infrastructure companies are reducing the cost of using the technology.
• There is significant activity in the area of scaling Ethereum.

Section 3: Observations and Trends

• Ethereum has established itself as the preferred settlement and base layer in the blockchain space.
• Ethereum has solved its sustainability issues on Mainnet.
• Ethereum has not yet solved its scalability problem on Mainnet.
• Layer 2s have come of age.
• Ethereum is evolving a “rollup-centric” architecture comprising Mainnet as the base layer with a universe of Layer 2s and 3s above it.
• The move to public blockchain continues, a trend we identified last year.
• Privacy remains a priority and a concern for businesses, although it is slowly being addressed.
• Security also remains a very serious concern, though primarily at the application layer.
• Tokenization, especially of real-world assets (RWAs), is an increasingly important use case.
• Bringing fiat money onchain will be an enormous enabler of business applications.
Section 4: Assessing the Business Readiness of the Ethereum Ecosystem

- There may be a lot of transactions on L2s, but in terms of $ value being settled this is still predominantly on Mainnet.
- Ethereum and its L2s will most probably overtake large traditional payment networks if there is another bull run.
- Stablecoins now account for over 60% of the volume on Mainnet when compared directly to ether (ETH).
- Transaction fees on L2s are bringing down the cost of using the public Ethereum ecosystem, which will support further business adoption.

Section 5: Conclusion

- The Ethereum ecosystem as a whole has continued its evolution as a viable decentralized platform for large-scale business use.
- The myriad Layer 2s, Layer 3s and other solutions means that businesses can choose from a great many options.
- On the other hand, these myriad options also make the ecosystem more complex for business users.

Research Methodology

Business Ethereum database: A proprietary database of 260 projects and onchain data provided by PYOR

Case studies:
- Blocksquare
- BRØK
- Circularise
- Fnality
- Opera Minipay Wallet
- Roxpay
- Rubey
- Sage
- Shell Avelia
- Tokenchampions
- Tokeny
- XEROF

In-Depth Interviews:
- Steven Goldfeder, Offchain Labs
- Jens Herrmann, Deutsche Telekom
- Dan Heyman, Palm
- Joe Lubin, Consensys
- Rene Reinsberg, Celo
- Markus Schorn, Deutsche Telekom
- Vikram Seth, Shell
- Alex Tapscott, Author
Key Insights: Perspectives from Our Interviewees

Vikram Seth
Shell

“Our key pillars are traceability, trust, and transparency. It’s very clear that these can only be delivered by public blockchains.”

Joe Lubin
Consensys

“The next major phase of ecosystem development is going to result in the establishment of the next generation social fabric for our planet.”

Rene Reinsberg
Celo

“Ethereum has matured tremendously, and its Mainnet is robust enough to support our objectives.”

Alex Tapscott
Author

“In this next cycle, the technology will be ready for primetime.”

Steven Goldfeder
Offchain Labs

“Fast forward to today, and we’re seeing a ton of interest from enterprises all across the board.”
With the assistance of PYOR, we have successfully gathered data on transactions involving ETH and major stablecoins (USDC, USDT, DAI, PAXG) on the Ethereum Mainnet and the most utilized L2 networks, namely Arbitrum, Base, and Optimism. PYOR's refined methodology has been developed to prevent double-counting during transactions that pass through smart contracts, thereby aiming to maximize the accuracy of this metric. ETH $ volume from that day is a calculation of the close price.

It's important to clarify that our data collection excludes various other tokens within the Ethereum ecosystem, including many ERC-20 tokens. This exclusion is due to the complexity they add to the calculation process and the fact that, in the context of the enormous transactional scale we are examining, they do not significantly alter the overall data. Our preliminary investigation supports this decision. We anticipate that future research by other researchers may delve into these additional aspects of the Ethereum ecosystem.

By consolidating our data into a single metric for comparison with Visa and Mastercard, the chart above illustrates the significant impact the recent bear cycle has had on the US dollar value settled.
Key Ethereum Ecosystem Insights

$ settled in stables vs. ETH
Arbitrum, Base, Optimism, and Ethereum Mainnet

Breaking down the total dollar value settled in the Ethereum ecosystem further into stablecoins and ETH by quarter, it becomes evident that stablecoins have consistently dominated the total value settled onchain, with their prominence increasingly evident over time.

A more insightful way to illustrate this trend is by representing it as a percentage of the total dollar value settled onchain for any given quarter:

% settled in stables vs. ETH
Arbitrum, Base, Optimism, and Ethereum Mainnet

Source: PYOR
*cut-off date = 30th Nov '23
We also explored the distribution of transaction activity between L2 networks and the Ethereum Mainnet, especially given the growing importance of L2s in the narrative of Ethereum's evolution.

Our analysis reveals that despite a significant number of transactions on L2s being conducted in ETH or stablecoins, the majority of the transactional value is still settled on the Mainnet.

This leads us to conclude that, as of now, L2 networks have not overtaken the Mainnet in terms of the total dollar value settled.