



Is This Cryptocurrency Going to Overtake Ethereum?

Description

Ethereum ([CRYPTO:ETH](#)) has been the second-largest cryptocurrency since 2017. Since its inception, the token's price appreciation has outperformed Bitcoin. Some say it could even overtake the godfather of cryptocurrencies and become the largest digital asset in the sector. Others say Ethereum itself will lose its crown to a smaller rival.

Here's a closer look at one such rival that's gunning for Ethereum's position.

Ethereum killer?

Solana ([CRYPTO:SOL](#)), the fifth-largest cryptocurrency in terms of aggregate market value, is Ethereum's closest rival. Solana is a decentralized virtual computer, which means it can host all the same applications, smart contracts, and non-fungible tokens (NFTs) that Ethereum can.

However, this network is much younger, which means it has several features that Ethereum's core developers are struggling to implement. For one, Solana is already based on Proof of Stake (PoS). That makes it more energy efficient.

Transactions on the network are also relatively faster and much cheaper than on Ethereum. At the moment, the Solana network can process 50,000 transactions per second (tps) at an average cost per transaction of \$0.00025. By comparison, Ethereum can process just 10 transactions per second at an average cost of \$15 each.

Unsurprisingly, some developers have moved their decentralized applications (dApps) away from Ethereum to Solana. New startups and NFT projects are being built on Solana first. If this trend continues, Solana could soon eclipse Ether in market value and dominance.

In 2021, [SOL certainly outpaced ETH](#) in terms of price appreciation.

Ethereum fights back

In 2022, Ethereum's developers are gearing up for major upgrades to the network. ETH 2.0, as they like to call the project, is likely to scale up transaction speeds while reducing costs. Next year, the network will also fully migrate to a PoS mechanism, which should put it on par with Solana and other rivals.

However, these upgrades have been delayed in the past. If they're pushed back any more, smaller rivals could snatch Ethereum's crown.

The best strategy

For investors like us, it's not easy picking a winner. With technical expertise, I can't say whether Ethereum will still be the dominant platform for decentralized computing in 2022.

Rather than pick a winner, I'd bet on both horses. Holding SOL and ETH together in your portfolio maximizes your exposure to the "decentralized computing" theme. This diversification also minimizes risk. It's probably the best strategy in this volatile, nascent industry right now.

Bottom line

Ethereum is still the dominant platform for smart contracts and decentralized finance (DeFi) products. However, its rivals have several features that make transactions faster and cheaper. Solana, in particular, is a threat to Ether's dominance.

Ether cannot retain its market-leading position, unless the core development team can implement upgrades to the network fast enough. Meanwhile, cautious investors should consider adding exposure to both platforms.

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Date

2025/07/07

Date Created

2021/12/29

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