



Ethereum 2.0: What Does This Update Mean for Investors?

Description

Ethereum ([CRYPTO:ETH](#)) certainly had an outstanding run this past year. Over the past 12 months, ETH has risen by over [415%](#). And 2022 is shaping up to be an even more promising year for this token. With the launch of Ethereum 2.0, this top [cryptocurrency](#) could be eyeing an even better year.

Of course, Ethereum, and most of its crypto counterparts, has not had a good start to 2022. This token is down by double digits, providing bulls with rather bearish momentum to start the year.

That said, let's look at why this upcoming Ethereum 2.0 update could provide a big catalyst for ETH this year. Investors looking for an eco-friendly, and more efficient, blockchain could have it in Ethereum moving forward. At least, that's assuming this update goes over well.

Let's dive in.

The road ahead for Ethereum

Ethereum's status as the first and the top smart contract-enabled blockchain network remains. Those looking for a top-notch cryptocurrency have it in Ethereum. This network's developer and user ecosystem is really unrivaled right now.

However, concerns around Ethereum's speed and cost profile remain high. Surging usage among Ethereum-based applications has slowed the network. Additionally, gas fees (or transaction fees) on the Ethereum blockchain have ballooned — in many cases to more than \$100 per transaction. That's not good.

Accordingly, smaller Ethereum rivals with smart contract enabled blockchains have picked up market share. That's because many of Ethereum's rivals use a proof-of-stake validation model. This is in contrast to Ethereum's proof-of-work mining model (similar to **Bitcoin**), which requires heavy computing power to solve complex mathematical problems to secure and validate the blockchain.

Ethereum's push toward Ethereum 2.0 paves the way for a massive shift toward proof of stake. This

should result in plunging fees and skyrocketing speeds across the network. The bonus? This validation process is much less energy intensive. That means Ethereum will become one of the more “eco-friendly” blockchains following this update.

The Ethereum blockchain houses projects that range from NFT marketplaces to decentralized finance and more. But sluggish transaction times are posing a hurdle for this crypto. After the upgrade completes, Ethereum will be capable of handling a higher number of users and grow rapidly.

Bottom line

For those holding Ethereum, this update will also allow users to stake Ether to become validators on the platform. While some staking is currently allowed in the Ethereum blockchain, the threshold is sufficiently high as to bar most holders from participating. Ethereum 2.0 should solve this problem as well.

As staking growth takes off, and Ethereum’s ecosystem continues to grow, the Ethereum 2.0 update should provide a massive catalyst for investors. That’s not to say there aren’t risks. Indeed, any sort of delay or issue with the update itself could destroy investor value.

However, in my view, this Ethereum update is bullish overall. Investors looking for a top token in 2022 may want to look at Ethereum. After all, this token recently dipped to levels not seen since September of last year. A discount is a discount, and investors have real reason to consider this token right now.

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