



## Could Ethereum Double in 2022?

### Description

**Ethereum** ([CRYPTO:ETH](#)) has lost significant value since last year. At the time of writing, each token trades at roughly \$3,780. That's 35% lower than its peak in November 2021. To reach a fresh all-time high, the token's value will need to more than double. I believe this could be a possibility in 2022.

Here are some of the reasons Ether's value could double and why this is an ideal opportunity to accumulate more.

### Supply shock

One of the most relevant criticisms of the Ethereum network is the lack of supply restrictions. Unlike **Bitcoin**, Ether's supply isn't limited to 21 million tokens. Instead, there are 120 million units in circulation and a steady stream of new tokens added every day. Some argue that this has made the tokens less valuable.

This issue seems to be getting resolved in 2022. Firstly, the implementation of Ethereum Improvement Proposal (EIP) 1559 has started *burning ETH on every transaction*. In other words, a tiny fraction of every transaction you send across the network is now permanently taken out of circulation.

Secondly, the transition to ETH 2.0 or Proof-of-Stake means a significant amount of circulating supply will be locked up in the staking pool. At the time of writing, ETH worth over US\$26 billion, or CA\$32.7 billion, is locked in the ETH 2.0 staking smart contract.

While supply is getting actively burned and locked up, the value of all tokens should appreciate.

### Use cases

Another factor driving up the value of Ether is utility. In recent years, we've seen the mass adoption of several new decentralized applications on the Ethereum network. These include lending protocols, non-fungible tokens, play-to-earn games, and commercial smart contracts.

A growing list of use cases makes each unit of Ether more useful and thus more valuable.

At the time of writing, Ether worth over US\$204 billion (CA\$256 billion) is locked away in one of these smart contracts or decentralized applications. That represents more than half the circulating supply of Ether on the market.

## Fundamentals

Ethereum is a payment network, which makes it comparable to the network created by corporate giants like **Visa**. However, Visa managed US\$10.4 trillion in total transaction volume during 2021. Ethereum handled US\$11.6 trillion over the same period.

Put simply, Ethereum handles more transactions than Visa. However, Ethereum's combined market value (US\$360 billion) is 21% lower than Visa's market capitalization. Ethereum is also growing much faster, which could possibly justify a premium.

All things considered, Ether should be worth more and could perhaps double in value by the end of the year.

## Bottom line

Ethereum has lost roughly a third of its value since November. However, the network is seeing new applications and a possible supply shock on the horizon. The token is undervalued when compared to corporate payment giants. That means it's the perfect time for long-term growth investors to add more exposure to this beaten-down cryptocurrency.

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