

Chia analysis

Overview

Chia is pioneering “Proof of Space and Time” technology in an attempt to reduce the electricity usage of “Proof of Work” blockchains such as Bitcoin and increase the decentralisation of “Proof of Stake” blockchains such as Ethereum.



Date - 15/11/2023

Ticker - XCH

Market cap - \$246,852,825

FDV - \$819,952,94

ATH - \$1,645.12

ATL - \$20.46

Source: Coingecko

Use case

Chia solves a major problem with one of the largest networks, which is power consumption. It does this through “Proof of Space” It allows anyone with an internet connection and free disk space to participate in securing the network. There are over 100,000 mining Chia.

People looking to earn “passive income” may look to Chia due to the cheap set up cost for mining. You can mine using any storage device but chia also offers their own scalable SSD hubs.

Source: Project Documentation

Adoption

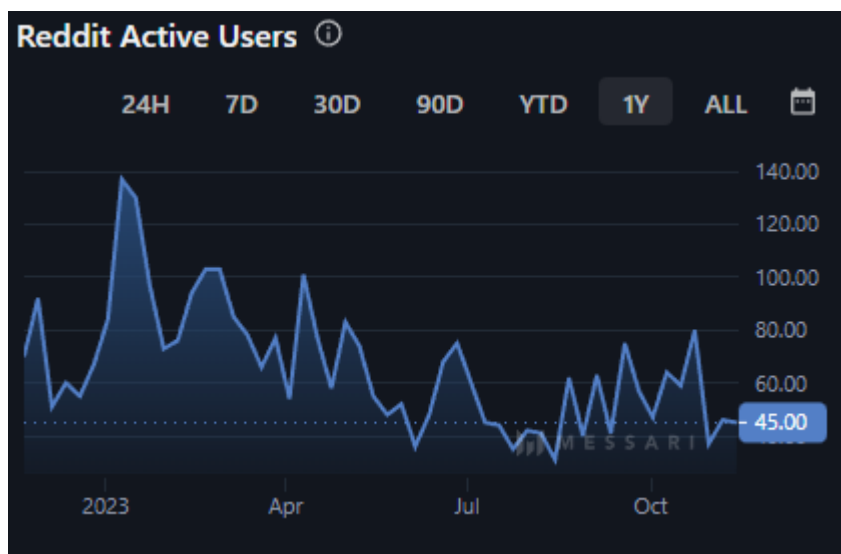
The circulating supply has been mostly increasing in a linear fashion since the release of the project.



There has also been marginal growth in twitter followers since february indicating that there is no growth in the project.



Reit users have also been less interested in the project than in the past few months. With a small growth in followers.



Source: DeFillama

Revenue

Revenue from mining pools are distributed between the miner and the pool operator. The miner is rewarded with 1% of the rewards while the pool operator is given 7% of the rewards. This has been done to discourage pool operators from harming their competition by farming on a competing pool and neglecting to create a block when they find a proof

Tokenomics

Rewards from mining are halved every 3 years.

	EOY 1	EOY 2	EOY 3
Farming rewards	3,363,840	3,363,840	3,363,840
Cumulative farming rewards	3,363,840	6,727,680	10,091,520
Farming % of all XCH	13.81%	24.26%	32.46%
Running total XCH	24,363,840	27,727,680	31,091,520
Halving:	EOY 4	EOY 5	EOY 6
Farming rewards	1,681,920	1,681,920	1,681,920
Cumulative farming rewards	11,773,440	13,455,360	15,137,280
Farming % of all XCH	35.92%	39.05%	41.89%
Running total XCH	32,773,440	34,455,360	36,137,280
Halving:	EOY 7	EOY 8	EOY 9
Farming rewards	840,960	840,960	840,960
Cumulative farming rewards	15,978,240	16,819,200	17,660,160
Farming % of all XCH	43.21%	44.47%	45.68%
Running total XCH	36,978,240	37,819,200	38,660,160
Halving:	EOY 10	EOY 11	EOY 12
Farming rewards	420,480	420,480	420,480
Cumulative farming rewards	18,080,640	18,501,120	18,921,600
Farming % of all XCH	46.26%	46.84%	47.40%
Running total XCH	39,080,640	39,501,120	39,921,600

After the 12 Halving emissions will follow

Halving:		EOY 13	EOY 14	EOY 15	EOY 16	EOY 17
Farming rewards		210,240	210,240	210,240	210,240	210,240
Cumulative farming rewards		19,131,840	19,342,080	19,552,320	19,762,560	19,972,800
Farming % of all XCH		47.67%	47.95%	48.22%	48.48%	48.75%
Running total XCH		40,131,840	40,342,080	40,552,320	40,762,560	40,972,800
Trailing emissions:		EOY 18	EOY 19	EOY 20	EOY 21	EOY 22
Farming rewards		210,240	210,240	210,240	210,240	210,240
Cumulative farming rewards		20,183,040	20,393,280	20,603,520	20,813,760	21,024,000
Farming % of all XCH		49.01%	49.27%	49.52%	49.78%	50.03%
Running total XCH		41,183,040	41,393,280	41,603,520	41,813,760	42,024,000
50 Year Total XCH		47,910,720				

This design was directly influenced by Bitcoins emission schedule.

The current stats are:

Market Cap ⓘ	\$247,785,119 ▼	Circulating Supply ⓘ	9,045,719 ⓘ
24 Hour Trading Vol ⓘ	\$32,280,199	Total Supply ⓘ	30,045,663
Fully Diluted Valuation ⓘ	\$823,026,641		

21,000,000 XCH is held by the team in the treasury.

64 chia will be created every ten minutes for the first three years after launch.

32 chia will be created every ten minutes in years four through six after launch.

16 chia will be created every ten minutes in years seven through nine after launch.

8 chia will be created every ten minutes in years ten through twelve.

4 chia will be created every ten minutes for every year after year twelve.

Source: Project Documentation

Source: coingecko

Treasury

21 Million Chia were created at mainnet launch as a “homage to the work that has come before” described as a strategic reserve.

restrictions are as follows:

1. The Company will not sell chia from the strategic reserve. The Company will also not enter into any future contract that would allow or require the Company to later transfer XCH to a third party or to lose control of borrowed XCH absent the insolvency of the borrower.

2. Some existing investors in SAFE agreements (Simple Agreement for Future Equity) had the right to require redemption of a portion of the Strategic Reserve based on various - 25 - metrics around becoming a public company and the trading dynamics afterwards. As expected, the Company converted these SAFEs to preferred equity and changed these penalty provisions to not include XCH. Chia Network can not be required to transfer any chia to any investor.

3. The Company will not and has not compensated employees, employee-equivalent independent contractors, officers, or directors of the Company with chia and has agreed to that restriction in its preferred equity terms and related agreements with investors.

4. The Company will not intentionally farm chia on the mainnet. The Company will have farming capacity to support our various testnets but it is realistic that configuration error could cause unintentional farming to occur. The Company plans to put in place controls and monitoring to prevent or detect any accidental farming by Company-owned equipment. The Company, however, does not restrict our employees or contractors from farming with their personally owned hardware on their personal time.

The company intends to use the Strategic Reserve for purposes like but not limited to the following:

1. Lending chia to governments, financial institutions, market makers, and enterprises for use in their Chia related projects like asset issuances, paying international invoices, and providing liquidity on various digital money exchanges. These loans will be made to creditworthy entities, will generally require interest denominated in chia and full repayment in chia. From time to time, for marketing purposes the Company may offer negative interest rates to promote adoption. An example would be allowing a storage provider to offer to pay their foreign suppliers 105% of their invoices in chia instead of fiat currency where Chia would only expect 95% of the loan returned.

2. Using chia in shareholder activities like share repurchase or dividends to shareholders after we have publicly registered our equity.

3. Using chia to invest in promising projects that expand the functionality of and reach of chia in the markets for money and financial technology but not until we have publicly registered our equity.

4. We may use chia to add additional farming rewards or otherwise incent farmers or developers to validate or develop the network or software. We have a history of running both software enhancement contests and farming contests and plan to use chia as prizes for these sorts of contests.

Source: Whitepapers

Governance

The Company believes that the best way to “govern” Chia Network’s Strategic Reserve and support the development of a superior financial infrastructure is to adopt the well tested 400 year old technology of a joint stock corporation and adopt current corporate governance best practices. At an appropriate time, the Company intends to list the equity of the Company on a national stock exchange

Source: Project Documentation

Team and investors

The team is public and their information can be found here:

<https://docs.google.com/document/d/1Hs7JXYwi3PInEEe4W0tU4W9prGx00mXu9KltyQqnrN8/edit?usp=sharing>

In the past the team has been relatively active on X. However, recently they seem inactive, their last post being on October 31st. They have 101.7 twitter followers.

https://twitter.com/chia_project

Source: Project Documentation

Source: Twitter

Competitors

Consensus	Proof of Work (PoW)	Proof of Stake (PoS)	Proof of Space and Time (PoST) 
Resource	Compute	Token	Storage
Decentralization	↑ High	↓ Low	↑ Very High
Energy Use	↑ Very High	↓ Very Low	↓ Low
Initial Cost	↑ High	↑ High	↓ Low

XCH has claimed that their solution PoST provides the decentralisation of PoW and the reduced energy usage of PoS with a significantly reduced initial cost.

Risks and audits

Chia is currently showing high volatility.



A backup of the blockchain is also held on each device which is mining Chia so that the network is secure from attackers.

Summary

Chia is pioneering PoST as a way to secure blockchain. Its goal is to reduce the energy consumption and increase the decentralisation of cryptocurrency. The token can be bought on the chia blockchain which is secured through their PoST technology.

The technology that this project has developed makes it extremely easy and cheap for anyone to mine Chia using as little as a Raspberry pi.

I believe that this project had potential with its underlying tech. However, they ruined their project with their tokenomics as of now the team holds 70% of the tokens as of now and will hold 50% in 19 years if they choose not to sell like they have promised not to.

This may potentially become an ideal short term asset to hold if the majority of people look towards mining in the bull run.

Pros:

- Interesting tech
- Improves decentralisation

Cons:

- Poor tokenomics
- Little or no community growth

In summary this project seems to be a poor investment for long term holders as the team has essentially promised not to dump 70% of the supply at the communities expense.