



# Gridcoin - Performing Meaningful Scientific Computations Instead of Inverting Hashes with Proof of Work

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## Abstract

Gridcoin [6] is a decentralized, open source math-based cryptocurrency which performs transactions without the need for a central issuing authority. Gridcoin securely rewards volunteer distributed computing performed upon the BOINC [5] platform in a decentralized manner. Available projects in BOINC in 2017 range from attempting to cure diseases like cancer [11,12,13], ebola [11], AIDS [11] and virus Zika [11], through orbit analysis and reconstruction of asteroids [14], through simulating earth in different ages to assess climate change [15], through mathematical research [16,17], through identification of subatomic particles [18] to scanning the sky for gravitational waves [19] and extraterrestrial intelligence [20].

Gridcoin is heavily based on Bitcoin [1] with the outstanding exception that Proof of Work where energy is wasted in inverting a hash function is replaced with the novel approach of Proof of Stake [2] linked to Distributed Proof of Research [3], developed on purpose for Gridcoin. A novel voting mechanism embedded in the blockchain allows to choose which scientific projects to include in Proof of Research. In conclusion, an outlook is given on how Gridcoin could complement the way science is funded, sparking competition between traditionally funded science and Gridcoin funded science.

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Figure 1: *Gridcoin Art Medal depicting research in the fields of biology, electronics and astrophysics*

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## 1 Introduction

An increased quality of living in a society often coincides with an increase in that societys ability to freely gather and process data. Distributed processing, also known as grid computing, offers a tool by which massive quantities of data can be processed at speeds tens of thousands of times faster than any centralized super computer. This speed is directly proportional to the advancement of processing technology, currently progressing in accordance with Moores law.

At the same time, the Idle Processing Potential (IPP) which already exists in digital societies is severely underutilized. From cell phones to personal computers to office workstations, the combined IPP of the world overshadows even the most robust decentralized super-computer, Bitcoin. Gridcoin seeks to create a decentralized and sustainable distributed processing network which prioritizes both the utilization of IPP and the creation of a free to host ecosystem for researchers and individuals with data to process. To accomplish this goal, Gridcoin has created a block-chain based digital asset which rewards individuals and entities which volunteer their IPP to the grid computing network, BOINC. A single Gridcoin represents the value prescribed to a volunteered unit of IPP on the BOINC network. The Gridcoin blockchain is secured through Proof of Stake. Rewards are distributed through a protocol developed by Gridcoin called Distributed Proof of Research, or DPoR.

BOINC, The Berkeley Open Infrastructure for Network Computing, is an open-source distributed processing network which provides scientists and enthusiasts with a means to host data for free. BOINC has been operating since 2002 and has and continues to process data that helps map the Milky Way,

detect near earth asteroids, find prime numbers, fold proteins, test cures and vaccines, test chemical and molecular combinations, Search for Extraterrestrial Life (SETI), and more.

By directly rewarding those who volunteer their idle processing power to BOINC, Gridcoin creates an ecosystem in which valuable data, or a worthwhile project, is defined by an open market of science instead of a market of pay-to-play. In other words, volunteers will move their IPP to projects which they deem of value with no need to consider the reward they will receive.

Although there are other configurations, a typical node runs both the BOINC client to download, execute and report results of scientific computations and the Gridcoin client. The Gridcoin client performs several functions: like a bitcoin wallet it allows to transfer money from different addresses, it keeps the blockchain with transactions up to date talking to other nodes and verifying each new block for validity and tries to stake other blocks on the blockchain by collecting new transactions. The coin stake in the proposed new blocks for the own wallet corresponds to the amount of work done on BOINC expressed in Gridcoins.

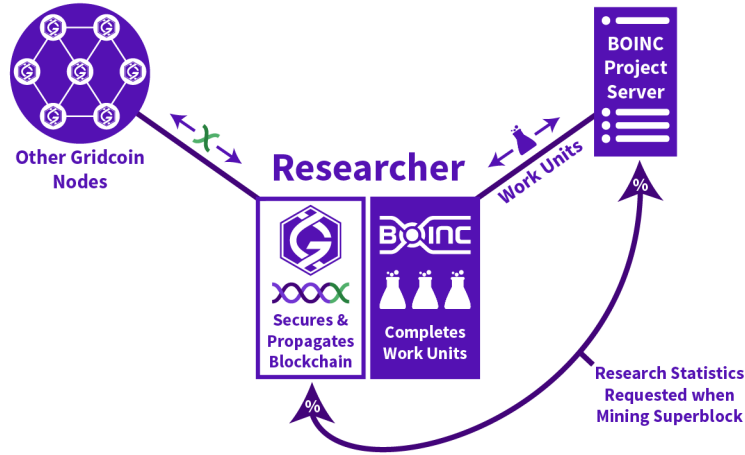
## 1.1 BOINC

BOINC is a system for distributing the workload of scientific simulations. Users of BOINC have a client running that solves work units (WU) for the specific projects. A work unit consists of code and specific parameters for which the code is run. After the work unit is completed the BOINC client sends back the results to the BOINC servers, where the results are analyzed.

One example for a BOINC project is the World Community Grid [11], which consists of various other projects, for example to fight cancer or beat Ebola. SETI@home [20], which looks for signs of alien life by monitoring electromagnetic radiation from space for patterns, is another well-known project. In total there are about 40 BOINC projects, but only the BOINC projects on the Whitelist help users earn Gridcoins. Each Gridcoin wallet can vote in polls about which projects can enter or exit the whitelist. New projects with interesting computational tasks enter it often and projects which do not have a constant supply of work units tend to be dropped by people's vote.

The information which researcher has computed how many work units is stored on the BOINC server. The unit of work done is a credit (cobblestone), which is 1,000 double-precision MFLOPS based on the Whetstone benchmark. The Recently Averaged Credit (RAC) is the average amount of credits earned per day.

A CPID (Cross Project Identifier) is a number that links together the participation of a single user in all the different projects with a single common identifier, with a CPID one can see the research done by one user over all different projects this user participates in.

Figure 2: *Gridcoin and BOINC Architecture* [5]

There are also teams in BOINC, users can join teams and the work done by each member of the team is added to get the work done by the team. It is necessary for a Gridcoin-researcher to be a part of team *Gridcoin*, which on some projects is listed as *Gridcoin*, lowercase.

## 1.2 Gridcoin Client

The Gridcoin Client is very similar to a Bitcoin client, inheriting substantial portions of source code from it. It is sometimes called a wallet, because it stores the Gridcoins owned by a user. The client allows to receive and send Gridcoins to other clients. If it is attached to BOINC, it tries to mine blocks by collecting transactions and by showing that there was actual BOINC research done. From time to time, the client stakes Gridcoins so that they earn an interest.

## 1.3 Setting up a network node to earn Gridcoins

To setup BOINC and the Gridcoin client to earn Gridcoins by running scientific simulations on your computer please follow the tutorials on [www.Gridcoin.us](http://www.Gridcoin.us)

The steps involved to become a solo miner are:

- Install BOINC
- Add projects to BOINC that belong to the Whitelist [42]
- Install and configure Gridcoin wallet so that it is linked to BOINC
- Acquire Gridcoins by buying them on exchanges and move them to your wallet
- Send a beacon so that the wallet CPID is persisted in the blockchain

- Wait until client manages to stake first block with Proof of Stake and Proof of Research reward for your wallet.

On the mentioned website there are also instructions about mining in a common pool. There is also the possibility to be an investor by owning Gridcoins and running the Gridcoin client without being a BOINC researcher. In the latter case, the investor earns some interest on the Gridcoins he owns, if he runs the wallet.

## 1.4 Integrating Gridcoin in existing exchanges

For exchanges that want to integrate Gridcoin in their infrastructure the client can be run entirely in textual mode out of a Linux bash shell. The daemon named *Gridcoinresearchd* implements the same commands with the same syntax as *bitcoind*, making the integration of Gridcoin in the existing exchange infrastructure quick and harmless.

## 2 Neural Network

This chapter starts with a disclaimer as the Gridcoin Neural Network does not share anything with neural networks as commonly defined in the field of Artificial Intelligence. Gridcoin Neural Network is charged with assigning Gridcoins to BOINC researchers. It is a kind of proportional calculation as we will see in the next chapters.

Gridcoin uses a distributed system to come to a consensus how much work was done by each user. For this each node of the network, each Gridcoin client in other words, asks each BOINC project server, what the current Recently Averaged Credit of each member of team Gridcoin is. This information is mined in a special block called superblock. This information is hashed, so each node does not see the exact information from other nodes, but the hash can be compared and it can be found out, if the hash of this node is the same as the majority hash of all nodes.

To become a part of the Neural Network, a researcher's Gridcoin client has to send a beacon (a special network packet) containing the CPID and the wallet's address. This is a transaction with a very small amount of Gridcoins that links the CPID and wallet-address of this researcher in its meta-information, so that this information is now forever stored in the blockchain.

## 3 The blockchain

A blockchain, seminal concept invented by Satoshi in 2009 [1], stores all information about all transactions that have taken place. When one knows all transactions, one also knows the current balance of each address. In Proof of Stake (POS) a node is randomly chosen among all nodes to add the next block to the blockchain. A block contains all transactions that have taken place in the network since the last block. The node adding this block adds a transaction sending newly minted Gridcoins to his personal wallet in proportion of the

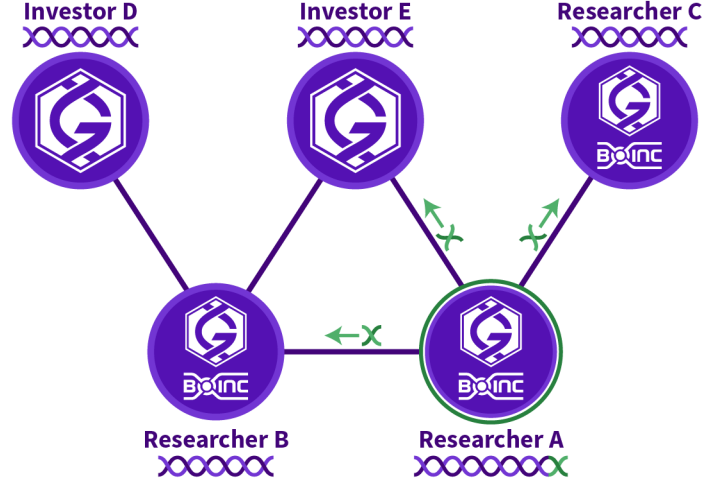


Figure 3: A researcher mines a new block and sends it to other node's blockchains, so that they verify it and incorporate it

BOINC work he did. Other nodes accept the new block only if the transactions are all valid and if the newly minted Gridcoins claimed by the creator node correspond to the amount of BOINC work did by the creator node as written in a previously minted superblock.

When the probability is weighted by the current amount of Gridcoins, the reward that one gets on average for adding blocks is directly proportional to the amount of Gridcoins in possession (as this is the probability to be chosen to add the next block and get the reward) and thus can be seen as an interest for the user.

## 4 Distributed Proof of Research

Each participant helps performing research by computations in Gridcoin's network. The network average is similar to difficulty in Proof of Work mining. As the network average rises it becomes harder to get the same magnitude. If a user wants to keep getting the same reward, he would have to add more compute power if there is an environment of a rising network average. If the price rose significantly more compute power would come on board, raising the network average, making it harder to get the same reward, just like difficulty in Proof of Work.

### 4.1 Proof of Stake

Proof-of-Research (PoR) is an algorithm, which combines a scheme to reward Miners for their work with an extremely secure block finding mechanism. This mechanism uses Peercoin's [2] Proof of Stake, in Novacoin's [43] and Blackcoin's

[44] improvement of it. In Proof-of-Stake, currency is not mined, but minted as yearly compound interest. For this the Researcher needs a Wallet with Gridcoins already inside it. As a mint mechanism Proof-of-Stake uses the stake of the holder itself. The more stake he acquires the higher is the probability that he will mint a block to himself.

To calculate the interest reward, coin-age is used. Coin-age is the stake of the investor times the days he held it for. If the investor Bob holds 50 Gridcoins for 3 days, he has acquired 150 coin-age. The higher the coin age, the larger will be the reward compared to the target reward. Once a block is found with a transaction that moves the 50 Gridcoins away from Bob, the coin age for Bob is consumed.

Novacoin enabled Proof-of-Work as a stand alone function next to Proof-of-Stake. This means work can be calculated separately from interest and allows for separate hash targets.

Blocks are generated to meet a certain set yearly hash target for the whole network, for example a 1% increase of total supply per year. This target is therefore adjusted continuously and not every 2 weeks like Bitcoin's difficulty. In Gridcoin the rate listed in the APR schedule is annualized, the rate applied to the coin balance with an APR of 1% on coins held one day is therefore  $1\%/365$ . When transferring the coins to a new address, a lock time of hours takes effect, before age is accumulated again.

Gridcoin has eliminated the possibility of a 51% attack, an attack on a standard Proof-of-Work coin, which involves a single entity owning a minimum of 51% of the total network hash rate. To attack Gridcoin in a similar way, the attacker would have to make a 51% buy-out, meaning he needs to own 51% of all the coins. In addition to the 51%, the attacker would have to buy and hold the cumulative stake weight of all nodes with fewer than 30 blocks staked. Since interest is being payed to those who let their nodes run for the network, transaction fees are not needed in theory. However they are still enforced to prevent transaction spam on a single node.

These improvements were already made by Blackcoin [44], which Gridcoin, in an effort to keep up with current technology has implemented. Blackcoin also included the Zerocash [45] protocol, a process enabling anonymous transactions. For now this feature has been disabled from the wallet. Potentially this could be used in Gridcoin to guarantee that BOINC accounts cannot be tracked and as a result hijacked.

BOINC participation is not required to receive a Proof of Stake payment. A wallet that is not associated with a BOINC account is called an Investor.

## 4.2 Proof of Research

To tie BOINC and Gridcoin together and create a protocol that is both Proof-of-Work and Proof-of-Stake, but not wasteful of its resources in doing so, values from both algorithms are stored in the block header to provide a point of ref-



erence and cryptographic proof. Next to the normal Proof hash of Blackcoin, Gridcoin introduces the hash of the BOINC email together with the distributed client public key, which is used to calculate the CPID. This is called the CPID hashing algorithm. While the CPID is public, it cannot be used, or even stolen by another user, since he also needs the email for that, which only has its hashed value stored. Any invalid CPID is rejected, meaning that the CPID needs to be genuine, and the user has signed up with team Gridcoin. The user's magnitude is verified by parsing the XML as a 3rd party. This is described as Accuracy.

The verification through Netsoft and other credit checking farms will only be done during the first 6 confirms of a block. Once it is verified, no further evidence is needed. Both rewards are calculated together. As shown in the above reward calculation coin-age is already a part of the function. If somebody with no BOINC work to account for, an investor, finds a block, the values are simply left blank. "Difficulty" is adjusted dynamically similar to Kimoto's Gravity Well [46]. A Monte Carlo simulation was run to test the fairness of the network.

### 4.3 Research Age

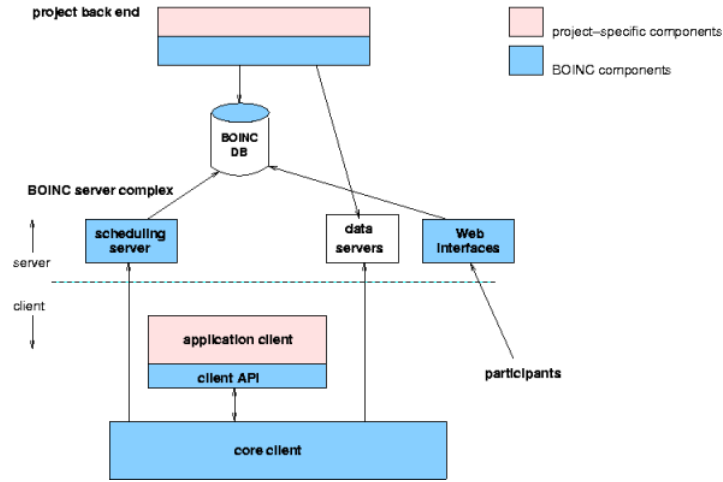
Research Age was created as a way to eliminate the cap on how many coins a single CPID could earn in a single day. The cap was initially created as a security measure but lead to reduced competition and CPID splitting. Research Age works much like Coin Age. As time passes and as more credits are earned users's owed balance increases and when enough is owed and the user's wallet is connected to the network and unlocked to stake he will receive his reward. What a researcher is owed is commonly referred to as their Research Savings Account or RSA.

### 4.4 How Gridcoin is created

Gridcoin is created daily from two activities, Proof-of-Stake and Proof-of-Research. Proof of Research is produced at a targeted rate of about 50'000 coins per 1000 blocks. A factor is used to adjust rewards to achieve this target and is called a Magnitude Unit and is stored in the blockchain. If the number of coins generated is too low the Magnitude Unit increases, this increases the number of coins paid for a certain magnitude, if the number of coins generated is too high the Magnitude Unit decreases, this decreases the number of coins paid for a certain magnitude. This has the effect of balancing Proof-of-Research payments with Proof-of-Stake payments. Effectively, if fewer researchers are helping to secure the network, the incentive is increased. The second activity is Proof-of-Stake, and it is produced at an target rate of 1.5% per year, as the coin base increases the number of coins created increases but always at a rate of 1.5% per year. Proof-of-Stake is in every block, when a Proof-of-Research block is staked the Proof-of-Stake reward is also included.

### 4.5 Proof of Research Beacons

A beacon must be sent to the network to advertise a new CPID. This is performed automatically from the wallet if it is unlocked. The cost is .00011 Gridcoin and must be done once every six months. This beacon allows the Neural

Figure 4: *BOINC Client/Server Architecture* [5]

Network to know that it must look for that CPID's research credits in whitelisted project credit reporting files. A user must stake one block after the beacon is sent before he begins to accrue research owed, the lookback period is 6 months for what a researcher is owed but it looks back to the last staked block, not from when the beacon was sent. To stake a block a user must start with some coins, these can be purchased from an exchange or acquired from one of many faucets, or through the IRC channel faucet and tipping system. The more coins you begin with the faster you will stake your first block, however, to help new researchers with low coin balances stake their first block a stake weight bonus is added, a balance of 100 coins should have no problem staking it's first block in less than 5 days provided that the wallet is online and unlocked for staking all the time. The initial age coins must be before they are able to stake is 16 hours.

Editor's note: this entire chapter is sourced from reference [23].

## 5 Rewarding Researchers

Gridcoin does not only want to reward holders of the coin (as in pure Proof of Stake coins such as Peercoin [2]), but wants to reward researchers. Because of this there is an additional reward depending on the amount of research done. This information is read from a superblock. In some blocks, so called superblocks, the majority opinion from the distributed Neural Network, which user has done how much work is also saved as a hash. These blocks are generated once a day. The current amount of research done by each CPID stored in the last superblock can be viewed on [SUPER]. If a node gets chosen and the hash this node contains about the amount of work done by each user is the same as the majority hash stored in the Neural Network, then this node gets to stake the next block and everything starts again. If the hash is not the same as the majority hash, the node gets punished for trying to cheat the system and does

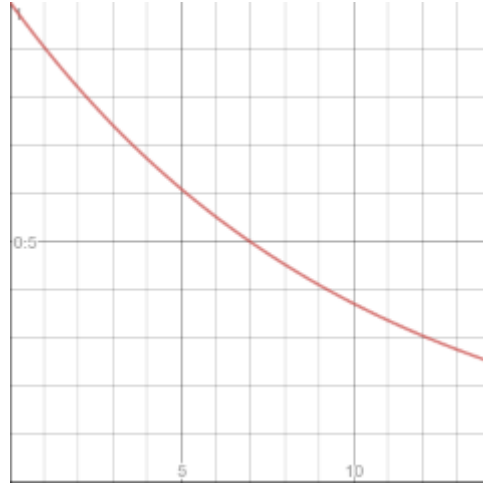


Figure 5: *Decay function  $d(t)$  with a half life of 7 days*

not stake, as in any other consensus based cryptocurrency. The actual reward the node gets then depends on the *RAC* (Recently Averaged Credit [22]) for each project for this user as stored in the superblock.

### 5.1 Cobblestone

To understand *RAC*, we first look at the *cobblestone* [22]. The *cobblestone* is a unit of measure defined as follows: it is 1/200 day (=7 minutes and 12 seconds, 432 seconds) of CPU time on a reference computer that does 1 Gigaflop (= 1 billion floating point operations per second) based on the Whetstone benchmark. A *cobblestone* in other words correspond to 432 seconds \* 1 Gigaflop = 432 billion floating point operations.

### 5.2 Recently Averaged Credit (RAC)

Recently Averaged Credit is calculated every time a user is granted new credit in form of cobblestones. Credits are exponentially averaged with a given half life of one week. Following explanation and figures are taken from [31]:

First, we define a decay function over seven days ( $t$  is given in days):

$$d(t) = e^{-t \cdot \ln(2)/7} \quad (1)$$

As you can see in the graph below after one week the value is exactly halve, a week later it is again halved. Also note that after a half day the value has dropped to 0.95. It is a continuous mechanism. 7 is said to be the half life of the function. [31]

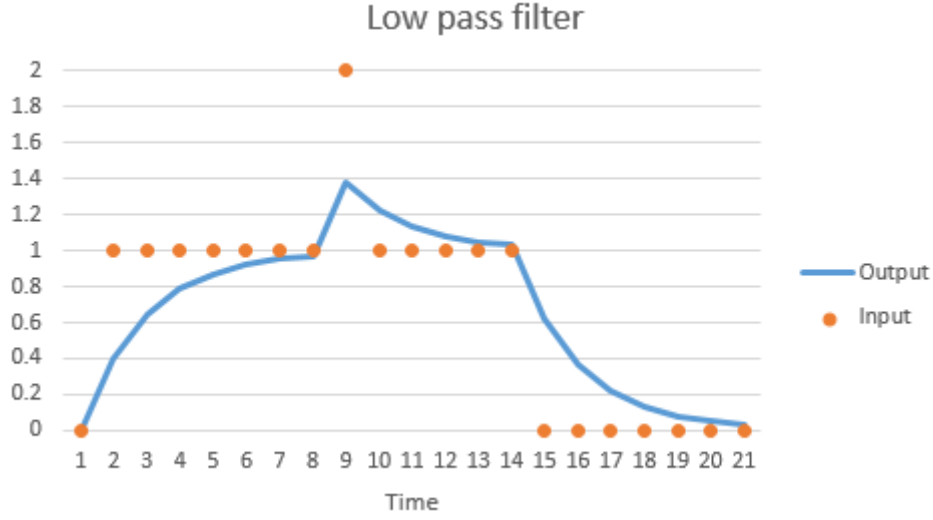


Figure 6: A low pass filter in action smooths spikes and dips

We now take an infinite impulse response low-pass filter with  $\alpha$  as smoothing factor:

$$new\_value = \alpha \cdot old\_value + (1 - \alpha) * new\_input \quad (2)$$

The following graph gives an impression on how the above function behaves. As the input jumps to 1 the output slowly follows and wants to go to 1 as time passes. When the input changes this just repeats. This is called low pass because the output will only follow slow changes, at relevantly low frequencies. The inputs fast short jump to 2 didnt really make it to the output. [31]

To get the formula for Recent Average Credit, we use the decay function  $d(t)$  as smoothing facgtor in the infinite impulse response low pass filter:

$$RAC(new) = RAC(old) \cdot d(t) + (1 - d(t)) \cdot credit(new) \quad (3)$$

where  $credit(new)$  is the credit in cobblestones for a calculated workunit issued in instant  $t$ .

### 5.3 Gridcoin Payout to a user running multiple projects

We hereby define:

$\gamma$  : this is the average  $RAC$  done by a user on a particular BOINC project  $p$  since last payment to user  $u$  identified by  $CPID$ .

$\Gamma$  : this is the average  $RAC$  done by all users participating in Gridcoin on a particular BOINC project  $p$  since last payment to user  $u$ .

$\tau$  : this is the time expressed in days since last payment to user  $u$ .

$\Theta$  : this is the available Gridcoin supply per day assigned to BOINC project  $p$

$G$  : this is the constant number of Gridcoins created per day on the Gridcoin network.

$n$  : this is the number of BOINC projects in the whitelist [42]. Participants in whitelisted projects do receive a reward in Gridcoins for their computational effort.

The ratio

$$\gamma/\Gamma$$

is the percentage of work done by user  $u$  on BOINC project  $p$  in respect to all other Gridcoin users working on project  $p$ .

The amount of coins  $\sigma$  for project  $p$  the user  $u$  gets, if he was only running project  $p$ , is computed:

$$\sigma = (\gamma/\Gamma) \cdot \tau \cdot \Theta$$

As of now the  $\Theta$  is the same for each project, so

$$\Theta = G/n$$

$\gamma$  and  $\Gamma$  are calculated so that in case there were several superblocks since the last payment the average RAC of all those superblocks is used.

The *researchreward* for user  $u$  is then the sum of the rewards for each whitelisted project:

$$researchreward = \sum_{p=1}^n \sigma(p)$$

The *totalreward* for user  $u$  is then the reward for the research done by this node plus the reward that any node gets for staking a block, called *inflationreward* in the next formula:

$$totalreward = inflationreward + researchreward$$

The *inflationreward* depends on the time that passed since the last stake is chosen in a way that it leads to an interest rate of 1.5% per year.

The rewards that contain only *inflationreward* and no *researchreward* are often called PoS (Proof of Stake) rewards, whereas the rewards containing *inflationreward* plus *researchreward* are called Proof of Research rewards.

## 5.4 Coin Supply and security measures

With a fixed daily research coin supply per project ( $\Theta = G/n$ ) it would not be ensured that the inflation rate is always the same; it could vary depending on how many new researchers join the project  $p$ . Because of this, the amount of average payouts over the last 14 days is used as a lagging indicator of how much was paid out recently - if very little was paid out in the last 14 days more is paid out now and the other way round.

$$G = \text{MaxDailyEmissions} - \text{AvgDailyPaymentsPaidInLast14Days}$$

There are also a few security rules. For example time since last payment in days ( $\tau$ ) can not be greater than 6 months, otherwise there is no payment and the coins paid out per user does have a very high upper limit ( 20000) per stake. The *MaxDailyEmissions* is set to 50000 Gridcoins, which at the current coin supply means an research driven inflation of around 5%. This rate however will grow smaller, as the coin supply grows but the amount of coins produced per day stays the same. Additionally the *inflationreward* is chosen, so that the interest inflation is around 1.5% per year.

## 6 Enviromental Sustainability

### 6.1 Gridcoin as TOP 500 Supercomputer

We saw in the previous chapter that one cobblestone (or one BOINC credit) corresponds to 432 billion floating point operations. We try now to extrapolate the current speed of general BOINC users and the subset of BOINC users who run also the Gridcoin client.

On *boincstats.com*[24] for August 26, 2017 we read following numbers: on this day BOINC users produced 3'034'366'125 cobblestones. Gridcoin users produced a subset of that amout: 513'112'244 cobblestones. To convert the cobblestones in billion operations per second, we multiply them first by 432, to get the floating points operations done in one day. We then divide by the number of seconds in one day which is 24 hours at 3600 seconds = 86400 seconds.

$$\text{gigaflops} = (\text{cobblestones} \cdot 432) / (24 \cdot 3600) = (\text{cobblestones} \cdot 432 / 86400) = \text{cobblestones} / 200$$

Following formula above, we convert the cobblestones for BOINC users and Gridcoin users into billion operations per second:

- BOINC users did 3'034'366'125 cobblestones, this is converted to the speed of 15'171'800 gigaflops or 15'171 teraflops or 15.171 petaflops.
- The subset of BOINC users who run also Gridcoin client did 513'112'244 cobblestones, this is converted to the speed of 2'565'561 gigaflops or 2'565 teraflops or 2.565 petaflops.
- The number above teach us that Gridcoin users on August 26, 2017 are  $2.565/15.171 = 16.9\%$  of BOINC users

We now look at the TOP 500 supercomputer statistics, that it is adjusted every six month. We take for reference the list of June 2017 [25].

- BOINC users with 15'171 teraflops are ranked 6th between supercomputers *Sequoia* and *Cori*.
- Gridcoin users with 2'565 teraflops are ranked 49th between supercomputers *Tianhe-1A* and *cascade*.

If we forget for one moment that Bitcoin does not allow flexible computations, but consistently attempts to invert only and always the same hash function. What would be bitcoin ranking in TOP 500 supercomputer list on August 26, 2017? According to [26], bitcoin speed on this day was 6'354'668.57 terahashes/s 80'704'290.84 petaflops or 80'704'290'840 teraflops. From this numbers we understand that calculating one hash costs 12'700 floating point operations.

The stated Bitcoin difficulty of 923'233'068'449 (August 26, 2017) which is a number of 40 binary digits (110101101111010011110101010010110100001) tells us that a hash needs to have the first 40 bits set at zero in order to get the coinbase reward for the block. To date, the coinbase reward is 12.5 bitcoins (TODO: check if difficulty is explained correctly).

The fastest supercomputer in TOP 500 list is Sunway TaihuLight of National Supercomputing Center in Wuxi, China with a speed of 125'435.9 teraflops. Bitcoin would be by far the fastest supercomputer in the world and outperform by factor 643'391!

## 6.2 Gridcoin Power Consumption estimate

We start to calculate the consumption of Gridcoin closest relative, Bitcoin. We use first the approach explained in [29], where it is assumed that an ASIC miner (a dedicated hash processor) calculates with 1 Watt of power one Gigahash/s. TODO: For example, we look at a common bitcoin ASIC hardware like the Antminer S9. This device computes 14 THash/s using 1350 W of power, so  $14'000 \text{ GHash/s} / 1350 \text{ W} = 10.37 \text{ GHash/W}$  this makes our assumption 10 times smaller. END TODO. According to [26], bitcoin speed on August 26, 2017 was 6'354'668.57 terahash/s or 6'354'668'570 gigahash/s or 6'354'668'570 W. These are 6.354 GW of power. They are equivalent to the power produced by 6 large nuclear power plants. Over one year, which has  $365 * 24$  hours (=8760 hours), we get  $6.354 \text{ GW} * 8760 \text{ h} = 55'661 \text{ GWh}$  or 55.661 TWh/year.

By comparison, the Swiss Federal Railways consume about 3 TWh/year, and CERN in Geneva 1TWh/year.

Another approach outlined in [27] for the Bitcoin Energy Consumption Index, they get 16.2 TWh/year as consumption estimate for last year.

- Calculate total mining revenues
- Estimate what part is spent in electricity
- Find out how much miners pay per kWh
- Convert costs to consumption

The Bitcoin Energy Consumption Index assumes that miners will ultimately spend 60% of their revenues on operational costs on average. For every 5 cents that were spent on operational costs it is assumed that 1 kilowatt-hour (kWh) was consumed. [27]

Price movements can be small or large, but new energy-hungry machines won't all appear overnight. Realistic behaviour is introduced by linking price

dynamics to the expected time required for producers to fully respond to a changing situation. [27]

Ethereum, another common cryptocurrency consumes with the above method 5.5 TWh of power in one year [28].

To calculate power consumption of BOINC on September 2, 2017, we look first at the daily cobblestones added in this day: 3'300'282'122 cobblestones. The subset of Gridcoin users did 489'559'755. These numbers roughly compare to the numbers used in the previous chapter to estimate BOINC and Gridcoin speed, taken on August, 22, 2017. We now take following assumption: half of the cobblestones are computed with a standard CPU like an Intel Core i5 and half with an average GPU like Nvidia GTX 1060. The Intel Core i5 features 4 cores times 4.57 GFlops = 18.28 GFlops with 77W and the 1060 graphic card does 3'850 GFlops with 120W of power. By diving by 200 we get first the speed in GFlops on September 2, 2017: 16'501'410 GFlops for BOINC and 2'447'799 GFlops for Gridcoin. Power calculation of Boinc becomes:

$$16501410/2 \times 77/18.28 + 16501410/2 \times 120/3850 = 35011228W = 35.011MW$$

$$35.011MW \times 24h \times 365days = 306696MWh = 0.307TWh$$

35 MW can be compared to the power produced by a middle sized power plant in the Alps.

In one year, BOINC consumes about 0.307 TWh. Similarly, Gridcoin power calculation gets:

$$2447799/2 \times 77/18.28 + 2447799/2 \times 120/3850 = 5193522W = 5.193MW$$

$$5.193MW \times 24h \times 365days = 45491MWh = 0.045TWh$$

This calculation assumes that most power to run Gridcoin is in Proof of Work and that running the client is almost negligible compared to the PoW part.

If we assume that one household roughly consumes 5 kW, then Gridcoin power consumption corresponds to 1000 households. It is like a medium village of 4'000 people in the mountains.

### 6.3 CO2 impact

We calculate emissions from electricity generation based off figures from the EPAs eGRID emission factors based on 2012 data published in 2015. On average, electricity sources emit 0.554 kg CO2 per kWh (0.5925 metric tons CO2 per MWh). State CO2 emissions per kWh may vary greatly in accordance with the amount of clean energy in the energy supply (Vermont: 0.002495 kg/kWh ; North Dakota: 0.938255 kg/kWh ). [30]

Using the above mentioned averaged factor and the calculations done in the previous subsection, we calculate the CO2 impact for the following frameworks regardless of their size and purpose:



- Bitcoin: 55.661 TWh/year = 32.94 millions metric tons CO2 per year
- Ethereum: 5.5 TWh/year = 3.26 millions metric tons CO2 per year
- BOINC: 0.307 TWh/year = 0.18 millions metric tons CO2 per year
- Gridcoin: 0.045 TWh/year = 0.027 millions metric tons CO2 per year

//TODO: find some things to compare which also produce 32 millions metric tons per year. It has to be something ugly.

## 7 Voting Mechanism

## 8 Transaction Speed

TODO: Bitcoin [1] transaction speed is 7 TPS. Ethereum is 14 TPS. Visa/Mastercard is 30'000 TPS. Bitshares claims it is 100'000 TPS.

### 8.1 Proximity of neighbours

Most blockchain algorithms are built over a random network. Each node connects randomly to other nodes regardless of their network position. To improve transaction speed it would be advisable to choose neighbours which are in proximity of the node seeking new connections. The node could traverse periodically existing connections and establish with a metric how far the node is. It could prune the connections which are farthest and substitute them with other random connections.

There are several metrics which could be used:

- Using geographical position as approximation for network proximity: there are geolocation services that can extract an approximate geographical position starting from an IP number.
- Using network hop count and latency: the node could ping each existing connection and retrieve how many nodes are in between (network hop count) and how much time a packet needs to reach the other node (network latency).

The above mentioned algorithm should be tailored so that the network keeps connected to avoid islands with their own fork of the blockchain.

## 9 Gridcoin Security

## 10 Outlook

### 10.1 Commercial Projects

Commercial Projects: If it is possible to reward users for running specific code on their computers with cryptocurrency, they could also run commercial simulations on their computers basically for free as they are already rewarded by the newly generated cryptocurrency. This would make it possible to offer computing-intensive services much cheaper than is possible now.

## 10.2 Mining Pool

Pool mining: Making it possible for users to earn Gridcoins by only pointing their BOINC client at the email address of a pool

## 10.3 Gridcoin Funded Science

Although the scientific method is the cornerstone of modern society, it has also some dark sides or at least it can be further ameliorated.

The advent of Internet did a lot to increase communication between scientists. It also introduced the problem of plagiarism [TODO]. For the increasing amount of papers, there is not enough and competent people to guarantee an independent and competent peer review [TODO]. Sometimes, papers are not available for free but only through expensive subscriptions (remember Aaron Schwartz [TODO]). It is possible to read a paper, but seldomly the source code of software in the paper is made available to the public. So, it is very difficult to test and independently what it is written in the paper, unless a considerable amount of work is invested to replicate the software. Datasets are often kept secret to discourage competitors, although most of the time they are put together with many from the taxpayer. The significance problem [TODO] points to another problem: it is easy to collect money for mastodontic projects inline with the mainstream of science thinking, but it is very difficult to get even little funding to test an idea which is outside of mainstream. As a personal opinion: huge amounts of money are spent in search of dark matter, while the electrodynamic theories of Universe are disregarded. (TODO: maybe remove this sentence)

If Gridcoin would introduce a fix amount in the coinbase of each block with empty input and output a special Gridcoin address named 'Gridcoin Funding', the network would collect Gridcoins to that special address for each block added to the blockchain. People with an idea who would like to get funded, they would first submit their proposal in form of a whitepaper to the Gridcoin community plus a Gridcoin address to receive fundings plus the amount of Gridcoins needed to fulfill the project. If the proposal fits some basic prerequisites, a special Gridcoin poll will be created on the blockchain asking the community to get funds for the project. In this special poll the Gridcoin address of the project and the requested sum of Gridcoins will be hardcoded. If the community approves the poll, funds will be automatically sent to that Gridcoin address.

Getting all fundings in the beginning are normally a bad motivator. So there will be a mechanism which will pay out the amount to the Gridcoin address split in fixed intervals, for example monthly. There will be a mechanism to issue a second poll to ask to stop of fundings, in case the project is not performing as expected.

On September 10, 2017, the market capitalization of Bitcoin was 67'641'887'163 *composed by a circulating supply of 16'556'575 of bitcoins at a price of 4'085.50*. If one percent of that bitcoins would have been spent to a similar fund described above, the fund would have about 676 million dollars available for projects.

Malaria is a diffuse disease in Africa but pharmaceutical companies are not

investing in medicines for it, not because they are bad as in any good conspiracy theory, but simply because they can not afford to pay the research and development bill with the money they would collect from poor people with that disease. Imagine for a moment a pharmaceutical company asking for a 100 million dollars from the Gridcoin fund to start research on malaria cures. Although utopic, the scenario is not completely unthinkable, viewed the numbers of bitcoin in the previous paragraph.

Or imagine a hypothetical researcher in Electrodynamics using Gridcoin funds unifying electromagnetism and gravitation and wiping out some phantastillion tons of dark matter from the Universe.

Or imagine Elon Musk funding the settlement of humans on Mars with Gridcoins.

Having traditionally funded science compete against Gridcoin funded science could spark the next scientific revolution since the Age of Enlightenment.

## 11 Competitors

### 11.1 Golem Network

Golem grand vision is about a global, open sourced, decentralized supercomputer that anyone can access. It's made up of the combined power of user's machines, from personal laptops to entire datacenters. Anyone will be able to use Golem to compute (almost) any program, from rendering to research to running websites, in a completely decentralized and inexpensive way. The Golem Network would like to achieve a decentralized sharing economy of computing power, where anyone can make money 'renting' out their computing power or developing and selling software. [35]

Golem rewards are done through Ethereum tokens. Developers are required to develop computational tasks following a certain API, so that tasks can be distributed to users willing to compute them. Developers purchase Golem tokens and give them to users who are calculating for them.

At time of writing, Golem implements a distributed CGI rendering prototype as showcase of Golem abilities. However, Distributed Rendering is not something difficult to implement. BURP is a BOINC project that implements it [36]. The Global Processing Unit project also implements a distributed rendering mechanism among other functionalities [37].

### 11.2 Science Power and Research Coin (SPARC)

SPARC is an Ethereum token which will soon experience its own Initial Coin Offering (ICO).

Like Gridcoin, SPARC is initially leveraging existing demand and infrastructure. The alpha version of SPARC network connects to the BOINC network and rewards participant nodes with SPARC coins for computational work performed. Researchers and developers requiring computing power purchase SPARC tokens from an exchange and attach them to their projects. These tokens are distributed to the participant nodes in proportion to work performed. SPARC tokens can then be exchanged directly for computing power from the network or traded for conventional currency on an exchange. [34]

In short at time of writing, SPARC is rewarding BOINC work with pre-mined tokens through a centralized website. By contrast, Gridcoin is rewarding researches on a dedicated blockchain in decentralized manner.

### 11.3 Einsteinium

Einsteinium (shorted with EMC2) is a Bitcoin-like currency with a philanthropic side goal of funding scientific research. It lets community members vote on which worthwhile scientific research projects the proceeds should be awarded. The coin was launched on March 1st 2017. [33]

EMC2 automatically donates 2% of every block mined to the Foundation Fund to be used for donations. The mining of Einsteinium is divided into Epochs: each Epoch mines 36000 blocks of coins and is targeted to last approximately 25 days. Every 25 days, at the end of each Epoch, a new ground breaking scientific cause is selected to receive Einsteinium Foundation funding. [33]

Like Bitcoin, Einsteinium is a distributed peer-2-peer digital currency released without any premine. EMC2 implements the primary innovation of Wormhole Mechanics. To reward long term miners each Wormhole Event occurs randomly during each epoch and is 180 blocks long; with a reward of 2970 EMC2 per block. [33]

Einsteinium coin uses a Proof of Work scrypt algorithm and will have a total of 299 million coins . 2.5% of each block will go to the Einsteinium Foundation with 2% to be given to science projects and .5% going towards faucets, give-aways. and marketing. Einsteinium had a good launch and there was no premine. [33]

Einsteinium is therefore already implementing what it is described in the chapter about Gridcoin funded science but does not reward users for performing BOINC computations.

## 12 Rationale about investing in Gridcoin

The current Bitcoin price surge (October 2017) has similarities to the dotcom bubble in the beginning of the millenium. The dotcom bubble created as side

effect all Internet services we are using today.

The reason why there is high demand of Bitcoin is threefold:

- The Bitcoin supply is limited. The embedded mining algorithm of Bitcoin halves the bitcoin reward for any new block in the blockchain every 4 years and stops creating Bitcoins when 20.67 million bitcoins are created. By 2021 most existing bitcoins in circulation will be minted.
- Bitcoin is currently used by many players, including big investors, to buy other minor cryptocurrencies and to fund new companies that use cryptocurrencies as crowdfunding mechanism.
- Bitcoin is seen by many as digitalized gold and many put their money into bitcoin as long term investment.

Bitcoin has two main drawbacks: we saw in the previous chapter that Bitcoin can not be used as mean to exchange goods between people as its transaction speed is too low. We also saw that Bitcoin is not environmentally sustainable: the algorithm which protects and verifies transactions and creates new blocks is consuming too much power.

It is reasonable to think that soon or later the regulator will prohibit Bitcoin due to environmental concerns or at least that the mindset of people will turn to other more eco-friendly cryptocurrencies, especially as the consequences of climate change will be the more visible.

Gridcoin finds a way to consume the energy wasted in Bitcoin to the benefit of mankind: the energy used to secure the blockchain of Gridcoin is also used to advance scientific research in fields where a great amount of computation is needed.

For the sake of completeness we mention here another ecofriendly cryptocurrency with a bright future: Solarcoin [38]. Solarcoin is a Proof of Stake cryptocurrency where little energy is needed to secure the blockchain. Additionally, people running solar installations on their roofs are awarded one solarcoin for each megawatt-hour their solar installation produce. Awards are retroactive, but need to be proved by documents verified by the grid responsible and by a non password protected website showing the current production of the solar installation.

## 13 Conclusion

In this technical whitepaper we first introduced BOINC software to perform scientific computations and the Gridcoin wallet. We gave a brief overview of the underlying blockchain technology and explained how Proof of Stake in combination with Proof of Research is used to reward BOINC researches with Gridcoin. We gave an estimation of Gridcoin and bitcoin power consumption and we saw

that Gridcoin is way more power efficient because in Gridcoin the consumed energy is used to advance scientific reseach for the benefit of mankind, while in bitcoin it is all invested in inverting a meaningless hash function. Finally, in the outlook section, we explored the concept of Gridcoin funded science, an improvement to Gridcoin which could spark the next big scientific revolution since enlightment age.

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## 15 Appendix

### 15.1 Terminology

- *51% attack* : A 51% attack is a situation where more than half of the computing power on a network is operated by a single individual or concentrated group, which gives them complete and total control over a network. Things that an entity with 51% of the computing power can do include, but are not limited to: [39]
  - Halting all mining.
  - Halting and manipulating all interpersonal transactions.
  - Using singular coins over and over.
- *bitcoin* : The first digital currency able to decentralize the account's ledger by means of a blockchain.
- *beacon* : A beacon is a particular network transaction containing the CPID of a user to signal the network that this user is starting to calculate valid scientific research.
- *block* : Blocks are essentially pages in a ledger or record keeping book. Blocks are the files where unalterable data related to the network is permanently stored. Forever. Like eternity.
- *blockchain* : A blockchain is a data system that allows for the creation of a digital ledger of transactions on a non-centralized network. Cryptography is the main operator that allows for users to engage with the ledger without the need for any central figurehead. In laymans terms, this means that people and computers all over work together to create a network instead of a network being made by one single person or company. This network is enabled and protected through cryptography! We have seen this used

in currency, data transfer and on. The blockchain is comprised of blocks and is constantly growing as each new record, datum, or block is added onto the chain for everyone to see. [39]

- *BOINC* : Berkeley Open Infrastructure for Network Computing is a software which allows users to donate computational time to scientific research. It is possible to participate in several projects, each run by different and recognized scientific institutions. It utilizes a client/server architecture. Clients calculate tasks in the form of work units and report them to servers running the BOINC project software.
- *BOINC client* : A BOINC client runs on a users's computer, mini-PC (e.g. Raspberry Pi), cellphone, tablet, or any other device with a CPU (watches might come in the future). It downloads work units from a BOINC server and processes them. When results are available, it reports them back to the BOINC server.
- *BOINC server* : A BOINC server runs a particular BOINC project. It distributes work units to BOINC clients and collects the submitted results, once the workunits are calculated by the client.
- *BOINC project* : A BOINC project is an umbrella for several tasks which are distributed by a recognized scientific institution. A BOINC project publishes scientific results from time to time after enough work units are processed.
- *cobblestone* : A cobblestone corresponds to 432 billion floating point operations, 432 gigaflops or 0.432 teraflops.
- *consensus* : Consensus is agreement achieved over a peer to peer network when all network nodes agree on something, for example a transaction of a digital currency between two users or a reward given to a particular user. It is achieved by cryptographical means. A 51
- *CPID* : A Cross Project Identifier is assigned to each node running BOINC and it is used to uniquely identify the node both in the Gridcoin network and in the BOINC infrastructure.
- *cryptocurrency* : A digital currency in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds, operating independently of a central bank. [41]
- *ethereum* : The first digital currency to introduce a flexible blockchain by means of a Turing complete virtual machine.
- *Gridcoin* : The first digital currency that rewards users for performing meaningful scientific research.
- *Kimoto's Gravity Well* : It is a common method for difficulty readjustment in cryptocurrency mining. It was first implemented by Megacoin and named after that coins lead developer. It was designed to solve problems caused by multipool mining. Multipools are mining collectives which automatically switch to mining whichever cryptocurrency is the most profitable. The problem with this

is that when a multipool targets a coin the increase in hashing power makes the difficulty soar, which in turn makes profitability of mining crash. The multipool then moves on to the next target and the network is left struggling to find miners to keep maintaining the network with the new high rate of difficult. Kimotos Gravity Well algorithm allows difficulty to be readjusted every block, meaning that it can respond to both increases and decreases in hashing power immediately and keep the difficulty level at an appropriate level. [46]

- *magnitude*: The magnitude in the BOINC network is the ratio between the recent work done by a single node against the work done by the entire BOINC network done on a particular project.
- *"Neural network"* : The Gridcoin neural network is a computation validated by the nodes on the network that decides how many Gridcoins each node receives in exchange for the scientific research performed. It is not to be confused with a neural network in the artificial intelligence context.
- *peercoin* : The first digital currency which introduced Proof of Stake to avert the huge energy consumption of Proof of Work.
- *Proof of Work (PoW)* : Proof of work was a concept originally designed to sieve spam emails and prevent DDOS attacks. A Proof of Work is essentially a datum that is very costly to produce in terms of time and resources, but can be very simply verified by another party. The proof of work for Bitcoin is referred to as a nonce, or number used only once. This has been considered an energy intensive alternative to proof of stake as the computers unfortunately have to be on and running, which also drives the market towards centralization of hashing power which is what the blockchain aims to defeat! [39]
- *Proof of Stake (PoS)* : Proof of stake has been considered the greener alternative to PoW. Where PoW requires the prover to perform a certain amount of computational work, a proof of stake system requires the prover to show ownership of a certain amount of money, or stake. [39]
- *Proof of Research (PoR)* : Proof of Research is the novel approach introduced by the Gridcoin network to reward users performing scientific calculations for the benefit of mankind.
- *Recently Averaged Credit (RAC)* : Recently Averaged Credit is a function that calculates the amount of scientific work performed starting from the work units reported by a user to a BOINC project server.
- *Research Saving Account (RSA)* : this term denotes research performed by a user which was not rewarded with Gridcoins yet.
- *Superblock* : A superblock is a specificity of the Gridcoin network. It is a blockchain block that contains how much work was done by each single user.
- *transaction* : A transaction is a transfer of a cryptocurrency value that is broadcasted to the network and collected into blocks. A transaction

typically references previous transaction outputs as new transaction inputs and dedicates all input Bitcoin values to new outputs. Transactions are not encrypted, so it is possible to browse and view every transaction ever collected into a block. Once transactions are buried under enough confirmations they can be considered irreversible.

Standard transaction outputs nominate addresses, and the redemption of any future inputs requires a relevant signature.

All transactions are visible in the block chain, and can be viewed with a hex editor. A block chain browser is a site where every transaction included within the block chain can be viewed in human-readable terms. This is useful for seeing the technical details of transactions in action and for verifying payments. [40]

- *workunit* : A single scientific calculation performed on a BOINC client. A work unit can last from minutes (typically if it is run on a modern graphic card, a GPU) to entire months (some climate simulation can last several weeks).

## 15.2 Gridcoin Whitelist

The Gridcoin Whitelist [42] includes all BOINC projects which give a reward in Gridcoin. It is compiled by people's vote persisted on the blockchain. At time of writing (October 2017) the following project are whitelisted:

- *Amicable Numbers* : Amicable Numbers is an independent research project that uses Internet-connected computers to find new amicable pairs. Currently searching the  $10^{20}$  range. Private
- *Asteroids@home* : Asteroid research - it uses photometric measurements of asteroids observed by professional big all-sky surveys as well as 'backyard' astronomers. The data is processed using the lightcurve inversion method and a 3D shape model of an asteroid together with the rotation period and the direction of the spin axis are derived. Charles University in Prague
- *Citizen Science Grid* : Umbrella project for DNA@Home, SubSet Sum@Home, and Wildlife@Home. University of North Dakota
- *ClimatePrediction.net* : Run computer models to simulate the climate for the next century, producing predictions of temperature, rainfall and the probability of extreme weather events. University of Oxford. Additional note: due to delays in reporting user's statistics, this project is not in the whitelist, but will be as soon as the issue is solved.
- *Collatz Conjecture* : Attempting to disprove the Collatz Conjecture. Private
- *Cosmology@Home* : Darkmatter/Universe Model Research Department of Astronomy at the University of Illinois at Urbana-Champaign
- *DrugDiscovery@Home* : Discovery of new drugs for the most dangerous and widespread diseases. Digital BioPharm Ltd

- *Einstein@home* : Search for spinning neutron (pulsars) stars using data from the LIGO gravitational-wave detectors, the Arecibo radio telescope, and the Fermi gamma-ray satellite Univ. of Wisconsin - Milwaukee, Max Planck Institute
- *Enigma@Home* : The M4 Project is an effort to break 3 original Enigma messages with the help of distributed computing. The signals were intercepted in the North Atlantic in 1942 and are believed to be unbroken. Private
- *GPUgrid* : Full-atom molecular simulations of proteins Private Sponsors
- *LHC@Home* : Accelerator Physics. CERN in Geneva, Switzerland
- *Milkyway@home* : Creation of a 3D map of the Milky Way galaxy using data gathered by the Sloan Digital Sky Survey. This project enables research in both astroinformatics and computer science. Rensselaer Polytechnic Institute
- *Moo! Wrapper* : Moo! Wrapper brings together BOINC volunteer computing network resources and the Distributed.net projects. It allows a BOINC Client to participate in the RC5-72 challenge. Distributed.Net
- *NFS@Home* : Lattice sieving step in Number Field Sieve factorization of large integers. Many public key algorithms, including the RSA algorithm, rely on the fact that the publicly available modulus cannot be factored. If it is factored, the private key can be easily calculated. California State University Fullerton
- *NumberFields@home* : Research in number theory. Number theorists can mine the data for interesting patterns to help them formulate conjectures about number fields. Arizona State University, school of Mathematics
- *PrimeGrid* : Search for prime numbers. Primes play a central role in the cryptographic systems which are used for computer security. Through the study of prime numbers it can be shown whether current security schemes are sufficiently secure. Private, supported by Rackspace
- *Rosetta@Home* : Protein structure prediction that may ultimately lead to finding cures for some major human diseases. University of Washington
- *SETI@home* : Search for Extraterrestrial Intelligence (SETI). University of California, Berkeley
- *SRBase* : Attempting to solve Sierpinski / Riesel Bases up to 1030. The project is in collaboration with the Mersenne CRUS project.
- *theSkyNet POGS* : Astronomy Research. Combine the spectral coverage of GALEX, Pan-STARRS1, and WISE to generate a multi-wavelength UV-optical-NIR galaxy atlas for the nearby Universe. Calculate physical parameters such as: star formation rate, stellar mass of the galaxy, dust attenuation, and total dust mass of a galaxy; on a pixel-by-pixel basis using spectral energy distribution fitting techniques International Centre for Radio Astronomy Research (ICRAR), a joint venture of Curtin University and The University of Western Australia

- *TN-Grid* : The gene@home project is an implementation of the PC-IM algorithm, whose purpose is to expand Gene Regulatory Networks (GRN). Each network is a graph that specifies the causal relationships inside this set of genes, and helps in studying the gene expression phenomenon: the process through which the DNA is transcribed into RNA and the RNA translated into proteins. National Research Council of Italy (CNR)
- *VGTU* : Distributed computing platform for scientists of Vilnius Gediminas Technical University (VGTU). Vilnius Gediminas Technical University
- *Universe@home* : Physics and Astronomy University of Warsaw
- *YAFU* : Factorize numbers of 70-130 digit length which are needed to bring Aliquot Sequences to a size of 130. Private
- *yoyo@home* : Brings existing distributed computing projects to the BOINC world using the BOINC Wrapper technology Supported by Rechenkraft.net
- *World Community Grid* : FightAIDS@home, Smash Childhood Cancer, fight Tuberculosis, research better materials for solar panels. Sponsored by the IBM responsibility initiative

### 15.3 Credits

The authors are hereby introducing how Gridcoin works and submit this paper as entry for a bounty for a technical whitepaper issued by the Gridcoin community. The authors credit entirely Rob Halfoerd [3] and the Gridcoin community for the ideas and technical work expressed in this paper.