Note: Feel free to jump straight to the "The EVMOS Token" section if that's what you care about most.

Upcoming Project Overview: Evmos

Intro

Evmos is a new blockchain that is set to go live today, March 2nd, 2022. Any readers here who have been active in the Cosmos and/or Ethereum ecosystems before November 25th, 2022 may be receiving free EVMOS tokens. However, even if you don't fall into that category, this ecosystem is still worth a closer look because the implications are large and there very well may be some great opportunities arising from it.

Evmos, just as the name implies, combines Cosmos with the EVM. Let's briefly define each of these:
- **Cosmos**: An ecosystem of blockchains built using the Cosmos SDK that, for the most part, can communicate with each other using IBC. IBC provides a secure, easy way to pass messages and tokens between these blockchains. ATOM is the official Cosmos token and should see expanded use-cases moving forward, but you've also likely heard of some other chains that were built with the Cosmos SDK: Terra (LUNA), Osmosis (OSMO), Secret Network (SCRT), and

Juno (JUNO) are all part of the Cosmos ecosystem.
- **EVM**: This is an acronym for "Ethereum Virtual Machine", which is an extremely commonly used runtime environment for smart contracts. Developers from ecosystems such as Ethereum, Avalanche, Fantom, Polygon, and more are all used to the EVM, and applications deployed on any of these chains will be able to be deployed on Evmos with basically no changes.

Evmos will add an EVM-compatible blockchain to the Cosmos ecosystem. It will also integrate IBC to allow communication with other Cosmos chains, and it will bring high throughput, low fees, and fast transaction finality along with it. But, we all know that every new blockchain claims to have some or all of these features; what makes Evmos different?

Why Does It Matter?

Evmos has the potential to greatly expand the scope of the Cosmos ecosystem by serving as a "port of entry" for EVM-based assets. Many tokens you're likely familiar with such as USDT, LINK, UNI, AAVE, OHM, and countless others are ERC20 tokens, meaning that they are native to the EVM. Most NFTs are also native to the EVM. Evmos will allow all of these tokens to be bridged (transferred) over to the Evmos ecosystem and used in a variety of applications.

This not only unlocks the potential for a new, thriving Evmos ecosystem of current ERC20 tokens as well as new project tokens to rise, it will also allow ERC20 tokens to be brought to a variety of other Cosmos chains. EVMOS token holders can vote to integrate any ERC20 token into the "ERC20 module", which will allow that

token to be transferred to other Cosmos chains. For instance, you could transfer any ERC20 token that is in the ERC20 module over to Osmosis, which has over $1.6 billion of liquidity, and provide liquidity there to earn OSMO rewards. This can also work in reverse, allowing Cosmos tokens such as ATOM, LUNA, UST, or OSMO to come to Evmos and play a large role in the ecosystem.

Further, Evmos will already have Aave, a hugely popular lending protocol, and Frax, a hugely popular stablecoin protocol, live very soon. Both protocols have voted to deploy on Evmos. There will, of course, be other dApps as well such as Diffusion, an AMM-based protocol for swapping tokens. Various other partnerships are in place.

Overall, Evmos expands the potential of the Cosmos ecosystem by a sizable amount. It marries a $15+ billion Cosmos ecosystem with a $150+ billion EVM ecosystem. Because of this and the excitement around the Evmos launch in general, the Evmos' EVMOS token itself is worth a look.

The EVMOS Token

I'll divide this section into three parts for readability's sake: Use Cases, Initial Allocation and Airdrop, and End State.

Use Cases
The EVMOS token will be used for staking, governance (for instance, voting on which tokens to add to the ERC20 module), paying gas fees, and incentivizing use of the network. Staking will allow users to earn yield on the EVMOS token while helping to secure the chain, and users will earn yield (more EVMOS tokens)

for doing so. When you want to unstake EVMOS, there is a waiting period, similar to many other Cosmos ecosystem tokens like ATOM and OSMO, of 21 days until you can access the tokens. *Keep this in mind if you decide to stake.*

Paying gas fees and governance are pretty clear-cut as to what they mean, but the way the EVMOS token is used to incentivize network growth is unique. In addition to common incentives such as giving grants to application or tooling developers and validators/stakers who secure the network, EVMOS will also allow for a fee-sharing model. Smart contract deployers, if approved by governance, can earn 50% of the gas fee revenue paid by users interacting with their dApp. This incentivizes builders to come to Evmos and has been appropriately dubbed the "dApp store", as, similar to Apple's app store, revenue is split between network securers (validators and stakers) and application developers. Gas rebates (refunds on EVMOS spent on gas fees) can also be given by dApps to their users on a weekly basis, if they choose to do so.

There was also *no presale* for the EVMOS token; no VCs or angel investors were able to buy tokens early and cheap that they can later dump on you. There *is* a large allocation for the team that will be discussed later, but this makes sense as there was no presale.

Initial Allocation and *Airdrop*
Here's what a lot of people may care about most: how the EVMOS token will initially be distributed. There will be 200 million EVMOS tokens distributed today and allocated as such:
- 10% DAO Treasury

UpNow Crypto®
Cryptocurrency Research

- 40% Strategic Reserve
- 50% Airdrop

The treasury and strategic reserve portions will be used for things such as paying ecosystem developers, incentivizing active validators, and paying developers who build tooling that contributes to the ecosystem. The big deal here, however, is that 50% of the initial token supply (100 million EVMOS tokens) will be given out for free via airdrop.

Figure 1: Evmos Airdrop

As you can see above, many different users will be eligible to claim their EVMOS tokens. **You can check here to see if you are eligible.** Around 2 million addresses, according to an Evmos founder on Twitter, are eligible for the airdrop, so don't expect a *huge* amount of tokens, but it's certainly a great way to get a large number of users on the network immediately.

There are three main categories of users who are eligible, and all of them are based on activity that had to have happened before November 25th, 2021.
(1) ATOM holders. Any ATOM holder who was staked and/or voted on governance proposal 44 (where Evmos received a grant to build their chain) is eligible.

(2) Osmosis participants. Anyone who staked OSMO, provided liquidity in any one of a variety of pools (see Figure 1), or used IBC to do token transfers between Cosmos chains is eligible.
(3) Ethereum gas payers. Anyone who paid ETH for gas to use a variety of common dApps, was victim to a few large hacks/rug pulls, or used a variety of bridges is eligible.

You can see more detailed info on this here.

End State
EVMOS will be highly inflationary at first while reducing the pace of token emissions over time. After 4 years, there will be 1 billion total EVMOS tokens, and after that the community will decide (via governance) how token emissions should work moving forward.
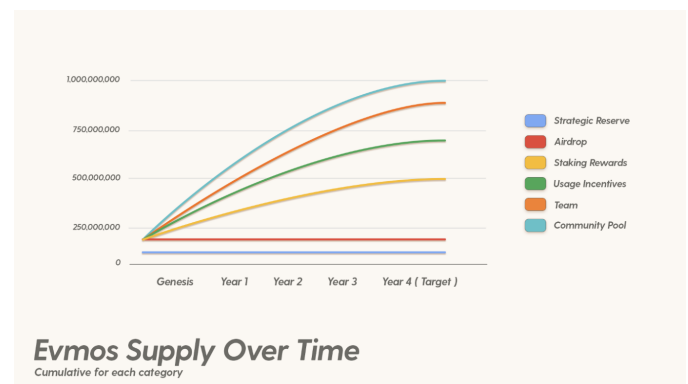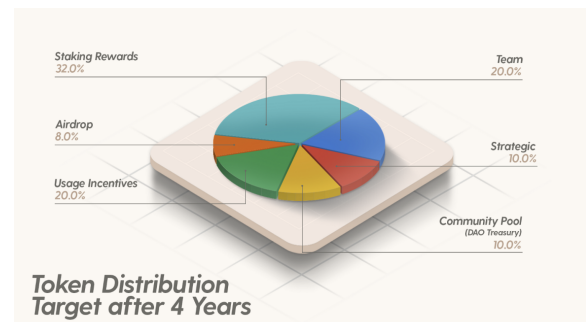

Figure 2: EVMOS Token Distribution Schedule

Figure 3: Eventual EVMOS Allocations

UpNow Crypto®
Cryptocurrency Research

Note the 20% team allocation; this is high, but there was no presale so there is no additional "early investor" allocation. Given the high inflation, even if high demand can outpace supply, it would be wise to find ways to at least partially counter the dilution you'd experience by holding EVMOS via staking, liquidity mining, or other methods that pop up over time. Playing Evmos ecosystems project tokens *could* also be lucrative if you were worried about EVMOS' high inflation.

How to Participate

Evmos will support both MetaMask and Keplr wallets - you'll need one or the other. There will be three initial methods of accessing the Evmos ecosystem (email us if you want help with any of these!):
- For those who are eligible for the Evmos airdrop, you'll be able to claim Evmos tokens and use them immediately.
- Get ATOM, transfer it to your Keplr wallet, and use IBC to transfer it over to the Evmos chain.
- Bridge assets like USDC from Ethereum. Evmos has partnered with Nomad and Connext, two popular bridges, to allow tokens on Ethereum to be transferred over to Evmos.
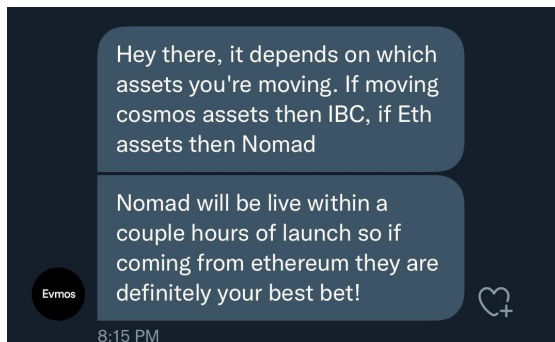

Figure 4: Evmos' Confirmation of Token Bridges

A Notable Future Partnership

Finally, one notable future Evmos partnership is one with Celestia. Celestia is an in-development blockchain focused on scalable data availability and settlement. Evmos (and other execution layers such as ZK-rollups) will be able to implement their execution layer on top of Celestia while using Celestia for data availability and settlement. This fits into the "modular blockchain architecture" that we have discussed in previous reports and in our 2022 predictions. There is a lot of hype, rightfully so, over Celestia right now, so this is a huge partnership to have.

Summary

Evmos has the potential to expand the Cosmos ecosystem's reach greatly. Cosmos' IBC has already received a lot of praise for its cross-chain bridging and messaging tech, and Cosmos ecosystem tokens such as ATOM, OSMO, and JUNO have been performing exceptionally well lately compared to most of the market. Marrying this with the massive (in terms of funds in it, as well as developers and developer tooling) EVM ecosystem *could* be a match made in heaven. Plus, many users will be eligible to receive Evmos tokens and try out dApps with them right off the bat via airdrop. It's still a very new project, but it's something worth keeping an eye on moving forward.

Additional Resources

Evmos Twitter Account
Another Evmos Explanation
Evmos Bull Thesis

UpNow Crypto®
Cryptocurrency Research

Disclaimers

The opinion and commentary herein is provided for general information purposes only and should not be construed as investment, tax or legal advice, and does not constitute an attorney/client relationship. Such information is believed to have been obtained from sources deemed reliable but is not guaranteed. Past performance of any market results including crypto currencies and such related assets is no assurance of future performance. Investing is risky, and you can lose what you put in.