

OP Grant Analysis - Stargate Finance

Note: Additional links/images can be found in Gitbook link below

OP Mainnet is a low-cost and lightning-fast Ethereum L2 blockchain powered by Optimism. It has become a key infrastructure player, significantly enhancing scalability and user experience. As part of its growth strategy, OP Mainnet has distributed OP tokens via grants to select protocols, with Stargate Finance being one of the top recipients. The aim of this report is to perform a detailed analysis of Stargate Finance's utilization of these granted OP tokens. We'll investigate how these tokens and any co-rewards have been deployed to incentivize usage and liquidity on OP Mainnet. This includes an examination of key performance indicators, wallet behavior, and user retention in scenarios with and without incentives.

Dune Dashboard:

[Dune Link](#)

Report:

[Gitbook Link](#)

Stargate Finance

What is Stargate Finance?

According to Stargate's website, "Stargate is a fully composable liquidity transport protocol that lives at the heart of Omnichain DeFi." Great, but let's translate that into plain English for those who aren't immersed in crypto 24/7. Simply put, Stargate serves as a bridge protocol, enabling users to move cryptocurrency tokens between distinct blockchains (for instance, transferring ETH from Optimism to Polygon). These bridges are foundational elements crucial for the expansion of Layer 2 networks like Optimism. They simplify the onboarding process for new users, offering a more straightforward path to get involved in L2 ecosystems.

How were the OP Grant Funds Distributed?

From the 1,000,000 OP tokens granted to Stargate, 700,000 were earmarked for a Liquidity Mining Program. Thesis: Deeper liquidity ensures users can enjoy reduced slippage as they are bridging between networks.

On August, 1st 2022 Stargate paused their existing liquidity mining reward system (STG) and on August, 5th 2022 initiated OP rewards for liquidity mining.

The remaining 300,000 tokens were reserved for Qualified Partners who help integrate Stargate into their project.

As of October, 1st 2023, Stargate still has 368,999 OP tokens within their Multisig safe (0x392AC17A9028515a3bFA6CCe51F8b70306C6bd43)

Analysis

Liquidity Mining OP Rewards

Let's evaluate how the activation of OP liquidity mining rewards starting on August, 5th 2023 impacted Stargate bridge activity. The total bridge volume on OP Mainnet experienced a significant increase, rising from \$16 million to \$36 million between July and August, representing a growth rate of 125%. The Volume sustained this range into September and October before resuming an upwards trajectory. We see a similar trend for bridge volume to

OP Mainnet. OP Liquidity mining rewards are still ongoing as of October, 2023. Full historical volume data can be found by visiting the associated Dune dashboard linked at the start.

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Stargate Bridge Volume (\$USD) by Chain over Time - From Optimism to Destination Chain

Unique Users bridging from OP Mainnet begin to take an "UPONLY" trajectory starting in August - Reacting to the potential OP rewards catalyst. Again, this trend is identical on Stargate bridges to

OP Mainnet.

Qualified Partner OP Rewards

On Mar 13, 2023 Stargate DAO voted to approve 75,000 OP tokens to be allocated to Beefy Finance for integrating with Stargate Finance.

Beefy Finance finalized integrated Stargate into their vault protocol in September, 2023. It's still too early to evaluate the impact of this integration but Beefy Finance estimates it will drive 40m in volume over the next 12 months.

On Apr 28, 2023 Stargate DAO voted to approve 45,000 OP tokens to be allocated to Galxe quests.

However, as of October, 1st 2023 no quests have been activated and the 45,000 OP tokens are still dormant within a presumed Galxe owned wallet.

Tx hash: [0xb340ec0a7c46601eea884d538f44d95403c73e1e5d7ff41cd01bcc0a77845ab6]

Galxe wallet: [0x5ab0fdc6f0ca9ea178c95ceccf944a4ce1aedddd]

Conclusion

Overall, it might be premature to discern the impact of OP incentives on both Stargate and OP Mainnet. The Stargate multisig wallet still holds a significant balance of 368,999 OP tokens to distribute, and many of the deployed rewards haven't fully matured yet. While we did observe a spike in OP Mainnet bridge volume coinciding with the activation of OP rewards, it's worth noting that other incentives—specifically, STG rewards—were already in play and swapped out for OP rewards. A comparative analysis between a rewardless liquidity mining program and an OP rewards program could shed more light on its true impact.