Summary

The London Business School (LBS) Blockchain Society, in alliance with Flipside Governance (@fig), FranklinDAO (@PennBlockchain), the University of Michigan (@Michigan_Blockchain), and Columbia University (@BlockchainAtColumbia), proposes to institute a gas fee rebate mechanism for recognised delegates voting on-chain on Aave.

Motivation

Gas fees on Ethereum have been increasing recently. As shown by data from Dune Analytics, median gas prices sit at around 30 gwei, with intradaily spikes often far exceeding that level. The amount of gas fees required for voting on-chain has therefore risen proportionally, increasing the cost of on-chain governance for delegates (particularly in light of the heavier recent proposal load at Aave).

To find out more about gas costs on Aave, refer to the following dashboards created by Flipside here:

- [Aave Delegates | janan | Flipside](#)

- [Aave Delegates' Gas Usage | alitaslimi | Flipside](#)

- [Aave Delegates' Gas Usage | Ali3N | Flipside](#)

- [AAVE: GAS Usage on Votes | panda-gXSkiX | Flipside](#)

LBS Blockchain Society, like other peer universities, is a not-for-profit, student-run organisation that depends on sponsorships and stipends to finance its operations. We currently receive monthly compensation for participating in MakerDAO governance, but otherwise receive no other form or income. Other schools like FranklinDAO (Penn Blockchain) are in very similar states. So far, we have been using this to cover gas costs at Aave, but the cost of on-chain governance remains a growing concern for us.

In light of this, we see rebating delegates for their participation as having the following benefits:

- Incentivise more active engagement of the delegate community by removing the disincentive to vote. Broader participation leads to better decision-making for Aave.

- Create a more diverse voter base that includes student organisations such as ours. Reducing the barrier to entry for voting creates a more open, collaborative delegate ecosystem. This in turn drives participation.

- Retain the best delegates to drive growth of the Aave ecosystem. Aave should remain competitive with its peers (e.g., Maker) to attract and retain the best delegate talent. The fundamental cost of being a great Aave delegate should not be at a net cost to the delegate with regards to spending ever-increasing gas costs.

- Achievable at relatively low cost. We also outline measures to reduce the administrative burden for Aave below.

Specification

Participation Criteria

To incentivise maximal voter participation, we propose a participation-based rebate system. Participation is defined by the proportion of proposals, being the sum total of Snapshot polls and AIPs, voted on by a Recognized Delegate over the lesser of: 1) the previous 90 days, or 2) since becoming a Recognized Delegate. A Participation score of 100% would mean that a Delegate has voted on all polls and AIPs over this period. Moreover, only delegate platforms with 10k+ AAVE in voting power will be eligible for gas fee rebates, in order to avoid spam - the 10k is a small enough number to allow for enough delegate participation but filters out any spam.

Note

: A Recognized Delegate is one with an Aave Delegate Platform, such as the LBS Blockchain Society, University of Michigan, FranklinDAO, Flipside, Llama, Aave Chan Initiative, Stablelabs, etc. The list of Recognized Delegates is open to change over time. A list of Aave Delegate Platforms can be found here, but note that there are a few new platforms and all of them may not have the required 10k AAVE voting power.

Participation Rate over Previous 90 days

Gas Rebate

80%

100%

50% to 80%

50%

<50%

0%

Claiming Process

To reduce the administrative burden for Aave, we propose the claiming process should be initiated by Recognized Delegates themselves. Every month, Recognized Delegates have the option to submit a Gas Rebate Application to Aave, which shall include:

1. The list of transactions associated with voting on Aave proposals over that month

2. The corresponding gas fees spent on each transaction

3. Etherscan links detailing the above

Delegates can also choose to batch their Gas Rebate Applications (i.e. submit a single application for multiple months). However, any gas fees not claimed over a 12 month period will be automatically forfeited.

Once an application has been submitted to Aave, an appointed Governance Facilitator will review the applications and submit an AIP to pay out the gas fees. To that end, we have created a Dune dashboard that the Governance Facilitator can use to calculate the gas costs paid by a specific address, i.e., the address used by delegates to vote. The dashboard can be found here. Initially, we propose that the Aave Chan Initiative plays the role of Governance Facilitator.

To calculate the participation rate for delegates, we recommend using the following formula:

Number of Proposals Voted on Since First Vote / Total Number of Proposals Since First Vote

For example, assume a Delegate Platform's first vote was on Jan 1 2023. If they apply for a gas rebate on Feb 1 2023, and there have been 20 proposals between Jan 1 and Feb 1, out of which the Delegate has voted for 17 proposals, their participation rate is 85%.

We are working to publish a tool to easily calculate participation rate for the Governance Facilitator and will update this post once it is ready.

We propose the funds to be paid from the Ethereum v2 Collector Contract, but defer to the community for guidance on the most appropriate source of funds.

Gas Rebate Token

We consider two options for the Gas Rebate Token: 1) ETH, the native asset in which gas fees are paid, and 2) stablecoins (e.g. USDC, DAI).

The list of holdings in the Ethereum v2 Collector Contract can be found here.

Each option above has associated trade-offs (for example certain assets may be deemed more strategic than others, or represent larger existing holdings). We would welcome community feedback on the most appropriate asset in advance of voting.

References

We have taken inspiration from MakerDAO's MIP61: Recognized Delegate Compensation.

Other sources include Dune Analytics.

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