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Dencun Upgrade and Proto-Danksharding: What does it mean?

The Ethereum ecosystem recently underwent a highly anticipated upgrade named “Dencun.” Launched on March 13, 2024, Dencun is the latest improvement to the network since the “Merge” and marks a continuation of its evolution aimed at enhancing scalability, resilience, and user-friendliness.

The network expansion referred to as Cancun-Deneb within Ethereum's "The Surge" era, known as the Dencun upgrade, aims to achieve a transaction throughput exceeding 10,000 transactions per second.¹ This enhancement incorporates nine Ethereum Improvement Proposals (EIPs), such as the integration of new EVM transient storage opcodes (EIP-1153), exposing Beacon chain data to the EVM (EIP-4788), streamlining user onboarding by eliminating the requirement for seed phrases (EIP-4337), and introducing temporary data blobs for rollups (EIP-4844).

The collective advantages of these upgrades include improved scalability, reduced gas fees, enhanced security, more efficient cross-chain communication, optimized data storage, and an enhanced user experience. Among these proposals, EIP-4844, also known as proto-danksharding, stands out as arguably the most impactful.² This proposal aims to decrease gas fees on layer two (L2) transactions by segmenting the blockchain for parallel transaction processing, promoting a transition to rollups.³

EIP-4844 introduces a novel transaction type called blob-carrying transactions, which only contain a reference hash pointing to the off-chain stored blob's data.⁴ This approach enables verification based on the hash without adding redundancy or bloating the consensus layer with sharded blob data.⁵ Blobs facilitate the posting of more data to Ethereum while simplifying off-chain transaction verification. Unlike calldata, blobs are not permanently stored, as the data becomes inaccessible after three weeks, minimizing long-term overhead.⁶ In essence, Dencun offers a temporary housing solution, akin to data blob management in programming languages like Python or JavaScript, to alleviate the computational burden on the Ethereum mainnet.

In summary, this upgrade is projected to reduce costs for Ethereum's L2s by at least 10 times, enhancing Ethereum's scalability and efficiency. Estimates suggest L2 transaction costs dropping from an average of \$0.23 cents (with a range of \$0.15 to \$0.60) to \$0.02 cents per transaction.⁷ The significance of these updates extends

beyond scalability and security, encompassing improvements in liquidity and total value locked (TVL) within the ecosystem. With lower transaction fees on numerous Layer 2 networks and an improved user experience, the resulting scalability and adoption may lead to increased value locked on EVM-compatible networks in both the short and long term.

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¹<https://www.bsc.news/post/ethereums-dencun-upgrade-faces-testnet-hurdles>

²<https://github.com/ethereum/EIPs/blob/master/EIPS/eip-4844.md>

³Ibid.

⁴<https://crypto.com/university/ethereums-eip-4844-update-proto-danksharding>

⁵Ibid.

⁶<https://polygon.technology/blog/eip-4844-is-coming-to-polygon>

⁷<https://beincrypto.com/ethereum-transaction-fees-drop-ten-times/>

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