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Ethereum Shanghai Upgrade: How Will ETH Price Be Affected?

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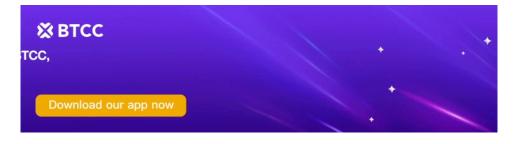
 $\underline{https://www.btcc.com/en-US/academy/research-analysis/ethereum-shanghai-upgrade-how-will-eth-price-be-affected}$

Ethereum completed its Merge, a transition from the Proof of Work (<u>POW</u>) to the Proof of Stake (<u>POS</u>) system, in September 2022. After the Ethereum Merge, another upcoming major event is the Ethereum Shanghai Upgrade. This article lists out the entire process of the upgrade and what it means for Ethereum (<u>ETH</u>).

Ethereum Shanghai Upgrade Explained

The Ethereum Shanghai upgrade is projected towards institutionalising various processes in Ethereum ie. the largest smart contract capable blockchain towards a host of updates that are critical for the system and various changes in the core of Ethereum. Apart from that this update will help towards incorporating changes in the EVM functionalities of Ethereum. In Order to prepare for this upgrade the Ethereum Foundation had released a Pre-Shanghai testnet to help with the process.

This testnet which was also known as Shadong was used to test and implement the Ethereum Investment Proposals (EIP).



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What does the Upcoming Upgrade Mean for the Overall Blockchain?

Ethereum Shanghai is supposed to incorporate various changes in the functioning of the blockchain. These changes are as follows:

Gas fees

The Ethereum Shanghai update is supposed to incorporate changes in the gas fees pricing. This update will directly cut down the prices of gas fees for various layer-2 based blockchain solution networks functioning on Ethereum. Such solutions can be Polygon, Optimism etc. The primary objective of any layer 2 based solutions network is towards improving the functionality of Ethereum and reducing the transaction costs associated with the blockchain. The upgrade which focuses on the blockchain will make it heavily cheaper to initiate transactions on the network.

Withdrawal of any staked ETH based tokens

The Ethereum blockchain directly runs on validators. Various individuals who were interested in becoming validator for the POS based Ethereum <u>blockchain</u> had to stake a certain amount of Ethereum which would make them a validator on the network. The staked Eth was supposed to be locked into a smart contract and the staked Ethereum just remained locked into the contract even after the Merge. However post the new update users will be allowed to access their staked ETH and also unstake them.

Updates of smart contract facility

The Shanghai update will focus on incorporating various new updates into the smart contract. These updates would be strictly technical in nature and will help Ethereum gain a primary position in the crypto ecosystem.

Ethereum Shanghai Upgrade Date: When Will It Release?

The Ethereum Shanghai update hasn't been listed out with a formal release date. The dates are supposed to be speculation and could happen at any time. However, a general perception based on sources is that the upgrade may occur anytime between the second half of 2023. But this is directly subject to change in absence of a formal date.

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