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A Brief Glance at Crypto Gas Wars

The gas wars are one of the main reasons for the high transaction costs on the Ether blockchain.

A gas war is an auction for priority inclusion in an upcoming block of transactions that are validated on a [blockchain](#). When demand is high, the price of priority positions may spike.

According to Ethereum, “gas” refers to the computing power required to verify transactions in a [proof-of-work](#) consensus protocol. This computing power is the resource that fuels the network and all the applications built on it. Because of this, a base gas fee must be paid to cover this computing cost.

On the Ethereum network, those seeking to complete transactions faster can offer a “priority tip” to validators, to incentivize the validators to include their transaction in the upcoming block earlier than others. The user can set this tip as they wish, which is then added to the base gas fee.

If there are a lot of transactions awaiting validation and users are nervous about missing an opportunity, they might offer significantly more than the base gas fee amount.

A gas war will not typically happen over regular payments, though. It is more likely when a non-fungible token (NFT) is put up for sale, for example, and there are a limited number available. If buyers lose the gas war, they may lose the opportunity to buy the NFT at the offered price altogether. This creates tension among users and often initiates a bidding war.

Sometimes, the gas war pulls in more money than the actual asset being sold. When Time magazine sold a limited number of NFTs for 0.1 ETH each in September 2021, some buyers reportedly spent four times as much on gas as they did on the tokens just to secure them.

A side effect of the gas war is that a few rich buyers can sometimes squeeze out others who cannot afford gas fees so easily, cornering the market for the asset.

This affects not only those trying to buy assets in a given sale. Everyone trying to complete a transaction on the network at that time must pay these fees or wait to complete their transaction later - creating a ripple effect throughout the Ether ecosystem.