🪙 Supply Details

Property	Details
🪙 Token	`LAVA`
🔢 Token supply	`1,000,000,000 LAVA`
💱 Conversion	`1 uLAVA` = `1 LAVA` x `10^-6`

Economic actors and Key Terms 👤

- **Network contributors** include Validators, LAVA stakers, Data Providers and LAVA restakers
- **Blockchains** create onchain incentive pools to pay the network for services such as RPC
- **Consumers e.g. dapps and wallets** purchase onchain subscriptions to pay the network for services such as RPC
- **Data Providers and LAVA restakers** offer services such as RPC
- **Validators and LAVA stakers** secure the Lava blockchain
- **Incentive Pools** are pools of tokens deposited on Lava, which usually contain the native token of a chain supported by Lava
- **Revenue** on Lava = amount in incentive pools + LAVA amount of onchain subscriptions

LAVA prioritizes revenue, not inflation

Most other blockchains are hyper-inflationary. They reward Validators and LAVA stakers by inflating token supply.

LAVA has no supply inflation. Instead of minting new LAVA to reward network contributors, contributors share the network revenue. Contributors include: Validators, LAVA stakers, Data Providers and LAVA restakers.

On Lava:

- Validators and LAVA stakers do NOT earn rewards by minting new tokens.
- Instead, blockchains and apps pay the network to provide services such as RPC.
- Blockchains often pay in that chain's native token.
- Majority of these rewards go to Providers and LAVA restakers.

This is why staking rewards are "relatively" low on Lava. Majority of rewards go to the Providers and LAVA restakers who delegate to Providers.

Provider Drops & LAVA burn

Many marketplaces, such as Lava, face an initial problem: demand does not come without high supply, but supply does not come without high demand. This is the "chicken and egg" or "cold start" problem. Lava has a novel solution for this.

44 million LAVA (6.6% of total supply) is distributed to attract Providers when there are fewer Data Consumers in the early stages of the protocol. This allocation is called Provider Drops.

Provider Drops are distributed across 4 years and vary on a monthly basis depending on how much paid demand there is for RPC via Lava. The higher the demand, the more Providers earn from the Provider Drop allocation. If there is less demand, the Provider Drop allocation is not as needed and therefore burned.

You can track Provider Drops, LAVA burn and revenue: burn.lavanet.xyz.

🪙 Rewards and Restaking

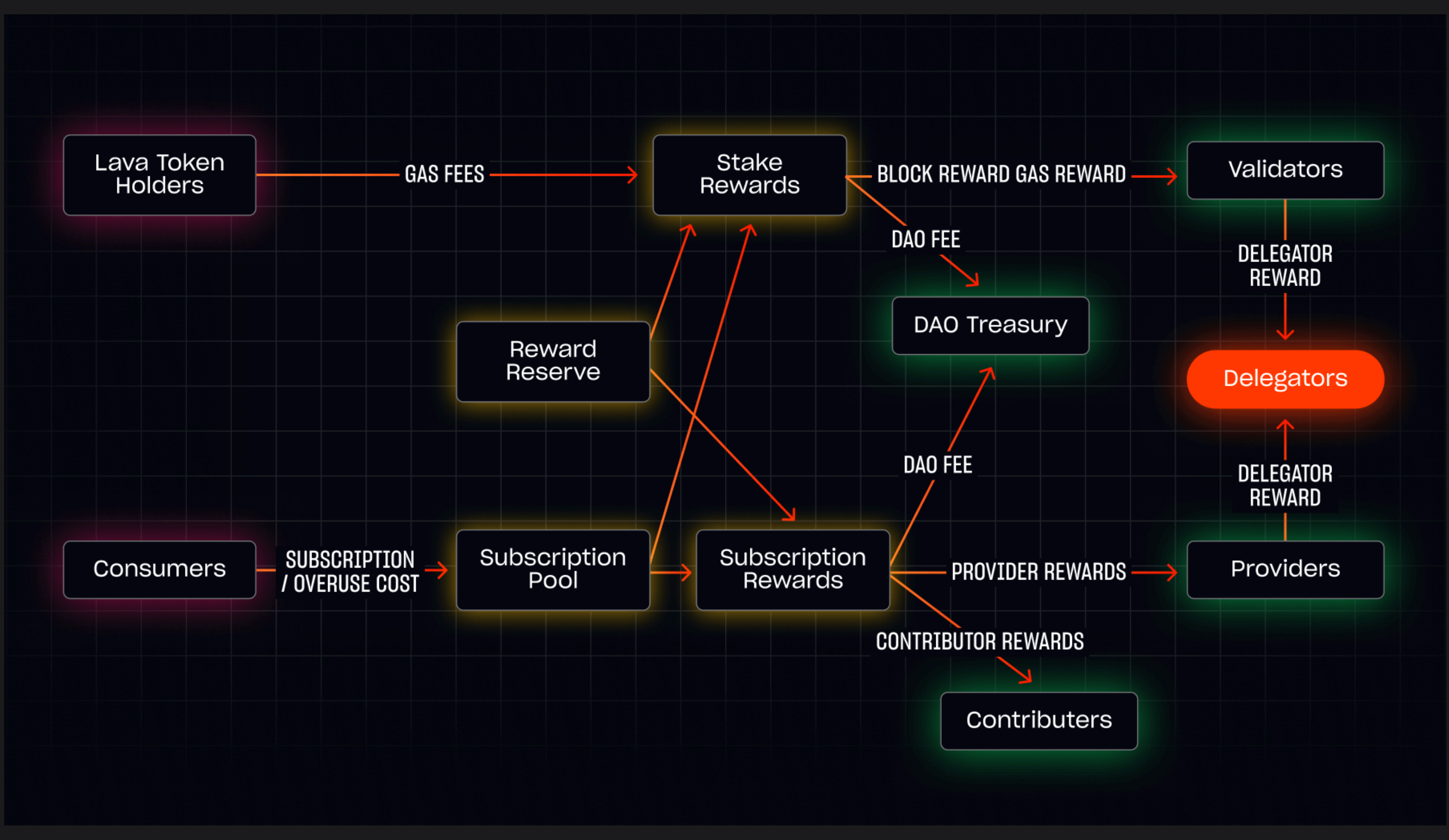
🌐 Role of `LAVA`

The `LAVA` token serves various purposes on the Lava Network:

- `LAVA` is the asset denomination needed for paying the gas fees required to execute transactions or other operations on the Lava Network
- Validators stake `LAVA` to secure the network and participate in governance
- Providers stake `LAVA`, affecting the frequency of their pairing to Consumers
- Token holders delegate and can restake in `LAVA` to Validators and Providers
- Initial bootstrapping rewards ("Provider Drops") for Providers are distributed in `LAVA`
- Consumers buy subscriptions in `LAVA`
- Providers are rewarded in `LAVA` monthly, in direct proportion to `LAVA` used to buy subscriptions the previous month

🏆 Reward Types

There are **5 types of rewards** on Lava and each is distributed across different actors. All % are determined by and can be changed by DAO governance.



> ⓘ INFO
> A few flows are missing from this diagram: (i) data accuracy slashing / rewards (ii) cosmos validator slashing for misbehavior (iii) Referral / affiliate fees (iv) staking, (iv) Incentivized RPC Pools, (v) validators rewards from subscription rewards.

Subscription Rewards 💼

Consumers purchase subscriptions with `LAVA`. The majority of this `LAVA` is distributed monthly to Providers, relative to factors such as total compute served. More details are available in the whitepaper. The rewards distribution is as follows:

- **95%** to Providers and their Delegators, of which Champions will take a % commission determined by the DAO
- **4.9%** to Validators and their Delegators
- **0.1%** to Community Pool

Incentivized RPC Pools 🛠️

Chains create Incentivized RPC Pools on Lava by depositing their native token. This pool is used to incentivize Providers to serve and scale the chain's RPC infrastructure. The rewards distribution is as follows:

- **95%** to Providers and their Delegators, of which Champions will take a % commission determined by the DAO
- **4.9%** to Validators and their Delegators
- **0.1%** to Community Pool

Block Rewards 🏅

Block rewards are a fixed 3.4% of total `LAVA` supply, monthly over 4 years, with variable burn. The rewards distribution is as follows:

- **98%** to Validators and their Delegators
- **2%** to Community Pool

Provider drops 💧

Provider Drops are a fixed 6.6% of total `LAVA` supply, monthly over 4 years, with variable burn.

Provider Drops are a rewards reserve dedicated to attracting Providers to join the network and offer service in the early growth stages. The payouts from this reserve are scheduled to be distributed across 4 years and are variable based on paid demand:

- **0-100%** to Providers
- **0-100%** burn

The higher the paid demand for Lava subscriptions, the higher the payouts of Provider Drops (up to a limit per month).

Provider and Validator Commissions 💰

Delegators earn rewards minus a commission % Set by Providers and Validators.

The *default commission* for Providers is **50%**.

Commission is expected to be higher for Providers because they run a more operationally intensive business than Validators.

👤 Economic Actors & Rewards

Chains 🔗

Chains pay gas fees to deploy an Incentivized RPC Pool in `LAVA` tokens. These Incentivized RPC Pools consist of the native tokens of that chain. Tokens are used to attract Providers to serve RPC.

Each month, Pool rewards are distributed to Providers based on the amount of compute units served and the quality of that service.

Staking and Restaking 🔄

Lava can be delegated to validators, who earn block rewards for securing the network. This delegation can then be restaked to Providers, who serve subscriptions defined by their spec. Restaking is to a chosen spec and Provider.

The following shows the different scenarios for delegating to Validators and Providers:

Scenario	Flow	Rationale
I want to delegate to a Validator	Delegate to a Validator. Optionally restake to a chosen Provider and spec	Improves Quality of Service by allowing Validator delegators to contribute towards Provider selection.
I want to delegate to a Provider	Delegate a Validator and then restake to a chosen Provider and spec.	Improves capital efficiency by requiring Provider delegators to contribute towards security
I want to stake as a Validator	Stake as a Validator. Optionally restake to a chosen Provider and spec	Improves Quality of Service by allowing Validators to contribute towards Provider selection.
I want to stake as a Provider	The tx to create a Provider first delegates to a Validator then restakes as a Provider	Improves capital efficiency by requiring Providers to contribute towards security

▸ Example

Validators ⚖️

Validators earn block rewards, fees from subscriptions, and incentives from RPC pools.

- **Block rewards**: for every successfully signed block, Validators and their delegators/restakers earn rewards from a reserve worth 3.4% of total supply
- **Commission on delegations**: Validators can set a commission on delegator rewards
- **Provider subscription rewards**: 4.9% of subscription rewards go to Validators and their delegators
- **Incentivized RPC Pool rewards**: 4.9% of the Pool rewards go to Validators and their delegators earn. Pools consist of the native token of a chain deployed on Lava

▸ Example

Data Providers 📊

Providers earn rewards from subscriptions, commission on restaked `LAVA`, Incentivized RPC Pools and variable Provider Drops.

- **Provider Subscription rewards**: Providers and their restakers earn 95% of subscription rewards. A subscription is not to an individual Provider, and this 95% is shared between all Providers who have served the relays under that subscription
- **Commission on restaked `LAVA`**: Providers set a commission on delegator rewards
- **Incentivized RPC Pool rewards**: Providers and their delegators earn 95% of the Pool rewards. Pools consist of the native token of a chain deployed on Lava
- **Provider drops**: Lava has a rewards reserve designed to incentivize node runners to join in the initial phases of Mainnet

▸ Example

Spec Champions 🏅

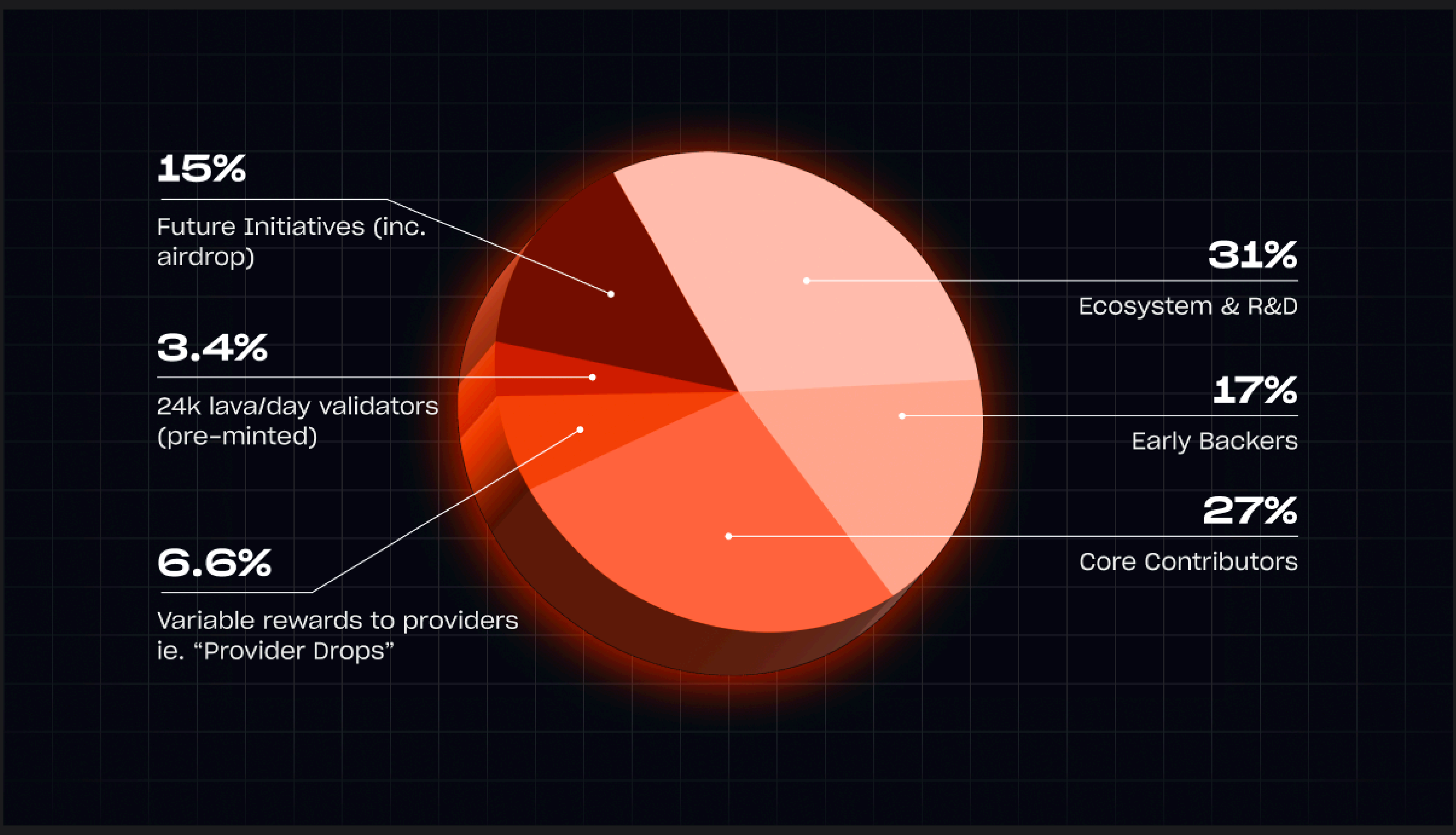
Champions create and maintain specs on Lava, adding new chains and APIs for Providers to serve. Champions earn a % of Subscription rewards after Validator and Community Pool commission has been subtracted, but before Providers and Delegators. This % commission is decided by DAO governance.

▸ Example

🪙 Distribution Details

🧮 Distribution Breakdown

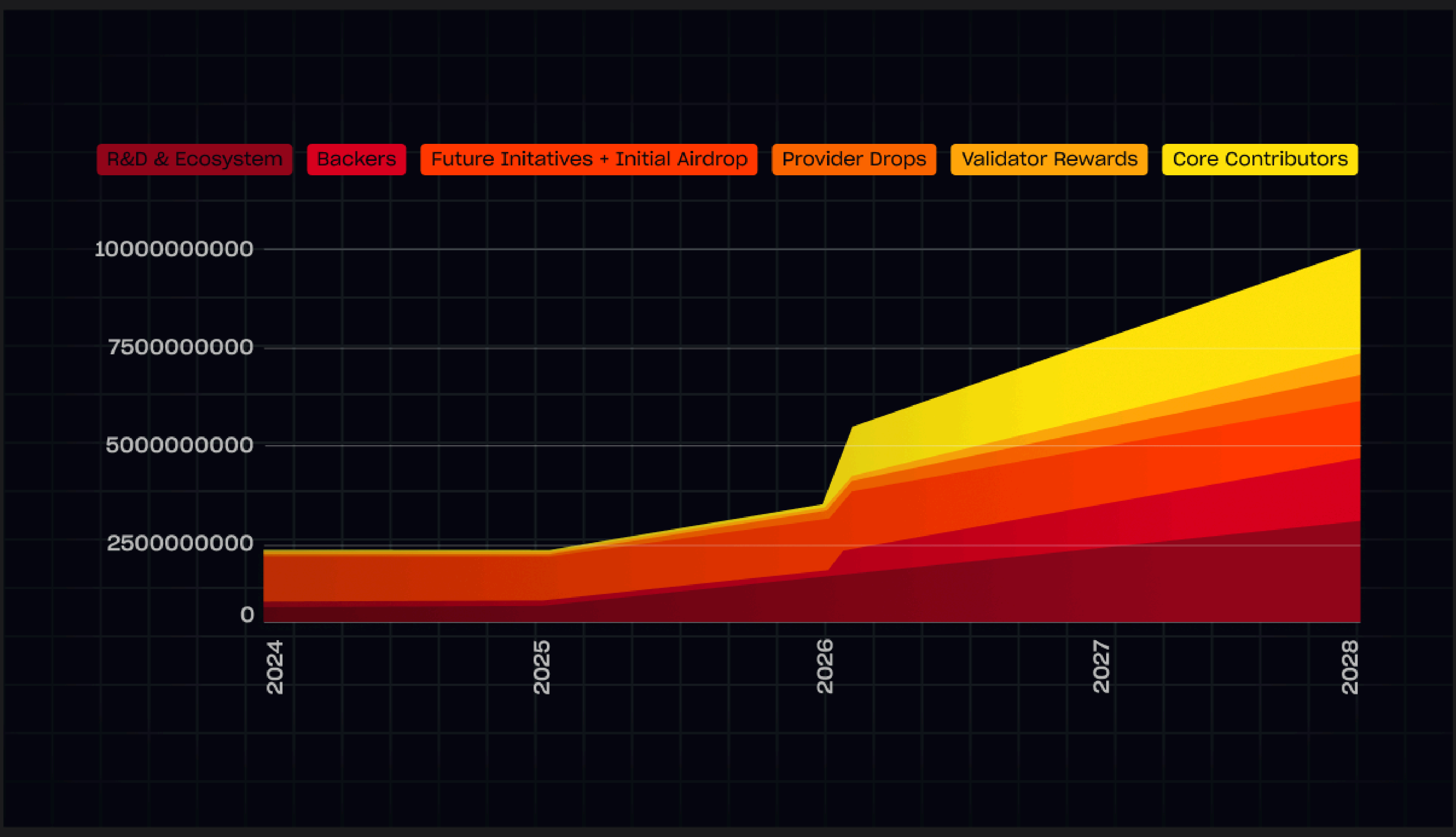
Lava will have `1,000,000,000` tokens at Genesis with no inflation to token supply. The following table and chart shows how the tokens are distributed at Genesis:



Max Supply: `1,000,000,000 LAVA` (**100%**)

Category	Description	%
Future Initiatives	Future Initiatives (including airdrop)	15%
Provider Drops	Variable Rewards to Providers (Provider Drops)	6.6%
R&D & Ecosystem	Protocol Maintenance & Development; Programs for Providers, Validators, and Champions	31%
Backers	Early Supporters of Lava	17%
Core Contributors	Core Contributors	27%
Validator Rewards	24k lava/day validators (pre-minted)	3.4%
	Total	**100%**

⏳ Unlock Schedule



Category	Description	Unlock Schedule
R&D & Ecosystem	Protocol Maintenance & Development; Programs for Providers, Validators, and Champions	25% unlocked at launch. Remaining 75% unlocks continuously from year 1 to year 4.
Backers	Early Supporters of Lava	33% unlocked at year 2. Remaining 67% unlocks continuously from year 2 to year 4.
Future Initiatives	Initial airdrop and any future programs to reward community contribution	Fully unlocked at Launch.
Provider Drops	Used to incentivize Providers to join the network in the early stages of adoption	Unlocks continuously from launch to year 4.
Validator Rewards	Used to reward Validators for creating blocks and securing the Lava blockchain	Unlocks continuously from launch to year 4.
Core Contributors	Early contributors, Core Team, Advisors, & Others	33% unlocked at year 2. Remaining 67% unlocks continuously from year 2 to year 4.

🏛️ Disclaimer

🪙 Growth

Lava has a capped token supply which is managed by DAO governance. There are existing and future plans to stimulate ecosystem growth:

🌋 Magma Points

Points are separate to LAVA tokens and can be used to reward loyal community members. Lava Foundation can distribute points to chains using Lava’s Incentivized RPC Pools; points distribution can be decided by the chain. Additionally, wallet-users can earn points by using Lava-powered RPC to access partner chains.

🌊 Incentivized RPC Pools

Chains create Incentivized RPC Pools on Lava by depositing their native token. This pool is used to incentivize Providers to serve and scale the chain’s RPC infrastructure. As more rollups deploy with Lava, more pools will be created for Providers to earn the tokens of those rollups as rewards. Delegators and restakers may also earn rewards as part of these pools.

🎉 Lava Drop Seasons

To boost growth and engagement, airdrops to network participants may take place.

💧 Provider Drops

6.6% of LAVA total supply has been allocated to bootstrap initial growth of the network and attract providers. LAVA tokens will be automatically distributed monthly to providers on-chain, and the amount of tokens will be variable depending on paid demand for data through Lava.

🌐 Community Pool

Lava has a community pool which accrues funds from block rewards, subscriptions and Incentivized RPC Pools. Funds can be used by the DAO to conduct future initiatives engaging the community.

- **2%** of block rewards
- **0.1%** of Subscription rewards
- **0.1%** of Incentivized RPC Pool rewards