Scrypt Is a Sleepy Crypto Giant That Needs Innovation to Stop Today's Decline: It Is Time the Mining Communities Step Up and Unlock the Huge Value Potential in Scrypt

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Abstract

Scrypt is the world's second largest decentralized crypto-network, second only to Bitcoin, yet it has been decimated to only power 1.2% of today's crypto-assets, with the share steadily falling. Scrypt is fundamentally positioned for an easy win, but is squandering its true potential with no innovation to challenge neither Bitcoin nor modern crypto projects.

The Scrypt ecosystem has a powerful ability to be the kingmaker for new and existing projects in that it can multiply its current revenue with no marginal costs to hardware or electricity due to Merged Mining. We find that most Scrypt community members appear to have lost confidence in the "old" Scrypt tech. We think this view is fundamentally false and rather see Scrypt as the best positioned platform for the future.

But change is needed. It is time the Scrypt mining communities rethink their role and take charge and drive innovation in the Scrypt eco-system to boost profits. Supporting a new crypto winner or an ecosystem of challengers has the potential to ca. 7X current mining rewards for the Scrypt miners.

1 The Scrypt Eco-system is Undervalued

As we discuss in this section, Scrypt is at a crossroads with the best strategic position to be a kingmaker, but at the same time, we think Scrypt is currently undervalued and on a wrong trajectory. It appears that the communities have lost a bit confidence in the "old" tech represented by Scrypt. As we later discuss in section 2, we think the mining communities are in a fantastic position to drive change and innovation in the Scrypt eco-system.

Should Scrypt's Market Cap be $210bn?

Table 1 shows the size of the security networks of the key technologies.

Network	# of Participants	Main Assets	Market share	over-/undervalue
SHA 256	7.6 mn	BTC	61.0 %	1.0
Scrypt	1.0 mn	LTC, DOGE	1.2%	6.6
Hybrid	499 th	SOL	2.4%	1.7
Eth2	118 th	ETH	8.2%	0.11
Blake2b	2.9 th	ADA	0.9%	0.027
Ripple	ca. 200	XRP	4.6%	0.0004
BNB	50-60	BNB	3.2%	0.0002
Tron36	27	TRON	0.8%	0.0003

Table 1: Size of key security networks

Although the value of traded assets are clearly dependent on other factors than fundamentals (especially in crypto), the purest fundamental in crypto is still the size of the security network.

So an interesting analysis is to compare the market cap to the size of the security network. In this way it is possible to calculate an over- or undervalue either comparing to the market as a whole or, as we have done in the table above, compare all other technologies to Bitcoin. The rightmost column shows what multiple each technology's market cap should be multiplied by to reach the same market cap per mining asset as Bitcoin. A value above 1 indicates that the asset is undervalued and a value below 1 indicates the asset is overvalued.

As we can see, Scrypt is the most undervalued technology out there with an estimated value multiple of 6.6X. The more centralized the technology is, the more overvalued it is. This alone is perhaps cause of concern for the crypto market as a whole but that is a topic for another article.

Today, Scrypt is worth approximately $32bn. It is relevant to ask why Scrypt is not worth 6.6X this, i.e. $210 bn.

Scrypt has the best fundamentals

In our view, Scrypt is uniquely positioned to act as a platform for miners to generate revenue growth:

- **The investment is already made.** Scrypt is already securing two of the most secure chains on the planet, i.e. Litecoin and Dogecoin. In all new blockchain projects, one of the most difficult things to achieve is enough security.

- **Merge-mining.** Scrypt is the only technology that is merge-mining at scale. The consequence is that a miner can add another coin that from day 1 will enjoy world-class security with zero marginal cost.

- **Degree of decentralization only surpassed by Bitcoin.** For those that still believe in true decentralization (we do), Scrypt is mined by the second most decentralized mining network in the world. While it is difficult to achieve sufficient hash-rate to secure a new chain, it is close to impossible to achieve it in a decentralized manner.

- **Best suited to actually solve the Blockchain Trilemma.** Despite Scrypt having the fundamentals to best solving the Blockchain Trilemma, it appears that the Scrypt community lacks the self-confidence to believe in its own technology, often described as "old tech"

  - Scrypt's advantage over Bitcoin/SHA256 is that all the capital deployed for the SHA256 security algorithm is bound to Bitcoin, an asset fatally lacking in both scalability and speed and only useful as a Store of Value

  - Scrypt's advantage over the main platforms Ethereum, Solana, Cardano, Ripple, Binance Chain and Tron is that it is truly decentralized and incredibly secure, while being sufficiently fast for solving real-world problems.

  - The remaining cryptoassets not powered by these platforms represent less than 5% of the market, and none of these cryptoassets can boast decentralization and security even remotely close to that of Scrypt

- **A very large and powerful following.** Over a million miners power the mining of Scrypt, both as solo miners and as participants of mining pools. The wider mining ecosystem encompasses service providers, software providers and market sites monitoring returns on various mining algorithms

With this strategic starting point, mining communities have an extremely profitable upside if they find a way to foster innovation and general development of the Scrypt coin ecosystem. We will discuss this more in section 2.

Scrypt Market Shares are Falling Steadily

Figure 1 shows the development of the market cap share from 2014 to 2025E for Scrypt. 10 years ago, Scrypt and Bitcoin alone had almost 93% market share although Scrypt was dwarfed by Bitcoin. The key market development since then has been the explosion of new technologies and a landslide of various coins and tokens that takes up space from the legacy coins. As a consequence, Scrypt has
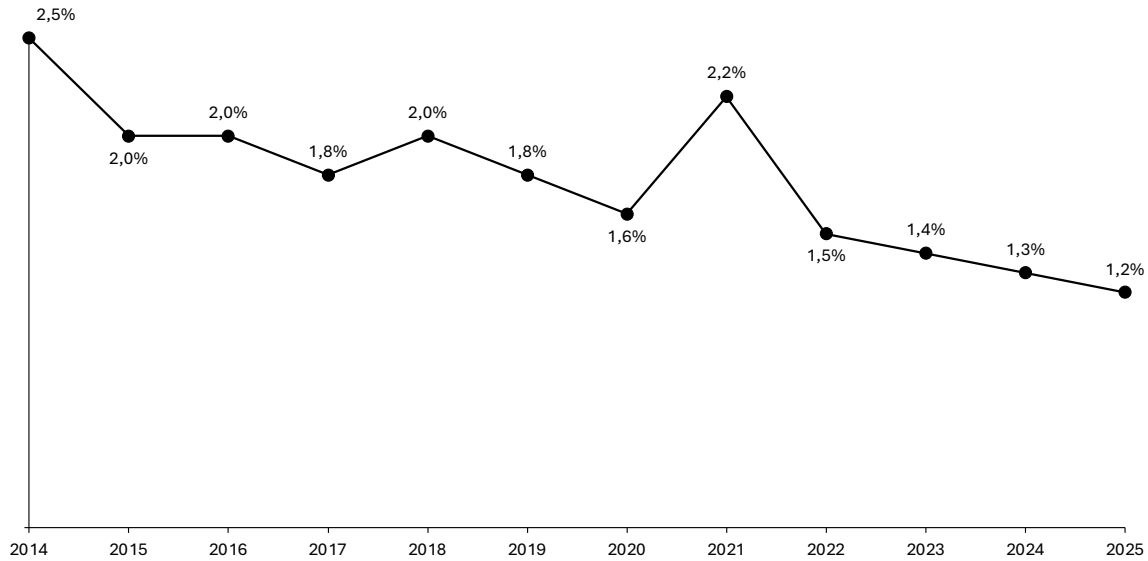
Figure 1: Scrypt's total share of crypto market based on total market cap

lost more than 50% of its market share since 2014. Note that this has happened while Litecoin and Dogecoin both remain top 20 coins. Today, Scrypt has only about 1.2% market share of the entire crypto market.

Scrypt once seemed poised to be a strong second to Bitcoin—but now it contends with a rapidly diversifying market. The rest of crypto has expanded significantly, so Scrypt faces competition not just from Bitcoin but also from countless other protocols.

If the steady trend of steady decline is allowed to continue, it is a real risk that Scrypt will become irrelevant and disappear.

Growth in mining rewards are sub-par

Figure 2 shows the development in mining revenue of SHA-256 and Scrypt in the period 2014 to 2024. In this period, the annual Bitcoin mining reward grew 22x while Scrypt grew 12.5X. For comparison, other technologies combined grew 80x in the same period. The absolute size of the business is also relevant where SHA-256 was a \$15bn mining business in 2024 while Scrypt only generated \$1.25bn in the same year.

Scrypt ASICs remain notably cheaper than SHA-256 hardware. While returns (measured as \$ payout per day) are still competitive to Bitcoin, risk is higher, and if Scrypt could power coins with higher market cap the rewards would be far higher. In stable or bearish markets, it can be challenging for Scrypt miners to recoup hardware costs or fund expansions, especially if Litecoin or Dogecoin prices fall or remain flat.

The underlying problem is lack of use-cases and innovation

So what is the root cause to the negative development in the Scrypt eco-system? We believe Scrypt's relative loss of traction despite its strong strategic position is due to lack of use-case driven innovation among the Scrypt coins.

Bitcoin has taken a clear position as "digital gold", with an increasingly clear use case across the real-world economy. The platform coins are able to attract new token projects and (at least on paper) innovative use cases outside of currencies. While Litecoin initially had an edge on Bitcoin in the payment space, and Dogecoin is the original memecoin, neither are really best at what they are supposed to do any longer. Litecoin's throughput simply does not cut it for any real-world use cases and Dogecoin's memeabilty is dwarfed by the avalanche of meme-tokens minted every day. Scrypt must innovate and - step it up to continue being relevant.
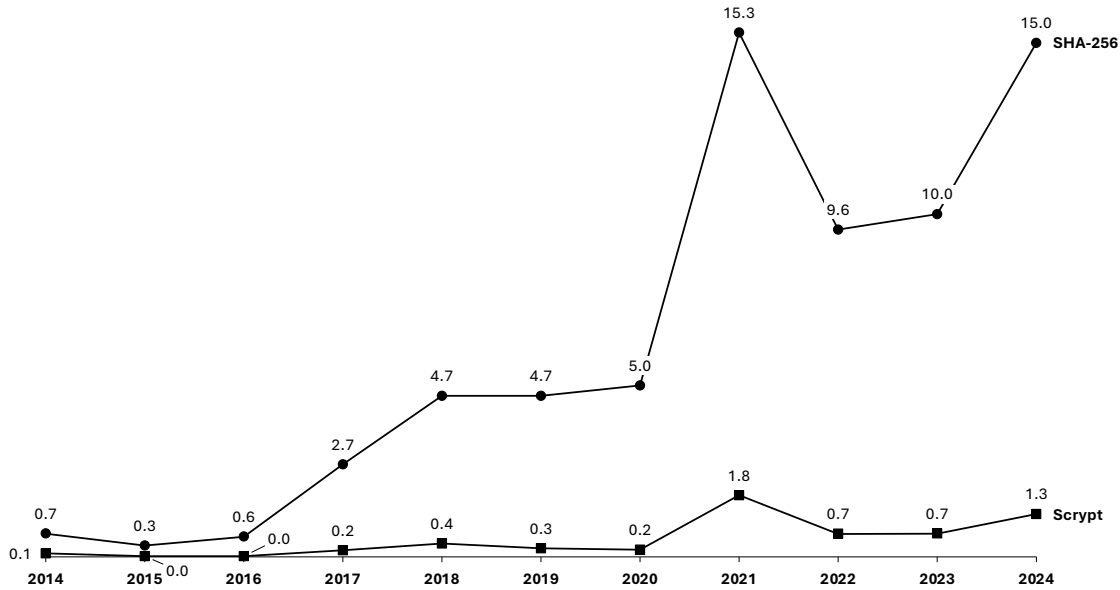
Figure 2: Total mining and transaction revenues in $ billions for SHA-256 and Scrypt

In short, Scrypt is falling behind. Its total mining rewards and share of market cap point to a need for renewed innovation and ecosystem diversification. Otherwise, its role may stagnate or erode over time, leaving miners with diminishing margins and fewer avenues for growth.

2   How Scrypt Miners Should Unlock the True Potential in Scrypt and Drive Growth in Their Own Business

In this section we outline how miners can and should rethink their position and role to unlock the Scrypt potential demonstrated in section 2. If done correctly, a potential of 6.6X of the value of the combined Scrypt coins will translate to 6.6X increase in rewards for the miners. And this can be done, in principle, with zero costs.

Why do we say that miners should step up?

By stepping up to the opportunity, Scrypt miners and the Scrypt ecosystem the can dramatically improve mining rewards. It does not take any new capital for mining equipment, no electricity costs, and very limited costs as projects will want to contribute to marketing and be willing to finance any initiatives with the Scrypt ecosystem. Also, miners are a heavy hitters in the entire eco-system with significant muscles and ability to influence e.g. exchanges and on-/off-ramps in the direction to support the growth strategy. Of course, the coin projects still require a dedicated team and community with their own agenda. The point we are making is that we think miners are uniquely positioned to support new and existing coin projects in new ways. At the same time, such efforts are fully aligned with the agenda of the miners. Win-win.

What strategies can miners deploy?

There are essentially three main strategies to deploy to increase the total value of the Scrypt-mined coins.

1. **Work more closely with existing Tier 1 coin projects.** Mining used to be purely about block rewards, but success now depends on synergy between miners, developers, and users. By being closer to the Tier-1 coin communities, mining communities can drive development and evolution in a direction that makes sense for them.

2. **Support Tier-2 Scrypt projects with potential** Beyond the two Tier-1 coins, other Scrypt projects are orders of magnitude smaller. Still, several of these have implemented innovations both technically and also use-case focused. The mining pools can massively impact the trajectory of these coins which would be enormously beneficial also for the mining communities.

3. **Greenfield** Can and should miners bootstrap new coin projects? At the flick of a switch, miners can at least ensure world-class security to any new coin project at zero cost. Clearly, there is more to a successful coin project than just security, but mining communities are probably better positioned than anyone else to pull it off.

Seeing these strategies through the lens of financial portfolios, one could see these three avenues as 1) Invest in a listed stock, 2) A VC-style growth investment and c) seed capital.

1. Boost T1 Projects

This strategy is about acting differently towards the two legacy coins, i.e. Litecoin and Dogecoin. Fundamentally, we don't think these two have the position to close the entire 6.6X value gap but upside clearly exists. More precisely, we think miners should think about this in the following way:

- Support/strenghten initiatives with real-world use cases such as innovative apps and active communities.

- Support foundational upgrades enabling faster transfers, higher capacity, better security or other new capabilities

- Showcase the Dogecoin and Litecoin ecosystems and help broadcasting their full value.

This approach helps secure the network, sustain relevance, and potentially catalyze modest innovation—even within the more "traditional" Scrypt giants. Such grassroots efforts may not deliver the rapid transformations possible in smaller, more agile projects, but they do help ensure that established coins continue evolving at a measured pace and remain competitive in a fast-changing crypto landscape.

2. Support existing Tier-2 Projects with Innovation Potential

We believe a significant upside exists in this strategy. There are some coins out there already but they are all orders of magnitude smaller than Tier 1 coins indicating the upside potential. Using the power of the entire Scrypt mining network should work as a kick-starter to raise these coins into prominence and boost mining rewards at the same time. More specifically, we suggest the following:

- Identify projects with long-term potential and tell about their capabilities and strategic importance to the overall Scrypt strategy to the entire Scrypt miner eco-system.

- Make it easier for miners to engage, such as enabling an easy way to get payouts in / collect savings in a new project.

- Help projects get recognition in the wider crypto community by enabling marketing activities and listings.

So what Scrypt-based Tier-2 coin projects are out there that could fit this strategy? We argue there are five projects with potential and we analyze them in table 2.

Coin	Inception	Market Cap	Governance	Comment
Dingocoin	2021	5 mn	Do-ocracy, foundation in forming	Focus on payments
Bellscoin	2023	5 mn	Community	Restarted from block 1 in 2023
Pepecoin	2024	5 mn	Community	Scrypt version of PEPE token
Luckycoin	2024	1 mn	Community	Revived coin
Shibainucoin	2024	0.1 mn	Community	Scrypt version of SHIB token

Table 2: Size of key security networks

3. Greenfield / support entrepreneurship

While this is a more risky strategy, it is clear that e.g. the Solana chain has massively benefitted from ease of launching new tokens on their platform. There is no similar option for real POW coins today. In addition to a "shooting wide" strategy, it is also possible to constantly identify projects with innovative ideas and support them actively,

- Make it easier to fork a Scrypt coin, potentially even advertise "make your own Scrypt coin with world-class security from day 1".

- Identify teams and early-stage projects with long-term potential and support them actively.

- Help early-stage projects get "off the ground", e.g. in an incubator supporting early listings, merge mining for security etc.

3 Summing it up: Could Scrypt Grow by 6.6X?

As we have shown, we think Scrypt has a massive potenital to grow due to its fundamentals. In fact, we think Scrypt is the best positioned technology network being the only network that can provide real-life use cases and still being true to the fundamental principles of decentralized blockchains. Fully closing the gap to Bitcoin will require miners to step up and apply several strategies in parallel. We have outlined these strategies in this white paper and as we have shown, the entire Scrypt network should be worth 6.6X what is today.

All it takes is willingness to tell about Scrypt and a renewed confidence in its future and the future of the projects secured by Scrypt.