

SustainVerse Consulting Group

<u>Team Member Name</u>	<u>Year</u>	<u>Major</u>
Member 1: Uyen Nguyen	2022	Marketing, Sociology
Member 2: Erica Phan	2024	Operations & Information Management
Member 3: Jake Suh	2024	Undecided
Member 4: Riley Linden	202	Finance
Member 5: William Andersen	2024	Management

Advisor(s): Jennifer Merton

Topic: Building the Sustainable Contract: The Ethics of NFTs

Audience: BlockWorks' Webinar Attendees/NFT Industry Leaders

Sustainable Development Goals

SDG # 13: Climate Action Take urgent action to combat climate change and its impacts.

SDG # 9: Industry, Innovation, and Infrastructure Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation.

Executive Summary

Created in 2014, non-fungible tokens (NFTs), digital images with cryptographic properties on a blockchain containing unique identification codes and metadata, are gaining popularity as a way to purchase and sell digital artworks. This implementation of NFTs has changed the face of arts, culture, and contracts. The tokens offer digital artists equal and fair opportunities to autonomously monetize their works without the role of a third party like a gallery. Its digital-scarity fosters a marketplace that embraces originality and authenticity. However, the use of NFTs has extended beyond the realm of art. Indeed, NFTs are one of the cornerstones of Web3 and will allow the expansion of the Metaverse.

While the benefits of NFTs to innovation and advancing technology are significant, creating, or minting NFTs creates a staggering carbon footprint. The energy needed to verify each NFT transaction is disproportionately higher than a traditional transaction. To mint an NFT with the most common cryptocurrency, Ethereum, each transaction takes up 238.22 kWh of energy. This is the amount of energy it takes for more than 100,000 VISA transactions in the traditional financial industry.

Given the imperative to mitigate climate change and the many regulatory developments that come with the global warming crisis, it is important for the NFT industry to work toward sustainability and stay ahead of the regulatory curve by exercising leadership. SustainVerse Consulting Group believes there are some changes the industry can make to be ready for future developments. The industry can start thinking about its choice of currency. Backed by the growth of DeFi gaming currencies and their diverse in-game currencies, it can slowly shift its preferred coins to more energy-efficient options. Moreover, by encouraging mining and minting operations in areas with excess energy supply, like hydro or solar, the industry can push miners to take advantage of green energy sources. Creating sustainable solutions now will lead to the balanced growth of this new and equitable technology.