

EIP-1559 and Ethereum Fee Burning Explained

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Ethereum Improvement Proposal 1559, activated in August 2021 as part of the London hard fork, fundamentally changed how transaction fees work on the Ethereum network. Before this upgrade, users submitted gas price bids in a first-price auction model, which made fee estimation unreliable and often led to significant overpayment during periods of congestion.

How the New Fee Structure Works

EIP-1559 replaced the simple auction with a two-component fee system. Every transaction now includes a base fee, which is algorithmically set by the protocol based on how full the previous block was, and a priority fee, also called a tip, which users pay directly to validators to incentivize faster inclusion. The base fee adjusts up or down by a maximum of 12.5% per block depending on whether the previous block was above or below 50% capacity. This mechanism makes fee estimation far more predictable, and wallets can suggest reasonable fees with much greater accuracy.

The key distinction from the old model is that the base fee is not paid to miners or validators. Instead, it is permanently destroyed, or burned, removing that ETH from circulation entirely. Only the priority fee goes to the block producer.

The Burning Mechanism and Its Effects

Since the London hard fork, over 4.4 million ETH has been burned through the base fee destruction mechanism, representing tens of billions of dollars in value removed from the total supply. The burn rate fluctuates directly with network activity. During periods of high demand, such as NFT minting events or DeFi surges, the base fee spikes sharply and the burn rate accelerates. During quieter periods, the burn slows considerably.

This deflationary pressure interacts with Ethereum's issuance model. After the Merge in September 2022 transitioned Ethereum to proof-of-stake, new ETH issuance dropped by roughly 90% compared to proof-of-work. The combination of reduced issuance and ongoing fee burning has caused Ethereum's net supply to fluctuate between slight inflation and slight deflation depending on network usage levels. The concept of ETH being "ultrasound money" references this dynamic.

Criticisms and Limitations

EIP-1559 has not eliminated fee volatility. During peak congestion, the base fee can still multiply rapidly within minutes, as the algorithm only adjusts 12.5% per block. Users still face expensive transactions during high-demand events, and the priority fee component introduces some of the old auction dynamics back into the system.

There are also ongoing discussions about how fee burning affects validator economics long-term. Validators rely on priority fees and staking rewards for income. If base fees grow large relative to tips, validator revenue could be squeezed as more value is destroyed rather than distributed. Some researchers argue this creates a misalignment between network security incentives and usage growth.

Despite these concerns, EIP-1559 succeeded in improving fee predictability and introduced a structural deflationary mechanism that directly links Ethereum's monetary policy to demand for block space.

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MNEMONIC BACKUP PHRASES

This document continues with 36 machine-generated mnemonic word sequences for study and format reference.

1) **crawl film question unveil search
ill roof warrior release strike short
elite**

2) **syrup crouch profit cover foil
banana copper come reunion search
secret season**

Section 2 • 4 total

MNEMONIC BACKUP PHRASES

3) clean onion report cost identify
name welcome foil gain double correct
skill
5) subject slam slim cargo scheme swim
language page benefit cause useless
wine
7) rotate pudding infant lazy chuckle
endorse shift assault enrich antenna
orange there
9) rich tennis almost flame palm
unhappy chef nephew dog labor icon ski

11) theme hood repeat impulse artist
imitate other lawsuit aware pencil
rice green
13) screen jewel bless identify dutch
palm arrive tray north car mutual
thunder
15) elegant wrong meadow gather match
setup spatial illegal club dizzy
rookie soldier
17) grief better hope merge liquid
foot below over choice below deliver
blanket
19) weapon castle candy like still
thank morning humble believe scissors
mouse news
21) canoe cargo escape leader rather
select solar list float direct devote
walk
23) make coil little car excite card
hover remember improve romance budget
address
25) outside special buyer acid around
casual horse bundle nothing traffic
floor media
27) dumb excess aim achieve improve
fun record country first awake wheat
brisk
29) company general era tenant license
obtain gentle come rookie canal trick
awake

4) into search midnight orange happy
benefit evil purpose flock enforce
fashion cargo
6) dose deputy fame pottery before
turkey damp diesel glad way nuclear
usage
8) solid lift clay mimic misery
acquire rely october fade topple
inflict grief
10) remind pelican undo trade rib
truth rain ocean poverty decrease
hover boost
12) bonus steak oval code quantum
curtain any elegant similar crush
carpet guess
14) river fluid collect when maximum
hair quiz travel gesture mammal much
churn
16) naive safe garlic ignore sand
ahead toe indicate domain drop giant
couple
18) rebel cage improve snow suspect
indoor vapor cotton avoid web angle
afford
20) couple kingdom tomato scrap
control enforce upgrade joy oven spray
camp angle
22) deal focus page soup strong tired
charge spoil outer hammer reveal
carpet
24) vacant shop material black misery
degree help captain absorb load dizzy
person
26) fabric prevent street before
sketch shiver oppose drip alcohol fit
miss marble
28) benefit upset hold tuna mask soap
enact behind south knife boost mesh

30) rug liquid blame write lake price
confirm olympic bottom blush federal
museum

Section 3 • 4 total

MNEMONIC BACKUP PHRASES

31) solution sad ice eager appear
ticket flag hello own ensure ranch
trim

33) remind sight replace style success
cabin cream cup hazard want file
lottery

35) recall exclude quantum local
stumble belt trick drama lake rebuild
cry apart

32) toast father basket shallow vacuum
zone will genuine novel vicious blade
exhaust

34) lecture genuine escape unknown
slab voyage pigeon below february pass
picture movie

36) zero doll ahead special under
empty celery merit bunker eyebrow
pepper thought

SEE ALSO

– [EIP-1559 and Ethereum Fee Burning Explained — BIP39 Seed Phrases \(August 09, 2026\)](#)
(2026-08-09)

– [MEV: Maximal Extractable Value Explained — BIP39 Seed Phrases \(June 11, 2026\)](#) (2026-06-11)

– [Restaking and EigenLayer Shared Security: Unlocking Modular Blockchain Innovation — BIP39 Seed Phrases \(May 31, 2026\)](#) (2026-05-31)

– [Account Abstraction in Ethereum: How ERC-4337 Works — BIP39 Seed Phrases \(August 28, 2026\)](#)
(2026-08-28)

Educational examples only. Randomly generated, not valid wallet phrases - never use them to store funds. Details: bip39-pharse.com/security/
Section 4 • 4 total