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CLEARBON: A Blockchain-Based Dual Market System for Real-Time Carbon Credit Verification and Trading

Sohail[1], Sooraj B[2], Suma Shree S[3], Swetha Rani H S[4], Anita Patil[5]

Department of C.S.E, Ballari Institute of Technology and Management, Ballari, India[1,2,3,4,5]

Abstract: Industrial carbon markets face delays in credit issuance and lack real-time verification and predictive trading mechanisms. This paper proposes CLEARBON, a blockchain-based system integrating IoT sensors, AI models, and satellite data for real-time emission monitoring and instant carbon credit issuance. The system introduces a dual-market approach with spot and futures trading, enabling efficient, transparent, and secure carbon transactions while supporting predictive emission reduction strategies.

Keywords: Blockchain, Carbon Credits, IoT, Machine Learning, Smart Contracts, Emission Monitoring

I. INTRODUCTION

Climate change and rising industrial emissions have become critical global challenges, necessitating efficient carbon management systems. Carbon markets play a vital role by allowing industries to trade carbon credits as incentives for reducing emissions. However, existing carbon trading systems suffer from significant limitations such as delayed credit issuance, lack of real-time verification, and absence of forward trading mechanisms.

To address these issues, this paper proposes CLEARBON, a blockchain-based carbon market system integrating IoT-based emission monitoring, artificial intelligence for validation and prediction, and smart contracts for secure transactions. The system enables real-time carbon credit issuance and introduces a dual-market framework supporting both spot and futures trading, thereby improving efficiency, transparency, and sustainability.

II. LITERATURE SURVEY

Paper Title	Authors	Methodology / Approach	Key Findings	Research Gap
Blockchain-Based Framework for Carbon Management	Y. Xu et al.	Blockchain-based carbon tracking and certification system	Improved transparency and traceability in carbon markets	Lacks real-time data integration and predictive trading
Blockchain-Powered Carbon Credits Market	D. Dang	Decentralized carbon trading using blockchain	Eliminates intermediaries and improves trust	No AI-based prediction or real-time verification
Blockchain-Oriented Carbon Credit Certification	M. Vaccargiu et al.	Blockchain architecture for carbon credit issuance	Secure and tamper-proof certification	Does not include IoT-based real-time monitoring
Web3-Based Carbon Offset Market	C. Zhou et al.	Web3 and blockchain integration for sustainability	Enhances decentralization and transparency	Limited predictive analytics and automation
Blockchain and IoT-Driven Carbon Offsetting	P. Sharma et al.	Integration of IoT sensors with blockchain	Enables real-time emission tracking	Lacks futures trading and ML-based prediction
Carbon Trading with Blockchain	A. Richardson & J. Xu	Blockchain-based trading models	Improves trust and security in transactions	No integration of AI or real-time monitoring
Digital Technologies in Carbon Reduction	H. Xie & Y. Liu	Use of AI and digital tools for emission control	Enhances efficiency in emission reduction	Does not include blockchain-based trading

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Paper Title	Authors	Methodology / Approach	Key Findings	Research Gap
Blockchain-Enhanced AI for Energy Trading	L. Zhou & H. Chen	AI + blockchain for energy systems	Improves prediction and security	Not focused on carbon credit systems
Blockchain for IoT Security	A. Dorri et al.	Blockchain for IoT data security	Ensures secure communication in IoT networks	Not applied to carbon markets
Bitcoin: Peer-to-Peer System	S. Nakamoto	Decentralized blockchain model	Foundation of blockchain technology	Not specific to carbon trading

III. PROPOSED SYSTEM

The CLEARBON system is designed to provide a comprehensive solution for carbon emission monitoring and trading. It integrates IoT-based sensors, AI/ML models, and blockchain technology to create a secure and efficient ecosystem. The system continuously collects emission data using CEMS sensors and processes it using AI models for validation and prediction. Verified data is securely stored on the blockchain, where smart contracts automatically issue carbon credits. The system introduces a **dual-market approach**:

- **Spot Market:** Enables instant trading of verified carbon credits
- **Futures Market:** Allows trading of predicted emission reductions

This integrated approach enhances efficiency, transparency, and investment opportunities in carbon markets.

IV. DESIGN DIAGRAMS

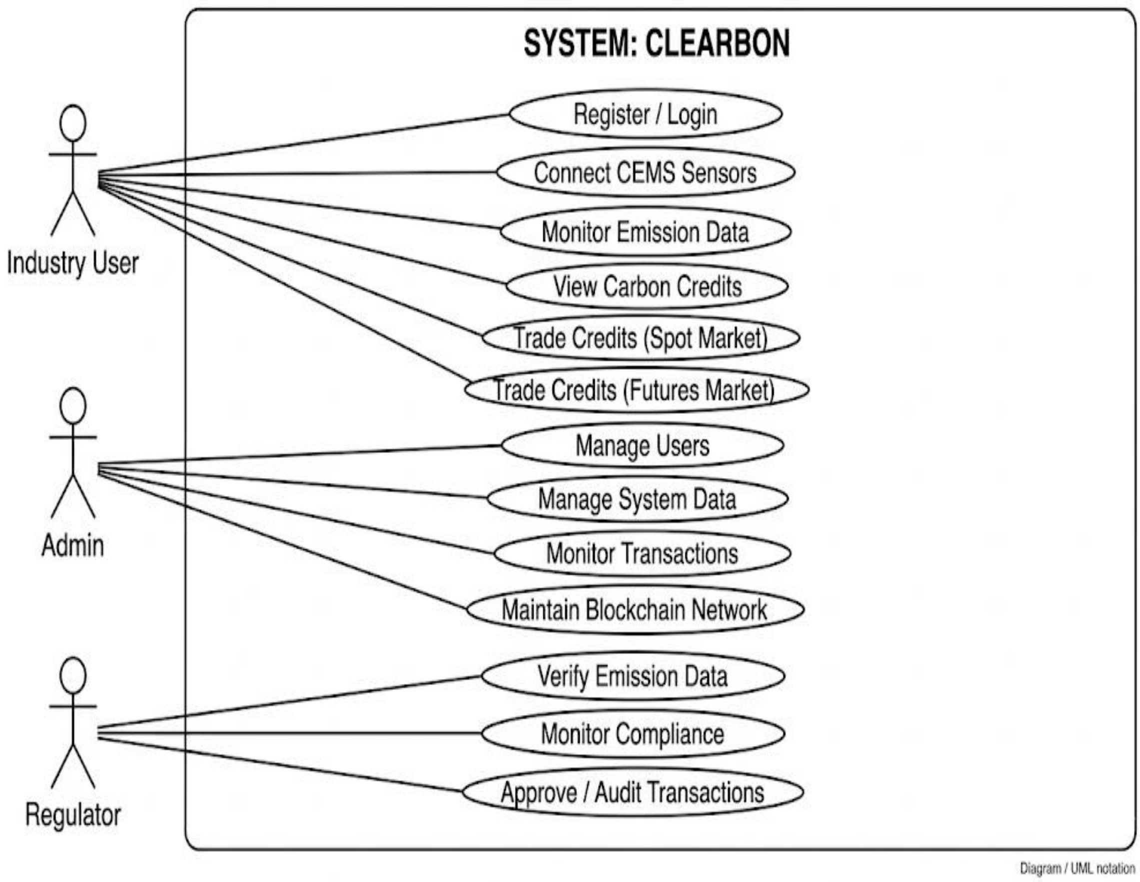

FIG1: USE CASE DIAGRAM

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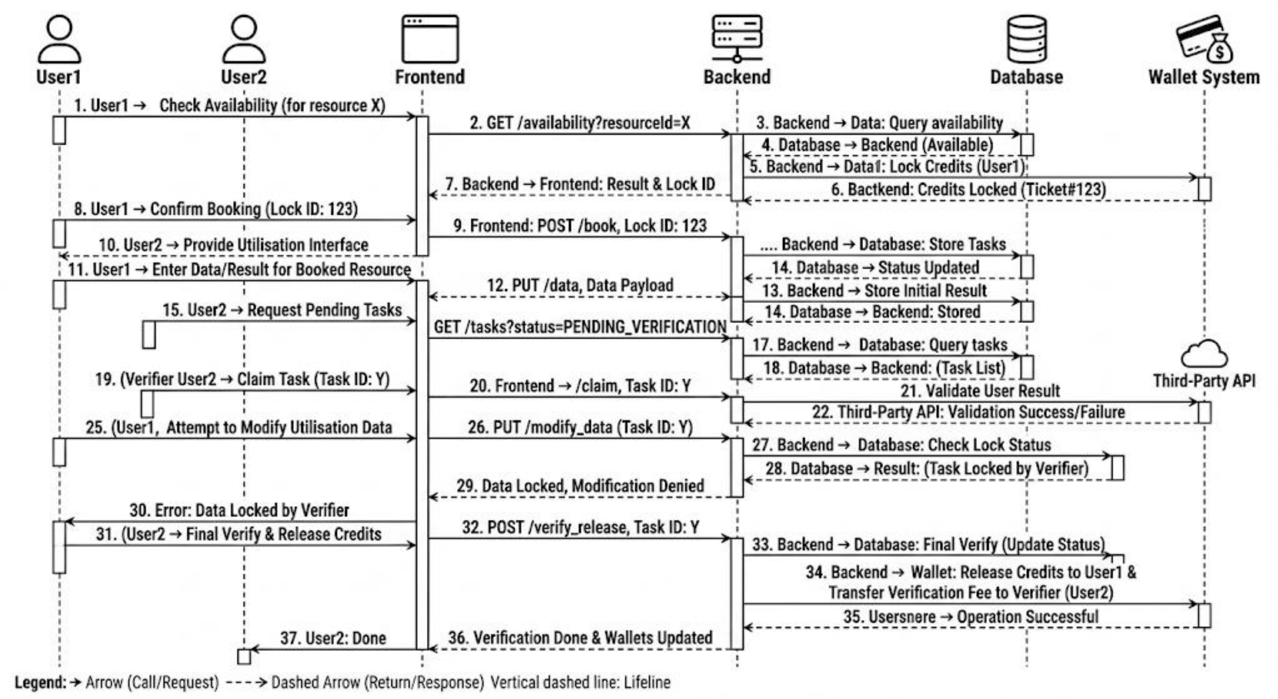

FIG2:SEQUENCE DIAGRAM

V. WORKING PRINCIPLE

The CLEARBON system operates through a structured and automated workflow that integrates **IoT-based data acquisition, AI-driven processing, and blockchain-enabled transactions** to ensure efficient carbon emission monitoring and trading. The process begins with the deployment of **Continuous Emission Monitoring System (CEMS) sensors** in industrial environments. These sensors continuously capture emission data such as CO_2, NOx, and SO_2 levels at regular intervals. The collected data is transmitted in real time to the system using IoT communication protocols such as **MQTT or REST APIs**, ensuring seamless and continuous data flow.

Once the data is received, it enters the **data processing stage**, where advanced **AI and machine learning models** analyze the incoming data. This stage involves data cleaning, anomaly detection, and validation to ensure accuracy and reliability. To further enhance trust, the system can incorporate additional verification through **external data sources such as satellite observations**, creating a consensus-based validation mechanism. The validated data is then used to calculate emission levels and generate insights, including predictions of future emission trends using machine learning algorithms.

After validation, the processed data is forwarded to the **blockchain layer**, where it is securely recorded in a decentralized ledger. **Smart contracts** play a crucial role in this stage by automatically executing predefined conditions. Based on verified emission data, these smart contracts issue carbon credits instantly without requiring manual intervention. The use of blockchain ensures data immutability, transparency, and security, preventing tampering and building trust among stakeholders.

The issued carbon credits are then made available on the platform for trading through a **dual-market system**. In the **spot market**, industries can trade verified carbon credits immediately, enabling real-time monetization of emission reductions. In the **futures market**, industries can trade predicted emission reductions based on AI-generated forecasts, allowing them to plan ahead, manage risks, and secure future investments. This predictive trading mechanism introduces financial flexibility and encourages proactive environmental strategies.

Overall, the working principle of CLEARBON ensures a seamless integration of real-time monitoring, intelligent data processing, and secure transaction management. By automating the entire workflow—from data collection to credit issuance and trading—the system significantly reduces delays, enhances transparency, and improves the overall efficiency of carbon market operations.

VI. HARDWARE AND SOFTWARE REQUIREMENTS

A. Hardware Requirements:

The CLEARBON system requires the following hardware components:

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- **Processor:** Intel Core i5 or higher
- **RAM:** Minimum 8 GB
- **Storage:** 256 GB SSD or higher
- **Display:** 14-inch monitor or higher
- **User Devices:** Desktop / Laptop / Tablet / Smartphone
- **CEMS Sensors:** For measuring CO_2, NOx, and SO_2 emissions
- **IoT Gateway:** Raspberry Pi or industrial IoT device
- **Server Infrastructure:** Cloud-based or dedicated blockchain nodes
- **Internet Connection:** Stable broadband connectivity

B. Software Requirements:
The CLEARBON system requires the following software components:

- **Operating System:** Windows / Linux / macOS
- **Frontend Technologies:** React.js, HTML, CSS, JavaScript
- **Backend Technologies:** Node.js or Python
- **Blockchain Platform:** Ethereum or Hyperledger
- **Database:** PostgreSQL or MongoDB
- **Programming Languages:** JavaScript, Python, Solidity
- **AI/ML Tools:** TensorFlow, Scikit-learn
- **IoT Communication:** MQTT, REST APIs
- **Development Tools:** Visual Studio Code, Docker
- **Version Control:** Git and GitHub
- **Cloud Platform:** AWS, Azure, or Google Cloud

VII. EXPECTED RESULTS AND DISCUSSION

Since the CLEARBON system is currently in the design phase, the outcomes discussed are based on the expected performance of the proposed architecture. The integration of IoT-based CEMS sensors is expected to provide continuous and accurate real-time emission data, reducing dependence on manual reporting and minimizing delays in carbon credit verification.

The use of AI and machine learning models is anticipated to improve data accuracy through validation and anomaly detection, while also enabling prediction of future emission trends. This will support the futures trading mechanism and allow industries to plan and manage their carbon strategies more effectively.

The blockchain component is expected to ensure secure, transparent, and tamper-proof storage of emission data and transactions. Smart contracts will automate carbon credit issuance, reducing processing time and eliminating intermediaries. The dual-market system is expected to improve liquidity through spot trading and enable forward planning through futures trading.

Overall, the proposed system is expected to enhance transparency, efficiency, and reliability in carbon markets while encouraging sustainable industrial practices. Further implementation and testing will be required to validate these outcomes in real-world scenarios.

VIII. CONCLUSION

This paper presented CLEARBON, a blockchain-based carbon market system designed to overcome the limitations of traditional carbon trading mechanisms. Existing systems face challenges such as delayed carbon credit issuance, lack of real-time verification, and absence of forward trading options. The proposed system addresses these issues by integrating IoT-based emission monitoring, AI-driven data validation and prediction, and blockchain technology for secure and transparent transactions.

The introduction of a dual-market framework, consisting of spot and futures trading, enhances flexibility and efficiency in carbon markets. Real-time credit issuance through smart contracts reduces delays and improves trust among stakeholders. Additionally, predictive analytics enables industries to plan future emission reductions and investment strategies effectively.

Overall, CLEARBON provides a scalable and innovative solution for improving transparency, efficiency, and sustainability in carbon trading. The system has strong potential for real-world implementation and can contribute significantly to global efforts in reducing industrial emissions.

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IX. LIMITATIONS AND FUTURE SCOPE

The CLEARBON system, while promising, has certain limitations. The accuracy of the system depends on the reliability of CEMS sensors and external data sources such as satellite inputs. Any inconsistency in data collection may affect the accuracy of carbon credit generation. Additionally, the use of blockchain technology may introduce scalability and performance challenges when handling large volumes of transactions. The initial cost of deploying industrial hardware and infrastructure can also be high, and regulatory uncertainties in carbon markets may impact large-scale adoption.

Despite these limitations, the system offers significant scope for future enhancements. Improvements in blockchain scalability and transaction speed can enhance system performance. Advanced AI models can be developed to improve prediction accuracy and support better decision-making. The system can be integrated with national and international carbon trading frameworks to ensure wider adoption and standardization.

In the future, CLEARBON can be extended to include additional environmental parameters such as energy consumption and resource utilization. Development of mobile applications and advanced analytics dashboards can further improve accessibility and usability. With these enhancements, the system has strong potential to become a comprehensive solution for sustainable environmental management.

X. CONCLUSION

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