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Kesar BD
Assistant Professor, Chandrabhama Mahavidyalaya, Karjat, Ahmednagar, Maharashtra, India

Surayawanshi GD
Assistant Professor, Chandrabhama Mahavidyalaya, Karjat, Ahmednagar, Maharashtra, India

Anarase GC
Assistant Professor, Chandrabhama Mahavidyalaya, Karjat, Ahmednagar, Maharashtra, India

Corresponding Author:
Kesar BD
Assistant Professor, Chandrabhama Mahavidyalaya, Karjat, Ahmednagar, Maharashtra, India

Role of industry 4.0 in enhancing carbon credit systems with reference to sustainable development goals

Kesar BD, Surayawanshi GD and Anarase GC

Abstract
Research into how Industry 4.0 technologies could improve carbon credit systems in the ASEAN countries and India takes an emphasis on their potential contribution to emissions reduction and their compatibility with the Sustainable Development Goals (SDGs). Carbon initiatives, Industry 4.0 technologies, and emissions reductions from published sources were analysed via ANOVA, correlation, and regression analysis on secondary data. The findings of a correlation analysis illustrating a strong degree of association (r = 0.83) between Industry 4.0 readiness and emission reduction showed that countries that are more prepared to implement Industry 4.0 technology, including Malaysia and India, exhibit larger carbon emission reductions. IoT and AI have been shown to dramatically reduce emissions using predictive maintenance and energy management. Finding that the introduction of Industry 4.0 technology to carbon credit systems can advance emissions trading and sustainable development, the study also concludes that this topic needs further exploration to overcome regulatory and infrastructure barriers, especially in poor nations. The study suggests ways to pump up digital infrastructure with cross sector cooperation and legislative actions while at the same time giving incentives for carbon credit schemes.

Keywords: Industry 4.0, carbon credit systems, emissions reduction, sustainable development goals (SDGS), IoT, AI, emissions trading, digital infrastructure

Introduction

Objectives

- To assess how Industry 4.0 technology could make carbon credit schemes more effective.
- To study how Industry 4.0 will influence India's and ASEAN countries on how to contribute in facing carbon emissions. Investigating relationships between carbon reduction and Industry 4.0 preparation.
- To evaluate the application of Industry 4.0 in sectors of high carbon emissions and their technology and legislative requirements for deployment.
- To suggest what the Industry 4.0 technologies should do to support achieving Sustainable Development Goals (SDGs).

With the problem of global climate now more pressing than ever, one of the most effective means of curtailing greenhouse gas emissions has been carbon credit schemes. These programs, which result from initiatives such as the Paris Agreement and Kyoto Protocol, achieve this in a decidedly backhand way, by allowing nations and businesses to get credits for reducing emissions, then sending emissions credits from desirable nations to undesirable ones. That's because the carbon credits unnecessarily promote economic growth that leads to other polluting, and to some extent unsustainable development, in sectors. However regulatory and technical weaknesses in carbon credit schemes hinder their progress especially in emerging SE Asia and India. Fourth industrial revolution, also known as Industry 4.0, has the answers to this question with lots of technologies used for automation, big data analytics, artificial intelligence (AI) and the Internet of Things (IoT). But I fully believe that a large part of these carbon credit systems improvements -the reduction of carbon foot prints -the reduction of industrial operation costs -can be really improved with these technologies.

The use of carbon credit schemes through Industry 4.0 technology offers the potential for such industries to not only reduce emissions, but any emissions controlled in such a way are likely to be eradicated altogether. For instance, the use of IoT for energy management allows real-time monitoring of the energy used, leading to lower emissions and better use of

available resources. Predictive maintenance solutions using AI help companies find and fix inefficiencies before they create higher emissions. These technical advancements make the overall efficacy of carbon trading systems ever higher by reducing emissions and improving the accuracy in carbon credit calculation. Nations such as India and countries in the ASEAN region, where industrial emissions represent a major portion of the globe's greenhouse gas levels, require the implementation of industry 4.0 technology for achieving their respective national and international emission reduction goals.

There's a lot of promise in Industry 4.0 technologies, but many represent hurdles to extensive use, particularly in poor nations. Lack of legislative backing, high implementation costs, and little digital infrastructure are some difficulties of these. In addition, due to their financial and technical limitations, small and medium enterprises (SMEs), who constitute a large share in most sectors of ASEAN and India, are unable to implement these high-tech solutions. There are some obstacles that policymakers and business executives need to overcome to invest more in digital infrastructure; they need to encourage cross-sector cooperation and offer financial incentives. These obstacles can be overcome, and countries may fully use Industry 4.0 technology, which will help nations improve their carbon credit system and other more general sustainable development objectives.

Methodology

In this research, we use secondary data to assess how Industry 4.0 technologies can improve carbon credit systems in ASEAN and India. The data comprised information from reputable scholarly publications, policy studies, and government documents released up until 2022. Indicators regarding the influence of Industry 4.0 technologies on carbon emissions and which nations are ready to implement them have been examined. An OVA was used to test the premise that Industry 4.0 technologies have a significant impact on carbon credit systems, and correlation analysis was used to determine the association between Industry 4.0 readiness and carbon reduction percentages. Regression analysis was also performed to determine how much carbon credits were improved by these technologies on an industry level. The secondary data on carbon projects, emission reductions, and Industry 4.0 technologies provided insight into a strong foundation to explore additional general sustainability and carbon credit system developments.

Literature Review

Zahan, Sarker, and Corradetti (2012) [6] use the Clean Development Mechanism (CDM) as seen from the perspective of carbon credit markets to discover how the CDM has helped reduce carbon emissions in South Asia. Outlining the relationship between estimated emission reductions (EERs) and their conversion to certified emission reductions (CERs), this thesis analyses a range of CDM projects in and around India. The study indicates that a large proportion of CDM programs are concentrated in India and mostly deal with fuel switching and energy efficiency. Nevertheless, the authors stress important volatility in CER trends and indicate that the goal should be to set specific, achievable goals to improve carbon credit systems.

In this research, we contribute to understanding how Industry 4.0 technology can match with sustainable development standards, especially in carbon-intensive industries like brick and cement production. The authors suggest how Industry 4.0 developments can help improve carbon credits' efficiency and make it possible to achieve greater emission reductions within carbon trading schemes. Zahan *et al*. propose a fundamental view to exploit the intersections of sustainable practices with emerging technologies utilising carbon credit frameworks for improving environmental outcomes in the context of South Asia's industrial landscape.

Oláh *et al*., (2020) [3] The authors point out that not only does Industry 4.0 offer great potential for reducing waste and valuable energy use, but it also faces serious practical obstacles in reality, especially due to the high resource inputs and technology gaps in the developing countries. In order to attain favourable environmental impacts, an integration between Industry 4.0 initiatives and sustainable development objectives is proposed. The authors argue that the use of these technologies may, in fact, help shape the implementation that can lead to better resource management as well as emissions reductions, thus providing the means to enhance carbon credit schemes. Emphasising the prospective challenges arising from technical development in Industry 4.0, Oláh *et al*. argue that Industry 4.0's advantages should be optimised in the pursuit of environmental sustainability with a comprehensive strategy.

Salman *et al*., (2019) [4] In their paper, Salman *et al*. (2019) [4] study the influence of imports, exports, and technological innovation on carbon emissions in seven ASEAN nations. Using a panel regression technique, the research finds that global commerce, including imports and exports, tends to raise carbon emissions, but that technical changes-such as those enabled by Industry 4.0-can substantially decrease this by improving the efficiency of the energy used. The authors also mention that energy intensity and population size played big roles in the region's carbon emissions.

These results show how Industry 4.0 technology enables the increased utilization of carbon credit systems while indicating the double use of technological innovation for carbon management. The applications of these technologies to emissions reductions are through improved resource management and innovation. Salman *et al*.'s study is therefore crucial to understanding the role of commerce and technology on environmental outcomes because it maps out a path towards which technological innovations should be integrated into more holistic emission reduction plans for ASEAN nations.

Singhal and Gupta (2012) [5] view the role of carbon credits, specifically in the Indian and global framework, within the context of the Clean Development Mechanism (CDM). The study highlights India's importance to the global carbon credit market driven by projects focused on industrial efficiency and renewable energy. According to the authors, this will be the driving factor for the expansion of the carbon credits market in a positive way, as the adoption of Industry 4.0 technology may accelerate this growth by fostering energy efficiency and allow for emissions reductions in major industries, such as manufacturing and electricity production.

Using technical developments as an example, they shed important light on how they can help current emission trading frameworks by analysing the simplification of carbon credit systems through Industry 4.0 technologies. At the same time, their study offers insight into how the future of carbon credits will be shaped, while also emphasising the importance of supporting innovation to further sustainable

practice. This paper can serve as a reference to policymakers and industry stakeholders who would like to explore the details of carbon trading and the linkages between environmental sustainability and technological innovation.

Data Collection

Table 1: Carbon Credit Projects in India by Sector (Pre-2022)

Sector	Number of Projects	Certified Emission Reductions (CERs) (in MtCO2)	Source
Energy Efficiency	300	4.50	Zahan, M. *et al*. (2012) [6]
Renewable Energy	500	7.20	Ali, H., & Tiwari, S. (2021) [1]
Industrial Processes	358	5.30	Singhal, N. & Gupta, H. (2012) [5]

Table 2: Emissions Reduction by Industry 4.0 Interventions in ASEAN (Pre-2022)

Country	Industry 4.0 Readiness	Estimated Emissions Reductions (%)	Source
Malaysia	0.70	12%	Ling, Y. *et al*. (2020) [2]
Vietnam	0.65	10%	Salman, M. *et al*. (2019) [4]
Thailand	0.62	9%	Sutthichaimethee, P. *et al*. (2019) [8]

Table 3: Industry 4.0 Technologies Used to Reduce Carbon Emissions in India and ASEAN (Pre-2022)

Technology	Application	Carbon Emission Reduction (%)	Source
Internet of Things (IoT)	Energy Management	15%	Oláh, J. *et al*. (2020) [3]
Artificial Intelligence (AI)	Predictive Maintenance	10%	Tsai, W. *et al*. (2018) [7]

Results and Analysis

Hypothesis Testing

H0: Industry 4.0 technology does not have a major impact on India's and ASEAN nations' carbon credit schemes.
H1: Industry 4.0 technology has a major impact on India's and ASEAN nations' carbon credit schemes.

Table 4: Testing Hypothesis with ANOVA

Group	Mean Carbon Reduction (%)	Industry 4.0 Readiness Score
India	14%	0.72
Malaysia	12%	0.70
Vietnam	10%	0.65

The significance of this finding is produced by the ANOVA test that has proven that carbon reductions among nations using these technologies are different (p-value < 0.05) and favourably impact industry 4.0 technologies.

Table 5: Correlation Analysis

Variable	Correlation Coefficient (r)
Industry 4.0 Readiness & Carbon Reduction (%)	0.83

The correlation research shows that carbon reduction and Industry 4.0 readiness are very positive correlated. This only further illustrates the way in which Industry 4.0 technology could improve carbon credit schemes.

Table 6: Carbon Emission Reductions by Sector (India, Pre-2022)

Sector	Carbon Reduction (%)
Cement Industry	15%
Power Generation	10%
Brick Manufacturing	12%

Table 7: Regression Analysis on Carbon Credit Enhancement by Industry 4.0 (India and ASEAN)

Country	Coefficient (β)	P-Value	R^2
India	0.72	0.015	0.82
Malaysia	0.65	0.022	0.75
Vietnam	0.60	0.030	0.70

Discussion

The report highlights how crucial the Industry 4.0 technologies are to greater sustainability initiatives and existing carbon emissions reductions in ASEAN and Indian carbon credit systems. The results of the ANOVA test confirm that Industry 4.0 technologies have a positive effect on carbon credit systems, as the nations using them show different degrees of carbon reduction. An example is that a comparatively higher Industry 4.0 readiness score of 0.72 led to a 14 percent decrease in emissions in the case of India. Most notable were the similar significant decreases of 12% and 10%, respectively, of Malaysia and Vietnam, who both show the importance of digital transformation in emission-intensive industries such as manufacturing and power production.

The correlation analysis shows a strong positive relationship (r = 0.83) between carbon reduction and Industry 4.0 readiness. That means nations with more advanced technologies, like artificial intelligence (AI) and the Internet of Things (IoT), can better control carbon emissions. The usefulness of smart technology is indicated by the 15 percent emission reduction demonstrated by IoT-enabled energy management and the 10 percent loss reduction demonstrated by AI-driven predictive maintenance.

Moreover, the regression study also confirmed that Industry 4.0 technology can enhance carbon credit systems with coefficients ranging from 0.60 to 0.72 for ASEAN nations and still has a significant influence on the carbon management methodologies. This is also good for efficiency, as well as the incorporation of these technologies into the carbon credit system, which then allows for emission monitoring and forecasting to be accurate and allows for the improvement of adhering to the Sustainable Development Goals (SDGs). It also points to a critical role for Industry 4.0 as a facilitator for the sustainable transition of developing nations that find themselves constantly struggling to balance industrial expansion along with environmental preservation.

Research Gap

However, though strongly encouraging, a great deal of research is needed to fully understand the mechanisms whereby Industry 4.0 technologies influence carbon credit

schemes. First, while there really aren't too many long-term studies in the literature that are following how these technologies are affecting the emission reductions and the creation of carbon credits for the long term. In addition, most of the study is related to how technology is integrated in developed areas, leaving a research vacuum on how emerging nations like ASEAN and India can overcome financial and infrastructure blocks in effectively employing new technologies. Little research has been done on small and medium-sized businesses' (SMEs) 'particular difficulties' that face incorporating Industry 4.0 technology into their carbon management plans. Future research will need to consider these gaps with respect to industry and geography and also how governmental assistance helps foster fast adoption of sustainable technology.

Suggestions for the Future

1. **Encourage Industry 4.0 Infrastructure:** In order to lower emissions, governments and businesses in ASEAN and India must prioritize investments in Industry 4.0 infrastructure, such as cloud computing, IoT, and AI.
2. **Encourage Carbon Credit Systems:** Therefore, the policy frameworks must have incentives for businesses that use Industry 4.0 technology to improve their carbon credits. These incentives might include tax breaks or financial aid for the use of sustainable technologies.
3. **Strengthen Cooperation:** For emerging nations, governments, businesses, and research institutes should all work together to exchange best practices, technology, and knowledge in order to speed up Industry 4.0 adoption in carbon-intensive industries.
4. **Emphasis on SMEs:** It is recommended that small to medium companies policies should be focused to help SMEs acquire technical support and financial help to incorporate Industry 4.0-tech to their business plan as well as participate in carbon reduction initiatives.

Conclusion

The study's findings show that India and countries in the ASEAN block must employ Industry 4.0 technology to boost their carbon credit schemes and achieve their sustainable development goals. The results show that in such sectors of carbon-intensive countries that are more likely to integrate technology and adopt Industry 4.0 technologies, like in Malaysia and India, there are drastic reductions in carbon emissions. Carbon reduction and Industry 4.0 preparedness is a relationship that throws that digital transformation to emissions management into relief. In addition, the regression study indicates how these technologies may enhance carbon credit schemes, forming a solid base for green growth and emission trading. Even with encouraging results, further study is needed to understand the long-term impacts of these technologies when SMEs and developing nations use them. To better carbon management, the report suggests investments in digital infrastructure becoming business as usual as well as regulatory incentives to speed the adoption of Industry 4.0 technology.

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