

## **Coordination of carbon reduction and renewable energy support policies**

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### **Abstract-**

**The European Union is currently pursuing ambitious objectives regarding carbon emissions reductions and renewable energy deployment (renewable energy support, RES), as part of a comprehensive energy policy effort. However, significant interactions may arise between the policy instruments used (Emissions Trading Scheme and RES-specific measures), such as double-counting incentives or geographical overlapping. This article examines these interactions using analytical and simulation research and offers some policy recommendations. The major conclusions are that both instruments are required in order to meet the objectives, and that their use in combination may be advantageous regarding consumer costs. However, they must be carefully coordinated, since part of the carbon allowance price may be incorporated into the RES certificate price. This will produce a reduction in the strength of the emissions reduction signal, and also a different distribution of the cost of the policies. In addition, each policy needs to focus at the geographical level appropriate for its objectives (carbon and security of supply policies at the regional level, and RES-induced local development at the national level).**

**Index Terms-** Carbon emissions trading; electricity markets; governance; policy coordination; renewable energy; sustainable development policies and measures (SD-PAMs)

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