

Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University in Prague

Student:	Lukáš Hochmann
Advisor:	Mgr. Lukáš Rečka
Title of the thesis:	Economic Rationale for Damage Functions Entering the Social Cost of Carbon

OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

The author has selected highly actual theme with high importance for the mankind and its future and introduces it well.

The author provides a comprehensive review of the main model used for social cost of carbon (SCC) estimation and illustrates their advantages and disadvantages. Then the author focuses on deep a analysis of damage function what is the main component of the SCC models. The end of the thesis describes modification that can be made in the damage function and finally also the best practice of damage function form.

Although the thesis does not contain an empirical part, the author has written down a quality thesis which I would like to recommend for the grade excellent. But there are a few points why I do not so. First of all as the choice of the discount rate is relevant for the SCC at least as the form of the damage function, the discount rate issue could be discussed deeply. For example short review of the discount rate values used in the SCC models and their impact on the final results could be added. Also the literature reference on discounting issue could be richer (e.g. theory behind social rate of time preference or Heal (2005) Intertemporal welfare economics and the environment, in Mäler and J.R. Vincent (2005)).

There is also a bunch of literature on the relation between willines to pay (WTP) and willignes to accept (WTA), wich are equal under specific condition, that could be mentioned in section 3.1.1.

For further publication of the thesis I recommend to use the standard term willlines to accept (WTA) instead of s willingness to accept compensation (WTAC).

Overall I appreciate the clarity of the thesis and rate it as good (B) with a high potential to be excellent after incorporatotion of the remarks mentioned above.

SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Literature</i> (max. 20 points)	15
<i>Methods</i> (max. 30 points)	21
<i>Contribution</i> (max. 30 points)	25
<i>Manuscript Form</i> (max. 20 points)	19
TOTAL POINTS (max. 100 points)	80
GRADE (1 – 2 – 3 – 4)	2

NAME OF THE REFEREE: Lukáš Rečka

DATE OF EVALUATION:



Referee Signature

