

MOCKING AT MACS

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This paper gives a critical assessment of marginal abatement curves (MACs). MACs relate efforts to reduce the emissions of greenhouse gases to (marginal) reduction costs. MACs provide a quick and easy tool for the analysis of climate change policies. However, MACs tell only part of the story. There is no direct linkage between abatement costs, as can be derived from MACs, and more genuine measures like GDP or welfare. The latter is especially true if existing energy taxes and terms-of-trade effects are taken into account. Given these limitations, the use of MACs is only warranted if the curves are robust. However, it is shown that a country's abatement curve depends on the climate policies in neighboring countries and on the underlying reference scenario. The MACs in this paper are derived from WorldScan, a multi-region, multi-sector applied general equilibrium model.

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