COURSE NUMBER: IAFF 6378, IBUS 4900/6290

COURSE TITLE: Oil: Industry, Economy, Society

PREREQUISITES: Familiarity and comfort with economics measures and concepts at the level of:

IBUS 6290/IAFF 6378 – One of the following: ECON 6280, IAFF 6363, MBAD 6242, PAD 6003, PPOL 6014.

IBUS 4900 - Junior or senior status. ECON 1011 and 1012.

If you are unsure of your econ background, please review and confirm that you are comfortable reading this assigned article: "World Oil: Market or Mayhem?," *Journal of Economic Perspectives*, Summer 2009: 145-164

The course is in part aimed at those pursuing regional studies, but is not organized geographically. Oil plays a significant role in every continent but Antarctica (as of yet). Participants can pursue regional interests through projects.

COURSE DESCRIPTION: This course takes a multidisciplinary approach (primarily political economy and management) to oil and its effects on business, nation-states, and the world economy. The first half of the course adopts a top-down viewpoint, examining the global oil environment. The second half is more bottom-up, using cases to grapple with industry issues.

The course is conducted in a mixture of seminar and lecture formats. A group proposal, paper, and presentation, as well as active class participation are expected, and constitute over half the assessment.
LEARNING OBJECTIVES:

In addition to the specific objectives below, the course uses oil as a vehicle for applying and deepening understanding of intentional-business concepts. As by far the largest global industry, oil reflects and influences broader sociopolitical issues and developments, facilitating pedagogy.

1. Understanding of the development of the oil industry in historical context, including key nations and companies.

2. Familiarity with the various roles played by resource-rich states and resource-poor states. Ability to analyze causes and effects of resource nationalism and resource mercantilism.

3. Analysis of political risk, and negotiations between multinational companies and oil-producing countries.

4. Identification of key factors influencing competitiveness in global resource industries.

5. Students will develop perspectives on the roles played by oil in society, including the rentier state, and the resource course.

6. Familiarity with corporate-governance issues that arise in the industry.

7. Understanding of the causes and effects of oil crises.

8. Ability to assess arguments for and against the proposition that oil production has "peaked," and the claimed consequences of "running out."

9. Understanding of the relationship between the public and private sectors as manifested in a global industry.

10. Familiarity with resources for research on the oil sector in the global economy, especially the types of data often used.
ASSESSMENT: exam %
group term paper %
group project proposal %
class participation
(including group presentation)

Attendance and participation in the group presentation sessions is mandatory.

EXAMINATION: In class, 29th April, open-book, open-notes. Attendance is mandatory.

GROUP PROJECT: A proposal with the names of 4-5 group members is due by Session 4 class meeting. Subject – your choice, with approval of the instructor. Length – 5 pages, plus any charts, tables, and bibliography.

The paper is due by Session 13 class meeting.

Group members are individually and collectively responsible for project work, and will receive a common assessment.

ACADEMIC HONESTY: Students are responsible for compliance with GW's policies on academic honesty and integrity. Using words written by others without proper citation, or passing off someone else's work as your own, constitutes academic dishonesty and is subject to disciplinary action including failure of the course. Please ask if you have questions.

REQUIRED READING: This is an experimental course; additional readings may be assigned as they become available, depending on focus.

No textbook. Articles, book chapters, and some cases are on Bb (depending on your IP address, you may need to log in to Gelman e-journals to get articles). Books are also on reserve in Gelman.

Most HBS and other cases must be purchased:
http://cb.hbsp.harvard.edu/cb/access/16710085

Petroleum Intelligence Weekly (PIW) is the industry's widely-read newsletter. PIW's publisher has granted permission to post it each week (Bb > Electronic Reserves); re-circulation not permitted). Read it before each meeting; in a topics
course, it is especially important to keep up with developments. Also, general business newspaper of your choice (Financial Times best www.ft.com, WSJOK)

**ON-LINE RESOURCES:**
- U.S. Energy Information Administration
- BP Statistical Review of World Energy
- Organization of Petroleum-Exporting Countries (OPEC)
- Extractive Industries Transparency Initiative Re
- Revenue Watch
- Publish What You Pay
SPRING 2013 SCHEDULE

jan 14    GW Sigur Center conference – no class; make up April 30

jan 21    MLK Day – no class

1. jan 28   Course Overview, Historical Perspectives
2. feb 4    Looking Ahead: Is the World Running Out of Oil?
3. feb 11   The Global Petroleum Market – Players and Prices
4. feb 18   GW Day – no class
5. feb 25   Societal Institutions – (When) is Oil a Resource Curse?
7. mar 11   Spring Break
8. mar 18   Oil Shocks & Energy Security
9. mar 25   Petroleum Industry I - Players, Strategy
10. apr 1   Petroleum Industry II – Ownership, Corporate Governance
11. apr 8   Political Risk, Resource Nationalism
12. apr 15  CSR, Societal Impact
13. apr 22  Oil Consumption, Environmental Consequences
14. apr 29  EXAMINATION (open book, notes, etc.) Attendance mandatory

15. apr 30  makeup day
16. may 1   class presentations Attendance mandatory
17. may 2   class presentations Attendance mandatory
Topics & Readings

Petroleum Basics (BLACKBOARD Session 1 please review and familiarize yourself)

U.S. Department of Energy, Energy Explained – Oil and Petroleum Products

BP Statistical Review of World Energy (petroleum section)

1. Course Overview, Historical Perspectives

Antecedents and origin of the industry. Which aspects are familiar today?

Yergin, The prize: the epic quest for oil, money & power, 1991: Ch 1 SKIM

Olien and Olien, Oil and Ideology, 2000: Ch 2

CASE Creating Global Oil, 1900-1935, HBS 9-804-089, revised 2011

MINI-CASE Debating the Expropriation of Mexican Oil, HBS 9-805-011, 2008

2. Looking Ahead: Is the World Running Out of Oil?

Is the world running out of oil? If so, what are the consequences for the global petroleum oil industry? The auto industry? The world economy? Nation-states? what does running out mean? Should oil prices reflect scarcity? What is the evidence? How is scarcity defined and measured?

Point-Counterpoint

Simmons, "The Depletion of Oil Reserves is a Global Problem" and Mouawad, "Global Oil Reserves Are Not Near Depletion," in Hanrahan ed., Global Resources, 2008.

Intro to the Economics of Exhaustible Resources (read at least one of the two)

Tietenberg and Lewis, Environmental and Natural Resource Economics, 8th ed., 2009, Ch. 7

Salant, "The economics of natural resource extraction: a primer for development economists," World Bank Research Observer, February 1995

Optional Background: The Classic Article on Peak Oil  

Optional Economics Background  
Smith, "On the Portents of Peak Oil (and other Indicators of Resource Scarcity)," Energy Policy, May 2012: 68-78.

3. The Global Petroleum Market - Players and Prices

Smith, "World Oil: Market or Mayhem?" Journal of Economic Perspectives, Summer 2009: 145-64

CASE Filling the Empty Quarter: Saudi Aramco and the World Oil Market, HBS, 9-708-048, 2010

OPEC


Traders, Derivative Markets, and Speculation


Optional Economics Background  

4. Societal Institutions — (When) is Oil a Resource Curse?

Does oil foster authoritarianism, conflict, and corruption? Do oil-exporting countries have a worse growth record? (How) do institutions play a role?


CASE Angola and the Resource Curse, HBS, N9-711-016, 2010

Optional Literature Suroey  
van der Ploeg, "Natural Resources: Curse or Blessing?, Journal of Economic Literature, June 2011.
5. **Global Governance - Rules of the Game**


6. **Oil Shocks & Energy Security**


Stobaugh, "The Oil Companies in the Crisis," *Daedalus*, Fall 1975: 179-202

*SKIM*


CASE *Unocal Corporation: China's Unwelcome Bid*, ACRC, University of Hong Kong HKU588, 2006

7. **Petroleum Industry I - Players, Strategy**

*NOTE The Global Oil and Gas Industry-2010, Thunderbird TB0223, 2010*


8. **Petroleum Industry II– Ownership, Corporate Governance**

*Who owns the world's great oil companies? (Why) does it matter? If privatization of national oil companies is the answer, what is the question?*
Background on Corporate Governance (If you are familiar with the subject, use as a refresher): Eun and Resnick, *International Financial Management*, 4th ed., 2007, Ch. 4


CASE Royal Dutch/Shell: *A Shell Game with Oil Reserves* (A) & (B), Rock Ctr for Corporate Governance, Stanford GSB, CG-11 & CG-17B, 2008

9. **Political Risk, Resource Nationalism**

The obsolescing bargain. To whom does petroleum under the ground belong? Who should receive the benefits of oil? Who does? How important is FDI, and how does political risk affect investment? How can we conceptualize political risk in a systematic fashion? What are the sources of political risk?

Basics


Oil-Producer Perspective


Investor Perspective

Click and We:ii.ner, Resource nationalism meets the market: Political risk and the value of petroleum reserves, *Journal of International Business Studies*, June-July 2010: 783-803


10. **CSR, Societal Impact**

Video of the Niger Delta, Nigeria

Watts, "Righteous oil? Human rights, the oil complex, and CSR," *Annual Review of Environment and Resources*, 2005

CASE  Talisman Energy: The Decision to Enter Iraq, 9B09M035, Ivey School of Business, Univ. of Western Ontario, 2009

Optional Case Background

Optional Legal Background

11. Oil Consumption, Environmental Consequences

Climate Change


Deepwater Horizon Oil Spill


Steffy, Drowning in Oil: BP & the Reckless Pursuit of Profit, 2011: Chs 1, 14-16, 20 SKIM

Optional Regulatory Background

OPTIONAL REGIONAL AND INDUSTRY BACKGROUND MATERIAL

Political economy

Cameroon, Kazakhstan, Ghana, Iraq, Equatorial Guinea, Mexico

Country risk

Argentina, Bolivia, Venezuela, Russia

Petroleum Sector

Algeria, Libya, Egypt, Sudan