COURSE NUMBER: IBUS 4900/6290, IAFF 6378  Fall 2011

COURSE TITLE: Oil: Industry, Economy, Society

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

IBUS 6900/IAFF 6378 – One of the following: ECON 6280, IAFF 6363, MBAD 6242, PAD 6003, PPOL 6014.

IBUS 4900 – Junior or senior status. Economics at level of ECON 1011 and 1012.

If you are unsure of you 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 take 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.

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 its pedagogic use.

The course is conducted in a mixture of seminar and lecture formats, and active participation is expected.
LEARNING OBJECTIVES:

1. Understanding of the development of the industry in historical context, including the key nations, 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 (see above).

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. Students should be able 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.

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

No textbook. Petroleum Intelligence Weekly (PIW) is the industry’s widely-read newsletter. PIW’s publisher has kindly 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, WSJ OK)

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/9756398

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

ASSESSMENT:

exam  $\frac{1}{3}$
group term paper  $\frac{1}{3}$
group project proposal  $\frac{1}{6}$
class participation  $\frac{1}{6}$
(including presentation)

Group Term Paper: A 5-page proposal, including the names of 4-5 group members, is due to the TA by Session 4 class meeting. The paper is due to the TA by Session 13 class meeting.

Examination: An open-book, open-notes examination will be given in class prior to term-paper presentation, Monday, 28th November. Attendance mandatory.

NOTE: Attendance and participation in the student group presentation sessions is mandatory for those taking the course for credit.
### IBUS 4900 & 6900/IAFF 6378 Oil: Industry, Economy, Society

#### FALL 2011 SCHEDULE

1. **aug 29**  
   Course Overview, Historical Perspectives

2. **sept 5**  
   *Labor Day – no class*

3. **sept 12**  
   Looking Ahead: Is the World Running Out of Oil?

4. **sept 19**  
   The Global Petroleum Market – Players and Prices

5. **sept 26**  
   Societal Institutions — (When) is Oil a Resource Curse?

6. **oct 3**  
   Global Governance – Rules of the Game

7. **oct 10**  
   Oil Shocks & Energy Security

8. **oct 17**  
   Petroleum Industry I – Players, Strategy

9. **oct 24**  
   Petroleum Industry II – Ownership, Corporate Governance

10. **oct 31**  
    Political Risk, Resource Nationalism

11. **nov 7**  
    *SMS annual meeting – no class; makeup dec 6*

12. **nov 14**  
    CSR, Societal Impact

13. **nov 21**  
    Oil Consumption, Environmental Consequences

14. **nov 28**  
    **EXAMINATION** (open book, notes, etc.) **Attendance mandatory**

15. **dec 5,6**  
    class presentations **Attendance mandatory**
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Topics & Readings

Professor Robert J. Weiner

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

Petroleum Basics (please review and familiarize yourself)


*BP Statistical Review of World Energy* (petroleum section)

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

Is the world running out of oil? If so, what are there 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


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


Optional Background: The Classic Article on Peak Oil  

Optional Economics Background  

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 Survey  
5. **Global Governance – Rules of the Game**


6. **Oil Shocks & Energy Security**


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


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?

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
Rodríguez-Padilla, “Nationalism and Oil,” Encyclopedia of Energy, Vol 4, 2004

Investor Perspective
Click and Weiner, 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


11. Oil Consumption, Environmental Consequences

Climate Change


Deepwater Horizon Oil Spill

CASE  BP’s Macondo: Spill and Response, HBS, 9-711-021, 2011

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

OPTIONAL REGIONAL AND INDUSTRY BACKGROUND MATERIAL

Country Studies

Political risk focus

Argentina, Bolivia, Venezuela, Russia

Petroleum Sector

Algeria, Libya, Egypt, Sudan