INTERNATIONAL BUSINESS DEPARTMENT

COURSE NUMBER: IBUS 6400/IAFF 6378/PPPA 6085 Spring 2017

COURSE TITLE: Oil: Industry, Economy, Society

PREREQUISITES: Familiarity and comfort with economics measures and concepts at the level of one of the following: ECON 6280, MBAD 6242, PPPA 6014.

If you are unsure of you econ background, please review and confirm that you are comfortable reading this assigned article: Forty Years of Oil Price Fluctuations: Why the Price of Oil May Still Surprise Us, "Journal of Economic Perspectives, Winter 2016: 139–160

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: Petroleum is one of the fastest-growing industries in the USA, and affects the fortunes of companies and nations. Most of the largest firms in the world are in petroleum.

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.
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LEARNING
Office Hours: M 1:30-3, and by appt.

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. Ability to analyze the various roles played by resource-rich states and resource-poor states, as well as 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. Ability to analyze corporate-governance issues that arise in the industry.

7. Ability to explain 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. Ability to explain the relationship between the public and private sectors as manifested in a global industry.

10. Ability to identify and use resources for research on the oil sector in the global economy; familiarity with the types of data often used.
ASSESSMENT:

exam ½

group term paper ½

group project proposal ½

class participation ½
(including group presentation)

Attendance and participation in the group presentation sessions is required. One-grade penalty for each absence. One-half-grade penalty for late arrival or early departure.

EXAMINATION:

In class, 24th April, open-book, open-notes. Attendance is required.

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:

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). Additional readings may be assigned as they become available.

Cases and notes must be purchased here:
http://cb.hbsp.harvard.edu/cbmp/access/5749157

Petroleum Intelligence Weekly (PIW) is the industry's widely-respected newsletter. Read the weekly issue before each meeting; in a topics course, it is especially important to keep up with current developments.
PIW’s publisher has granted permission for course use only. I will post it to BLACKBOARD each week (Bb > Electronic Reserves); (circulation and copying not permitted).

You should also follow industry developments through a general business newspaper of your choice (Financial Times best www.ft.com, WSJ OK)

Over the course of the semester, you should expect to spend at least 5 hours per week on coursework outside of class time.

ON-LINE RESOURCES:

Useful websites. No endorsement implied; take cum grano salis

Government

U.S. Energy Information Administration

Company

BP Statistical Review of World Energy

IGO

Extractive Industries Transparency Initiative Organization of Petroleum-Exporting Countries (OPEC)

NGO

Global Witness
Oxfam America
Publish What You Pay Revenue Watch

Blog

General
http://www.energytrendsinsider.com/

Peak-Oil
http://www.theoildrum.com/ (archived Sept 2013)
http://www.themonkeytrap.us/articles-and-blog-posts
http://bittooth.blogspot.com/
http://euanmearns.com/
http://ourfiniteworld.com/about/
http://www.resilience.org/stories-list/79716-energy
http://www.theoildrums.com/

Anti-Peak-Oil
http://peakoildebunked.blogspot.com/
SPRING 2017 SCHEDULE

1. jan 23  Course Overview, Historical Perspectives
2. jan 30  Looking Ahead: Is the World Running Out of Oil?
3. feb 6   The Global Petroleum Market – Players and Prices
4. feb 13  Societal Institutions — (When) is Oil a Resource Curse?
5. feb 20  GW day – no class
6. feb 27  Political Risk, Resource Nationalism
8. mar 13  Spring Break
9. mar 20  Oil Shocks & Energy Security
10. mar 27 Petroleum Industry I – Players, Strategy
11. apr 3   Petroleum Industry II – Ownership, Corporate Governance
12. apr 10  CSR, Societal Impact
13. apr 17  Oil Consumption, Environmental Consequences
14. apr 24  EXAMINATION (open book, notes, etc.) Attendance required
15. may 1   class presentations Attendance required
16. may 3   GW Monday class presentations Attendance required
Topics & Readings

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


*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 2015

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 world economy? Nation-states? what does running out mean? Should oil prices reflect scarcity? What is the evidence? How is scarcity defined and measured? Implications of new technology, e.g. fracking?*

Point-Counterpoint


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

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3. The Global Petroleum Market – Players and Prices

Why are oil price so volatile? Role of OPEC Cartel? Fundamentals? Speculation?


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

Optional update on recent market developments, impact of shale


Optional Economics Background


Optional Background on Traders, Derivative Markets, and Speculation


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 Regional Articles: Africa


Optional Literature Surveys


van der Ploeg, “Natural Resources: Curse or Blessing?, Journal of Economic Literature, June 2011.

5. 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?


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


CASE Serafeim et al, Statoil: Transparency on Payments to Governments. HBS 9-115-049, March 2015

Optional Background

Goldthau and Witte, "Back to the future or forward to the past? Strengthening markets and rules for effective global energy governance," International Affairs, March 2009: 373-390


7. Geopolitics & Energy Security


Zwein and Bi, "China's Global Hunt for Energy," Foreign Affairs, Sept 2005

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

Optional Background


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


8. Petroleum Industry I – Players, Strategy

NOTE Inkpen, The Global Oil and Gas Industry, Thunderbird TB0321, 2013
CASE. Statoil's Evolving Strategy, Thunderbird TB0377, revised 2015

9. Petroleum Industry II – Ownership, Corporate Governance

Who owns the world’s oil companies? (Why) does it matter? If privatization of national oil companies is the answer, what is the question?

Background on Corporate Governance (SKIM if you are familiar with CG): Eun and Resnick, International Financial Management, 5th ed., 2009, 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

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


Optional Background
