



**INTERNATIONAL BUSINESS DEPARTMENT
ELLIOTT SCHOOL OF INTERNATIONAL AFFAIRS**

- COURSE NUMBER:** IAFF 6378/IBUS 6400/PPPA 6085 **Spring 2024**
- COURSE TITLE:** *Oil: Industry, Economy, Security, Society*
- PREREQUISITES:** Exposure to introductory economics measures and concepts. At GW examples include ECON 6217, MBAD 6242, PPPA 6003.
- If you are unsure of your econ background, please review and satisfy yourself that you are comfortable reading this 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 largest and most controversial industries worldwide, and affects the fortunes of companies and nations. Many of the best-known 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
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. Development of 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 types of data often used.

Assessment:	exam	1/3
	group term paper	1/3
	group project proposal	1/6
	class participation (including group presentation)	1/6

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

Class Participation: Means speaking in class; **attendance is insufficient**. This is especially important for case discussion and guest speakers. Class participation scored for each session — 1 for at least one comment or question that was productive (concise and salient), 2 for multiple such comments/questions.

Examination: In class, 22nd April, open-book, open-notes. **Attendance required for those taking the course for credit.**

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.

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

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:
<https://hbsp.harvard.edu/import/1137569>

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)**.

- 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 350.org/ (anti-fossil fuel)
Carbon tracker (climate change)
divestmentdatabase.org/(commitments to divest fossil fuels)
Global Witness
Oxfam America
Publish What You Pay
Revenue Watch
American Petroleum Institute
Independent Petroleum Association of America
Energy Institute (UK)
King Abdullah Petroleum Studies and Research Center
- Blog <http://ourfiniteworld.com/about/>
<http://www.resilience.org/stories-list/79716-energy>
- Bibliography EITI/Natural Resource Transparency
- Credit Hour Policy:** The course is 3 credit hours and spans 15 weeks. There are 2.5 hours of direct instruction (class time) each week. The course requires at least 5 hours of independent and group learning (studying, reading, project work, activities, etc.) each week.
- Academic integrity:** 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.
- Religious observance:** Students should notify faculty during the first week of the semester of any religious observance that would result in absence from class.
- DSS:** Any student who may need an accommodation based on the potential impact of a disability should contact the Disability Support Services office 202-994-8250 to establish eligibility and to coordinate reasonable accommodations.
- Safety and Security:** Monitor GWAlerts and Campus Advisories to Stay Informed before and during an emergency event or situation

SPRING 2024 SCHEDULE

1. jan 22 Course Overview, Historical Perspectives
2. jan 29 Looking Ahead: Is the World Running Out of Oil, or Awash in it?
3. feb 5 The Global Petroleum Market – Players and Prices
4. feb 12 Societal Institutions — (When) is Oil a Resource Curse?
5. feb 19 GW day – no class
6. feb 26 Political Risk, Resource Nationalism
7. mar 4 Global Governance – Rules of the Game
8. mar 11 Spring Break
9. mar 18 Oil Shocks, Geopolitics, & Energy Security
10. mar 25 Petroleum Industry I – Players, Strategy
11. apr 1 Petroleum Industry II – Ownership, Corporate Governance
12. apr 8 Oil Consumption, Environmental Consequences
13. apr 15 CSR, Societal Impact
14. apr 22 **EXAMINATION** (open book, notes, etc.) **Attendance required**
15. apr 29 class presentations **Attendance required** (except auditors)
may 1 GW Monday class presentations **Attendance required** (except auditors)

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?

Covert et al, "Will we ever stop using fossil fuels?." *Journal of Economic Perspectives*, Winter 2016: 117-38.

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

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

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

CASE Alfaro and Vietor, *The US Shale Revolution: Global Rebalancing*. HBS 9-717-056, revised August 2018

Optional Background: The Classic Article on Peak Oil Campbell and Laherrère, "The End of Cheap Oil," *Scientific American*, March 1998: 78-83

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

Watkins, "Oil scarcity: What have the past three decades revealed?," *Energy Policy*, March 2006: 508-514.

3. **The Global Petroleum Market – Players and Prices**

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

Baumeister & Kilian, Forty Years of Oil Price Fluctuations: Why the Price of Oil May Still Surprise Us,” *Journal of Economic Perspectives* Winter 2016:139–160

Smith, "OPEC," in *Princeton Encyclopedia of the World Economy*, Rajan and Reinert, eds., 2009.

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

Optional Economics Background

Smith, “Inscrutable OPEC? Behavioral Tests of the Cartel Hypothesis”, *Energy Journal*, 26(1), 2005: 51–82

Optional Background on Traders, Derivative Markets, and Speculation

Ammann, *The King of Oil: The Secret Lives of Marc Rich*, 2009: 81-104

Weiner, “Speculation in international crises: report from the Gulf, *Journal of International Business Studies*,” September 2005: 576-587

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?

Friedman, “The First Law of Petropolitics,” *Foreign Policy*, May 2006: 28-36

Vyas & Eaton, A Record Oil Gusher Infuses Tiny Guyana With Wealth and Worries, *Wall Street Journal*, November 2023

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

Optional Regional Articles: Africa

Venables, “Using Natural Resources for Development: Why Has It Proven So Difficult?” *Journal of Economic Perspectives*, Winter 2016: 161-184.

Sala-i-Martin & Subramanian, “Addressing the Natural Resource Curse: An Illustration from Nigeria,” *Journal of African Economies*, Aug. 2013: 570-615

Lujala, “The Spoils of Nature: Armed Civil Conflict and Rebel Access to Natural Resources”, *Journal of Peace Research*, January 2010: 15-28

Optional Literature Surveys

Ross, "What Have We Learned About the Resource Curse?," *Annual Review of Political Science*, 2015.

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?

Basics Jakobsen, "Old Problems Remain, New Ones Crop Up: Political Risk in the 21st Century," *Business Horizons*, Sept.-Oct. 2010: 481-490

Oil-Producer Perspective Rodríguez-Padilla, "Nationalism and Oil," *Encyclopedia of Energy*, Vol 4, 2004

Investor Perspective Click & 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 Maurer & Herrero. *YPF — The Argentine Oil Nationalization of 2012*. HBS 9-713-029, revised 2013.

Optional Regional Article: Latin America Berrios et al. "Explaining hydrocarbon nationalization in Latin America: Economics and political ideology," *Review of International Political Economy*, Dec. 2011: 673-697.

6. Global Governance – Rules of the Game

Frynas, "Corporate Social Responsibility and Societal Governance: Lessons from Transparency in the Oil and Gas Sector," *Journal of Business Ethics* 93, Supplement 2, June 2010: 163-179.

Corrigan, "The effects of increased revenue transparency in the extractives sector: The case of the Extractive Industries Transparency Initiative," *Extractive Industries and Society*. November 2017: 779-787

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

Optional Background

Jandhyala & Weiner, "Institutions sans Frontières: International Agreements and Foreign Investment," *Journal of International Business Studies*, August 2014: 649-669.

Wenar, "Property Rights and the Resource Curse," *Philosophy & Public Affairs*, 2008, #1: 2-32

7. Oil Shocks, Geopolitics, & Energy Security

How does oil influence interstate relations? Concepts of energy security. Import dependence vs. vulnerability. National strategies – resource mercantilism?

Colgan and Stockbruegger, Energy and international conflict. *Oxford Handbook of Energy Politics*, 2021.

Kelanic, "The Petroleum Paradox: Oil, Coercive Vulnerability, and Great Power Behavior," *Security Studies*, 2016: 181-213

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

Optional Background

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

Hamilton, "Historical Oil Shocks," in Parker and Whaples, eds, *Routledge Handbook of Major Events in Economic History*, 2013. **SKIM**

Glaser, "How Oil Influences US National Security," *International Security*, Fall 2013: 112-146.

Blackwill and O'Sullivan, "America's Energy Edge," *Foreign Affairs*, March 2014.

8. Petroleum Industry I – Players, Strategy

NOTE Inkpen, *The Global Oil and Gas Industry*, Thunderbird TB0443, revised 2020

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

Manley et al. "Hidden giants: It's time for more transparency in the management and governance of national oil companies," *Finance & Development*, December 2019: 56-59.

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

Optional Background

Cannizzaro and Weiner, "State Ownership and Transparency in FDI," *Journal of International Business Studies*, 2018

10. Oil Consumption, Environmental Consequences

NOTE Henderson et al, *Climate Change in 2020: Implications for Business*, HBS 9-320-087, 2020

CASE Serafeim et al, *ExxonMobil: Business as Usual? (A)*, HBS 9-117-046, 2017

Optional Background on Economics and Politics of Climate change

Tol, "The economic effects of climate change." *Journal of Economic Perspectives*, Spring 2009: 29-51.

Hughes, "The Politics of Energy and Climate Change," *Oxford Handbook of Energy Politics*, 2021

11. 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

Frynas, "The false developmental promise of Corporate Social Responsibility: evidence from multinational oil companies," *International Affairs*, May 2005: 581-598.

CASE *Talisman Energy: The Decision to Enter Iraq*, 9B09M035, Ivey, 2009

Optional Case Background Kobrin, Oil and Politics: Talisman Energy and Sudan, *New York Univ. J. of International Law & Politics*, 2003-2004: 425-456.

Optional Legal Background Drimmer, "Human rights and the Extractive Industries: Litigation and Compliance Trends," *Journal of World Energy Law & Business* #2, 2010: 121-139.

Optional Background on Divestment Ding et al, "When Does a Stock Boycott Work, Evidence from a Clinical Study of Sudan," *Journal of Business Ethics*, 2020: 507-527.