Course Title: The Political Economy of Oil and Natural Resources

Instructor: Yahya Sadowski.

Number of credits: 2.

Teaching Format: 2-3 introductory lectures followed by 9 seminar discussions.


Class Times: Mondays, 9:00AM to 10:40 AM at Costa Coffee or equivalent.

Office Hours: 11:00-12:00 AM Mondays…or by appointment.

Course Status: Elective.

Course Summary

A common—but controversial—idea in global policy debates is that the production of natural resources is associated with a whole host of political problems. These resources are supposed to be sources of domestic and international exploitation, civil and inter-state violence, corruption and crime, pollution and authoritarianism. There are now international public policy processes that focus upon these issues as they relate to water, wheat, bananas, coffee, timber, opium, copper, uranium, rare earths, etc.

In this course we will examine each of these debates, focusing the elaborate literature that has developed from analysis of the largest commodities—by value and volume—in world trade: the hydrocarbons crude oil and natural gas.

Learning Objectives

The first third of the course will supply students with an overview of the hydrocarbons industry, including some of the technological and economic particulars that set it apart from the production of other commodities. In the second third of the class, attention will shift to the role that hydrocarbons play in the political and economic development of individual countries. In the final third of the class, the subject will be geopolitics, and how hydrocarbons produce conflict or cooperation at the international level.

This course will not frame the controversies surrounding oil and gas in the conventional manner as matters of energy policy. Although reference will be made to the issues of energy security and global energy demand—and detailed attention will be given to energy events such as “fracking” in America and climate change worldwide—we will be looking at oil and gas not as two among a dozen different fuels used in generating electric and combustion power.
Plagiarism

Plagiarism (failing to credit a colleague for their work) will result in serious consequences, e.g. the grade of zero on an assignment, loss of credit with a notation on the transcript, and/or suspension or expulsion from the university. See www.plagiarism.org.

Cell Phones

Using cell phones during class disrupts the work of other students. Anyone using a cellphone during a class session will be counted as “absent without an excuse” for that day and will be asked to leave.

Grading

CEU uses a system of letter grades and grade points for evaluation:

<table>
<thead>
<tr>
<th>Grade</th>
<th>Minimum Pass</th>
<th>Maximum Pass</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>3.68</td>
<td>4.00</td>
</tr>
<tr>
<td>A-</td>
<td>3.34</td>
<td>3.67</td>
</tr>
<tr>
<td>B+</td>
<td>3.01</td>
<td>3.33</td>
</tr>
<tr>
<td>B</td>
<td>2.68</td>
<td>3.00</td>
</tr>
<tr>
<td>B-</td>
<td>2.34</td>
<td>2.67</td>
</tr>
<tr>
<td>C+</td>
<td>2.33 (minimum pass)</td>
<td></td>
</tr>
</tbody>
</table>

Assessments

- Individual presentations: 35%
- Class discussion: 30%
- Weekly reading summaries: 35%

Absences

Unexcused absences will be counted against the “class discussion” grade.

Individual Presentations

Each week one or more students will be assigned to make a class presentation. In these sessions, the student is expected to summarize two or three of the articles on the “Recommended Readings” section of the reading list. AND they should show how these articles relate to the topic of discussion and the required readings for that week. Presentations should be targeted to last around 20 minutes. Those presentations that successfully spur a class discussion will receive extra credit.

Readings

Each week we will be reading 50-150 pages of material, usually from online articles but also sections of Steven Coll’s Private Empire: ExxonMobil and American Power (Penguin, 2013). The latter text will be on reserve at the CEU library, but copies are also available for sale as an e-book for less than $10 at Amazon.com.

Reading Summaries
At the beginning of class each week, students are required to submit a summary of key lessons from their readings for the previous week. This summary

• Must begin with full identification: student’s name, instructor’s name, date of class
• Students should comment independently upon each of the readings for the preceding week
• Comments should take the form of either a series of bullet points which identify either a) original insights laid out in the readings, or b) student criticisms of the author’s main points.

Writing Requirements
Writing policy analysis demands a different writing style from that used among academics. Policy documents need to be readable for politicians, businessmen, and members of the educated public. Policy writing must therefore be lucid, logical and to the point.

Elegant examples of this type of writing can be found in British business journalism, particularly in The Economist (weekly) and The Financial Times (daily). The best single text for studying this writing style is The Economist Style Guide, available bookstores or online at http://www.economist.com/styleguide/introduction

The following webpages provide examples and instructions about how to write policy briefs in particular:
- http://www.csulb.edu/~msaintg/ppa670/670steps.htm
- http://www.rhsupplies.org/fileadmin/user_upload/toolkit/B_Advocacy_for_RHS/Guidelines_for_Writing_a_Policy_Brief.pdf

Overviews of Non-Energy Natural Resources

• Bill Carter, Boom, Bust, Boom: A Story about Copper, the Metal that Runs the World (2012)
• Peter Eichstaedt, Consuming the Congo: War and Conflict in the World’s Deadliest Place (2011)
• Sidney Mintz, Sweetness and Power: The Place of Sugar in Modern History (1986)
• Dan Morgan, Merchants of Grain: The Power and Profits of the Five Merchant Companies at the Center of the World’s Grain Trade (2000)
• Michael Ross, Timber Booms and Institutional Breakdown in Southeast Asia (2012)
• Vandana Shiva, Water Wars: Privatization, Pollution and Profit (2002)
• Steven Solomon, Water: The Epic Struggle for Wealth, Power, and Civilization (2011)
• Steve Striffler and Mark Moberg, Banana Wars: Power, Production and History in the Americas (2003)
• Tom Zoellner, Uranium: War, Energy and the Rock that Shaped the World (2010)
Reading List

Learning to read quickly and in volume is one of the key skills in the information age. If you need help, consult MIT’s “Guide to Reading Social Science,” available online at http://ocw.mit.edu/courses/sloan-school-of-management/15-031j-energy-decisions-markets-and-policies-spring-2012/Syllabus/MIT15_031JS12_read_guide.pdf

Revisions and Substitutions

Currently this course is very “text focused,” as most academic classes are. However, I am very happy to experiment with other forms if students are interested. For example, there are a large number of films covering aspects of the oil industry, including everything from the documentary version of Daniel Yergin’s The Quest to classics like Giant and Wages of Fear. There are also a number of elaborate simulations or "games," some designed to train oil company managers, which give real insights into how the industry operates.

If students would like to add films or movies to the syllabus, I am very amenable. And, of course, if students would like to propose alternative readings to those currently assigned, I am open to that.

Part One: The Oil Business

1. Introduction

Students and the instructor will introduce each other, a survey of the issues to be discussed, an assessment of their importance, followed by an outline of the class’s objectives and mechanics.

Core Reading

There are no assigned readings for the first week. Familiarize yourself with the syllabus and then start doing the readings for week two. If you are at loose ends, try checking out the following resources.

• American Petroleum Institute, Understanding Crude Oil and Product Markets (2014)
• Carbon Tracker Initiative, Oil and Gas Majors: Fact Sheet (August 2014)
• EIA Chronology of Major Oil Events: http://www.eia.doe.gov/emeu/cabs/AOMC/Overview.html
• Financial Times: Articles about Climate Change http://www.ft.com/climatechangeseries
• International Energy Association, Key World Energy Statistics
• Peak oil bibliography http://www.dynamiclist.com/?worldview/peakoil

Recommended Readings: Energy Projections

These forecasts of energy trends are available online and are updated regularly (usually annually).
• British Petroleum, BP Energy Outlook 2035 (January 2015)
Recommended Readings: Journals about the Politics of Oil and the Environment

Annual Review of Environment and Resources
Antipode
Capitalism Nature Socialism
Climate and Energy Policy
Ecological Economics
Ecology and Society
Ecology Law Quarterly
Economics and Policy
Energy: The International Journal
Energy and Environment
Energy and Environmental Policy
Energy and Fuels
Energy Economics
Energy for Sustainable Development
Energy Journal
Energy Policy
Energy Sources
Energy Strategy Reviews
Energy, Sustainability, and Society
Energy Systems
Environment and Behavior
Environment and History
Environment and Planning
Environmental Ethics
Environmental History Review
Environmental Politics
Environmental Science and Policy
Environmental Values
Ethics in Science and Environmental Politics
Frontiers in Energy
Policy
Population and Environment
Renewable Energy World
Resource and Energy Economics
Resources Policy

Global Environmental Politics
Geoforum
International Journal of Ecology and Development
International Journal of Energy
Journal of Energy and Development
Journal of Energy, Finance, and Development
Journal of Environmental Economics and Management
Journal of Environmental Law
Journal of Environmental Management
Journal of Political Ecology
Journal of Renewable and Sustainable Energy
Middle East Economic Survey
Mineral Economics
Natural Resources Journal
Organization and Environment
Oil and Gas Journal
Oil and Gas Financial Journal
Oil Review Africa
Oil Review Middle East
OPEC Energy Review
Oxford Energy Forum
Petroleum Intelligence Weekly
Petroleum Review
Platts (various)
Review of Environmental Economics and Policy
Rigzone
Upstream

2. Energy, Resources, and Collective Action Problems

The lecture this week will introduce some of the special problems and paradoxes that surround the global energy system. For this week, students will start their reading of Steve Coll’s book about Exxon.
If you can find time early in the course to read Coll’s book in one setting, you should do it. It is actually a pretty interesting read: written by a talented journalist rather than by an academic. Although you might wind up reading a few chapters in the Coll book that are not assigned, there are also real advantages. You get to read the chapters in the sequence that the author’s intended, so you won’t be puzzled when events in other chapters are mentioned. You get it over with.

Core Reading

• Steve Coll, Private Empire: Exxon-Mobil and American Power, pp. 1-66, 177-193, and 576-600. (A total of 106 pages.)

Recommended Readings about the Oil/Energy Industry

• Jeffrey Baader et al., The Global Politics of Energy (2008)
• Brian C. Blick, Crude Reality: Petroleum in World History (2012)
• Gavin Bridge and Philippe le Billon, Oil (2012)
• Julian Darley, High Noon for Natural Gas (2004)
• Morgan Downey, Oil 101 (2009)
• Jeff Goodell, Big Coal: The Dirty Secret Behind America's Energy Future (2006)
• Lisa Margonelli, Oil on the Brain: Petroleum’s Long Strange Trip to Your Tank (2008)
• Leonardo Maugeri, Beyond the Age of Oil: The Myths, Realities, and Future of Fossil Fuels and Their Alternatives (2012)
• Francisco Parra, Oil Politics: A Modern History of Petroleum (2009)
• Vaclav Smil, Energy at the crossroads: global perspectives and uncertainties (2005)
• Daniel Yergin, The Prize: The Epic Quest for Oil, Money, and Power (2008)

Part Two: Resources and Development

3. The Dutch Disease and Natural Resource Transparency

In part two of this class, we begin to look at the many ways in which natural resources can afflict the economic and political systems of a country: the so-called “resource curse.” The focus will be upon late-developing countries—including the BRICs, which are more vulnerable to these effects. We begin by looking at the effects of oil on the process of economic development.

Core Reading

• Nienka Oomes and Katerina Kalcheva, “Diagnosing Dutch Disease: Does Russia Have the Symptoms?” (Bank of Finland, 2007).

4. Do Resources Trigger Civil and/or International Wars?

Oil is blamed for triggering a whole array of different wars: resources wars between states, civil wars within states, climate wars reacting to global changes, etc. In this session we will examine the major theories, their strengths, and esp. their weaknesses.

Core Reading


5. The Rentier State and Democracy

Many theorists claim that oil retards the development of democracy. Others go further, claiming that petrodollars breed rentier states or corrode the foundations of any and all social institutions.

Core Reading

• Michael Herb, ”No Representation Without Taxation?: Rents, Development, and Democracy,” Comparative Politics, 37 (April 2005): 297-316
• Gray, Matthew. A Theory of” Late Rentierism” in the Arab States of the Gulf. (Center for International and Regional Studies, Georgetown University, School of Foreign Service in Qatar, 2011)

Part Three: Resources and Geopolitics
6. Resource Cartels: The Role of OPEC

In part three of the course, we begin to switch attention from the national to the global influences of oil. We begin with the entity many think of as synonymous with oil, OPEC, although in practice its influence is greatly diminished.

**Core Reading**

- Songying Fang, et al., *New Alignments?: The Geopolitics of Oil and Gas Cartels and the Changing Middle East* (James A. Baker Institute, January 2012).


The current global energy system is often portrayed as a pure product of market forces. But the United States government plays the key role in defining and enforcing its rules. Saudi Arabia enjoys its influence in the system because Washington protects and supports its policies.

**Core Reading**


**Supplementary Reading**


8. The Energy Insurgents: China and the Alternative Grid

China too finds the American-dominated global energy system unsatisfactory. It is seeking to construct a parallel system which does a better job of guaranteeing its own energy security.

**Core Reading**

9. The Energy Insurgents: Russia and Petropower

Russia is often portrayed as a “rogue” player in the global energy system. If so, it is a rogue not because it mixes energy economics with power politics—but because in the current system that practice is reserved for the United States.

Core Reading

• Thane Gustafson, “Putin’s Petroleum Problem: How Oil Is Holding Russia Back And How It Could Save It,” Foreign Affairs 91 (2012): 83-

Part Four: Resources Solutions

10. The Private Sector and the Price Problem: Peak Oil, Cheap Oil, or What?

Over the past five years, arguments that the world faced a crisis by bumping up against maximum production (peak oil) have been driven from public debate by arguments that “fracking” and other techniques for producing “unconventional oil” have led to an epoch of “cheap oil.” Can either be right?

Core Reading

• Christopher Bateman, “A Colossal Fracking Mess,” Vanity Fair (June 21, 2010).
• John Mitchell, What’s Next for the Oil and Gas Industry (Chatham House, 2012).
• Ed Morse, et al., Energy 2020: North America, the New Middle East? (Citi GPS, 20 March 2012).

11. Global Solutions: Climate Change Regimes
Climate change may be the ultimate problem facing the human species, or a long-term problem we will have plenty of time to adjust to. Is there any hope that the various companies, countries, and global stakeholders who are addressing this issue will find a common mechanism for cooperation?

**Core Reading**


**Supplementary Readings**

- Naomi Klein, *This Changes Everything: Capitalism vs. the Climate* (book excerpt, September 2017).

### 12. National Energy Transformations (esp. Germany’s Energiewende)

Can individual countries wean themselves from oil? We will examine the limits of attempts to trigger energy transitions by individual countries using Germany’s effort to substitute wind for nuclear power, its Energiewende.

**Core Reading**


### 13. (Optional) Can We Accelerate Energy Transitions?

Some optimists think that the world can rapidly shift to solar power or wind power or gas...so long as the political will is there. Others insist that such transitions only come about when innovations make new technologies cheap enough to displace old. Still others claim that energy transitions are always frightfully expensive and are, accordingly rare. Who is right?

**Core Reading**