

PPOL-637: Comparative Politics & Policy of Energy

FALL 2015

Professor: Paasha Mahdavi, paasha.mahdavi@georgetown.edu

Office Hours: Wednesdays 6:00 - 7:00 PM, Thursdays 5:00 - 6:00 PM, and by appointment.
Location: Old North 403.

Course Description: This seminar is an introduction to the politics and policy of oil, gas, and other fuels in an international context, with a particular focus on countries in Africa, Latin America, the Middle East, and the former Soviet Union. Course topics include the fundamentals of oil and gas production and markets, the political and economic consequences of petroleum wealth (commonly referred to as the “resource curse”), resource nationalism and OPEC, and energy-related corruption. Readings will be drawn from the political science and economics literature, case studies, and policy memos and briefings from leading energy NGOs and research institutions. The main purpose of this course is to consider how international and domestic government policy can be designed to ensure good governance of natural resources and the broader energy sector.

Course Objectives

There are four learning objectives for this course. First, students will develop an understanding of energy policies that have been pursued in a variety of country contexts, ranging from developing authoritarian or democratic states to advanced, developed democracies or autocracies. Second, students will gain a detailed understanding of international energy markets, specifically both global petroleum markets and the domestic petroleum markets of key exporters. Third, students will specifically acquire literacy in petroleum policies and oil contracts. Lastly, students will learn the tools and skills necessary to evaluate national energy policies with attention to how policies can be designed to improve domestic governance.

Prerequisites

This course is intended for students in the Master of Public Policy (MPP), Master of International Development (MIDP), and Master of Policy Management (MPM) programs. There are no formal prerequisites. Familiarity with basic economic and political economy concepts is highly desirable but not required.

Requirements

This course is in both seminar and lecture format. Students are required to . . . :

1. Complete the required readings before each class and **actively** participate during class;
2. Make one 10-15 minute presentation (in groups of 2-3 students) in class about a resource-producing country. For these presentations, students will generate five (5) original graphical summaries (graphs, charts, tables, other visuals, etc.) of the resource history and politics of the selected country using data gathered from any publicly available sources (either online or in print from the library). *Students in the group with the best graph/visual will each “win” 2 grade points added to their final grade;*
3. Write a final paper in memo format (max 2000 words) on one of the course topics considered in the first seven weeks with an application to a specific policy, regulation, or government intervention. A one page proposal is due at the beginning of class on **October 7th**. The final paper is due at 5pm on **November 24th**;
4. Present a poster version of the final paper in class on **December 9th**, which will be attended by other faculty members and graduate students. The objective of the poster presentation is to visually summarize the primary findings of the final paper. Each student should be prepared to give a 2-minute summary of her/his poster.

Grading

1. Class participation and attendance: 30%
2. Group presentation: 10%
3. Poster presentation: 20%
4. Final paper: 40% (including one page proposal)

Academic Resource Center/Disability Support

If you believe you have a disability, then you should contact the Academic Resource Center (arc@georgetown.edu) for further information. The Center is located in the Leavey Center, Suite 335 (202-687-8354). The Academic Resource Center is the campus office responsible for reviewing documentation provided by students with disabilities and for determining reasonable accommodations in accordance with the Americans with Disabilities Act (ASA) and University policies.

For more information, go to <http://academicsupport.georgetown.edu/disability/>

Important Academic Policies and Academic Integrity

McCourt School students are expected to uphold the academic policies set forth by Georgetown University and the Graduate School of Arts and Sciences. Students should therefore familiarize themselves with all the rules, regulations, and procedures relevant to their pursuit of a Graduate School degree.

The policies are located at: <http://grad.georgetown.edu/academics/policies/>

Required Books

- Yergin, Daniel. (1990). *The Prize: The Epic Quest for Oil, Money & Power*. Simon and Schuster.
- Ross, Michael L. (2012). *The Oil Curse: How Petroleum Wealth Shapes the Development of Nations*. Princeton University Press.
- Victor, David G., David R. Hults, and Mark C. Thurber, eds. (2011) *Oil and Governance: State-Owned Enterprises and the World Energy Supply*. Cambridge University Press.
- Hinrichs, Roger and Merlin Kleinbach. (2012). *Energy: Its Use and the Environment*. Cengage Learning, 5th edition (the 4th edition will do fine as well). *Note*: if you are on a tight budget, consider buying individual eChapters from the [publisher website](#).

Recommended Book

- Humphreys, Macartan, Jeffrey Sachs, and Joseph E. Stiglitz, eds. (2007). *Escaping the Resource Curse*. Columbia University Press.

Case Studies

Throughout the course we will also be reading Harvard case studies of individual energy companies or energy policies. These are highlighted in **bold** font throughout the course outline. It is essential to read each case more than once and be prepared to analyze the ins and outs of each case during class. During weeks with case studies assigned, we will split class into lecture for the first half and working through the case study during the second half of class.

Course Webpage

Additional readings for the course are papers and book chapters which can be downloaded from the course webpage on Blackboard (listed as PPOL-637-01.Fall2015). These readings will be marked as **(Bb)**.

Energy & Climate Policy Research Seminar

Students are encouraged to attend the Georgetown Energy & Climate Policy Research Seminar, hosted by the Mortara Center for International Studies. The seminar meets on three-four Tuesdays throughout the Fall semester, with the first seminar meeting on September 29th from 12:30pm to 2:00pm. Students attending these seminars will receive 0.5 extra grade points added to their final grade for each seminar (up to a max of 2 points).

Course Outline

Introduction: Fundamentals of Oil and Gas Markets

In this week we will begin with an introduction to the oil and gas industry and the historical evolution of oil markets. We will be covering questions such as the following: How is petroleum extracted? Where is oil produced and consumed? Who owns and extracts oil? What is the structure of oil contracts and how are they negotiated? What constitutes the “geopolitics of oil”?

September 9th - Readings:

- Yergin, chs. 22 and 35.
- Himrichs and Kleinbach, read ch. 7 (pp. 193–231) and skim ch. 1 (pp. 1–31).
- OpenOil. (2013). *Oil Contracts: How to Read and Understand Them*. Available free online from <http://openoil.net/understanding-oil-contracts/> (pp. 9–147).

Political Economy of Oil – The Resource Curse

What are the political and economic consequences of oil production? Does oil improve or impede economic growth? Does oil hinder or promote democracy and good governance? Is there an effect of oil on intra- and inter-state conflicts? During these two weeks we will consider different approaches to answering these questions.

September 16th - Readings:

- Ross, Michael L. (2015). “What Have We Learned about the Resource Curse?” *Annual Review of Political Science* 18: 239-259. (Bb)
- Van der Ploeg, Frederick. (2011). “Natural resources: Curse or blessing?” *Journal of Economic Literature* 49(2): 366-420. (Bb) [skim]
- Paler, Laura. (2013). “Keeping the Public Purse: An Experiment in Windfalls, Taxes, and the Incentives to Restrain Government.” *American Political Science Review* 104(7): 706-725. (Bb)

September 23rd - Readings:

- Ross (2012), chs. 2 and 4.
- Haber, Stephen and Victor Menaldo. (2011). “Do natural resources fuel authoritarianism? A reappraisal of the resource curse.” *American Political Science Review*, 105(1): 1-26. (Bb)
- **HBS Case 711016** (2010): “Angola and the Resource Curse.”

- (*Optional*) Humphreys et al. (2007), ch. 1: “What is the Problem with Natural Resource Wealth?” (**Bb**)

Resource Nationalism and the Rise of OPEC

During these three weeks we will read works on the rise of resource nationalistic policies across the oil-producing world. We begin with an introduction to national oil companies (NOCs) as a state policy to manage petroleum wealth as well as discuss NOCs as one reason why we might see a resource “curse” in some countries but not others. In the second week we will focus on the case of Argentina’s oil nationalization in 2012 to examine expropriation as a helpful/hurtful policy decision. In the third week, we will continue with a discussion of the creation of the Organization of Petroleum Exporting Countries (OPEC) in 1960 and its consequences for global oil markets and international trade.

September 30th - Readings:

- Luong, Pauline Jones and Erika Weinthal. (2006). “Rethinking The Resource Curse: Ownership Structure, Institutional Capacity, and Domestic Constraints.” *Annual Review of Political Science*, Vol. 9: 241-263. (**Bb**)
- Victor et al. (2011), chs. 1 and 20, and skim ch. 2 and Appendix A.
- (*Optional*) Humphreys et al. (2007), ch. 2: “What is the Role of the State?”

October 7th - Readings:

- **HBS Case 713029** (2013): “YPF The Argentine Oil Nationalization of 2012.”
- (*Optional*) Yergin, ch. 31

October 14th - Readings:

- Ross, Michael L. (2013). “How the 1973 Oil Embargo Saved the Planet.” *Foreign Affairs* 15 October. (**Bb**)
- Colgan, Jeffrey. (2014). “The Emperor Has No Clothes: The Limits of OPEC in the Global Oil Market.” *International Organization*. 68(3): 599–632. (**Bb**)
- Mahdavi, Paasha. (2014). “Why do Leaders Nationalize the Oil Industry? The Politics of Resource Expropriation.” *Energy Policy* 75(C): 228–43. (**Bb**)
- Yergin, chs. 28–29.

Political Economy of Natural Gas

This week we will shift to the political and economic consequences of natural gas production. Consider the following questions when going through the readings. What makes natural gas different from oil in its effects on global politics? How does the distribution of natural gas across borders impact regional alliances? How does the natural gas industry affect domestic and international policy?

October 21st - Readings:

- Hayes, Mark H. and David G. Victor. (2006). “Politics, Markets, and the Shift to Gas.” In David G. Victor, Amy M. Jaffe, and Mark H. Hayes (eds.), *Natural Gas and Geopolitics: From 1970 to 2040*. Cambridge University Press, pp. 319–356. **(Bb)**
- Jaffe, Amy M. and Edward Morse. (2013). “Liquefied Natural Profits.” *Foreign Affairs* 16 September. **(Bb)**
- Shaffer, Brenda. (2014). “Pipeline Problems: Ukraine isn’t Europe’s Biggest Energy Risk.” *Foreign Affairs* 11 Mar. 2014. **(Bb)**
- (*Optional*) Fischhendler, Itay and Daniel Nathan. (2014). “In the Name of Energy Security: The Struggle over the Exportation of Israeli Natural Gas.” *Energy Policy* Vol. 70(7): 152–62. **(Bb)**

Alternatives to Conventional Oil and Gas – The Political Economy of Shale, Coal, and Uranium

This week we will discuss other non-renewable sources of energy besides oil and gas, namely coal and uranium. Consider again the following questions from last week’s readings. How is coal or uranium different from oil in its effects on governance and global alliances? What makes the production of coal in particular different from oil in how it affects domestic politics? What impact, if any, does the unconventional oil market have on energy policy?

October 28th - Readings:

- van der Ploeg, Frederick and C. Withagen. (2012). “Too Much Coal, Too Little Oil.” *Journal of Public Economics* 96(1/2): 62–77. **(Bb)**
- Morse, Richard K. (2012). “Cleaning up Coal: From Climate Culprit to Solution.” *Foreign Affairs* Jul/Aug 2012. **(Bb)**
- Hultman, Nathan E. (2011). “The Political Economy of Nuclear Power.” *Climate Change* 2(3): 397–411. **(Bb)**
- Crooks, Edward. (2015). “The US Shale Revolution.” *Financial Times Magazine* 24 April 2015. **(Bb)**
- (*Optional*) Hinrichs and Kleinbach, ch. 14 (pp. 437–87)

- (Optional) Mitchell, Timothy. (2011). *Carbon Democracy*. Verso Press, pp. 12–42. (Bb)

The U.S. Role in Oil and Gas Markets

Here we consider the United States’s role in international oil and gas markets as well as US domestic energy policy. Specifically we will discuss how U.S. foreign and domestic policy can improve petroleum governance around the world, and whether/how U.S. policy has hindered international petroleum governance in the past. We will then consider and evaluate US domestic energy policy in theory and in practice with attention to the “optimal” energy mix for the future.

November 4th - Readings:

- Yergin, pp. 659–665.
- Fineberg, Richard. (2014). “The United States joins EITI: a case study in theory and practice.” *Journal of World Energy Law and Business*. 7(1): 46–62.
- The Dodd-Frank Wall Street Reform and Consumer Protection Act of July 2010, Section 1504. Accessible from the NRGJ here: www.resourcegovernance.org/sites/default/files/Dodd-Frank_bill_Sec_1504_0.pdf
- Yacobucci, Brent D. (2015). *Energy Policy: 114th Congress Issues*. Congressional Research Service Report 7-5700 R42756.
- (Optional) **HKS Case 1016.0** (1991): “Reagan Administration and the Soviet Pipeline Embargo.”

“Failed” Policies? The Case of Iran

In the next two weeks we will consider various political economy theories about oil and gas with an application to two country cases, Iran and Saudi Arabia. This week we look at the history of energy policies in Iran and how oil has impacted its political trajectory.

November 11th - Readings:

- Mahdavy, Hossein. (1970). “The Patterns and Problems of Economic Development in Rentier States: The Case of Iran.” In M.A. Cook (ed.), *Studies in the Economic History of the Middle East*. Oxford University Press. (Bb)
- Victor et al. (2011), ch. 6.
- Smith, Benjamin. (2007). *Hard Times in the Land of Plenty: Oil Politics in Iran and Indonesia*. Cornell University Press, pp. 137–146. (Bb)

- (Optional) Wright, Robin. (2015). “Tehran’s Promise: The Revolution’s Midlife Crisis and the Nuclear Deal.” *The New Yorker*, July 27, 2015. (Bb)
- (Optional) Yergin, ch. 7 and ch. 23.

“Successful” Policies? The Case of Saudi Arabia

This week we turn to Saudi Arabia and how oil has consolidated the kingdom and whether oil has provided stability for the regime and the economy. When reviewing these readings, consider how Saudi Arabia’s oil history differs from that of Iran, and why this might or might not explain the two countries’ differing political outcomes.

November 18th - Readings:

- Yergin, ch. 15.
- Hertog, Steffen. (2010). *Princes, Brokers, and Bureaucrats: Oil and the State in Saudi Arabia*. Cornell University Press, pp. 9–60. (Bb)
- Lahn, Glada and Paul Stevens. (2011). *Burning Oil to Keep Cool: The Hidden Energy Crisis in Saudi Arabia*. Chatham House Report, Dec. 2011. (Bb)

Energy Policy in Practice

In the penultimate discussion week we will go through a case study of the Iraqi oil industry (in two parts) to analyze how to craft (un)successful national energy policies in oil-rich countries.

November 25th - Reading:

- **HBS Case 710002** (2009): “The Future of Iraq Project.” (both A and B)

Energy Policy and Political Implications

For our last week of discussion we will review policy implications that have resulted from research on the political economy of oil, gas, and other resources.

December 2nd - Readings:

- Lee, Bernice, Felix Preston, Jaako Kooroshy, Rob Bailey, and Glada Lahn. (2013). *Resources Futures*. Chatham House Report, Dec. 2012/Jan. 2013, pp. 128–149. (also take a look at their website, resourcesfutures.org) (Bb)
- Goldsmith, Scott. (2012). “The Alaska Permanent Fund Dividend: A Case Study in the Direct Distribution of Resource Rent.” In Todd Moss (ed.), *The Governor’s Solution: How Alaska’s Oil Dividend Could Work in Iraq and Other Oil-Rich Countries*. Center for Global Development, Oil-to-Cash Readers series. (Bb)

- (*Optional*) Humphreys et al. (2007), ch. 12: “Future Directions for the Management of Natural Resources.” (**Bb**)
- (*Optional*) Bazilian, Morgan. (2015). Energy Poverty. *Foreign Affairs*. (**Bb**)
- (*Optional*) Greenberg, Michael R. (2014). “Energy Policy and Research: The Under-appreciation of Trust.” *Energy Research and Social Science* 1(1): 152–60. (**Bb**)

Poster Presentations – December 9th