

**The Politics and Economics of Energy**

Summer semester, 2015 school year (8 classes, 16 academic hours)

Teacher –Yuval Weber (yweber@hse.ru)

Class times – XX and XX, xx:xx – xx:xx at XXX.

Office hours (consultations) – By appointment

**Basic course description**

This course introduces the major theoretical approaches and policy issues in the study of energy that span across political science and economics. Accordingly, the course takes a very broad view and introduces students to energy as understood by scholars of international security and cooperation as well as economic and political development. In this regard we will find that some scholars view energy as physical commodities and others as money available to its owners, a private company or a state corporation. The differences between energy as commodity and energy as money will also guide us as we investigate the major policy issues of the day: the development and current status of the global energy industry, with particular emphasis on Russia; the role of other public, private, nongovernmental and international organizational actors; the historical importance and future relevance of OPEC; resource nationalism and mercantilism; alternative energies and the “threat” of fracking to traditional gas producers.

“The Politics and Economics of Energy” is a non-technical course and assumes some basic knowledge of politics and economics but there are no prerequisites. It is designed for students with both academic and non-academic goals:

* First, students will be introduced to the important historical and contemporary scholarship on the subject, so that they will understand the development of the field across different disciplines and be able to pursue further research;
* Second, the course covers major policy issues with the goal of exposing students to comparative and conceptual analysis that cut across states and regions regarding resource scarcity, market dynamics, corporate behavior, state policymaking, national welfare and threat perceptions, and strategic interaction; and,
* Third, we will put special attention on the unique size and role of the energy sector in historical and contemporary Russian politics and economics.

**Course Materials**

*Note:* Daniel Yergin’s The Prize: The Epic Quest for Oil, Money and Power (1991) is HIGHLY, HIGHLY, HIGHLY recommended, but it is also more than 900 pages long and we simply won’t have the time for it for all of it. However, this is the standard work on the history of the petroleum industry and if you continue on this subject, you will soon realize that every person who studies or works in energy has read this entire book. There is also an eight-part miniseries based off of the book, which is also highly recommended.

Articles and book chapters will be made available to students by the through a method selected by the university.

**Grading**

There will be four sets of requirements for this course.

First, you will be expected to attend class and participate in discussions. Our class format necessarily creates mutual obligations among students to come prepared to discuss both the readings and the lecture materials. If only a few people in a group or the class are regularly doing the reading and prepared for discussion, our meetings will suffer as the bulk of students rely on a minority to carry them. Such a situation penalizes those students doing the readings as they then are pushed to shoulder more responsibility in class. Continual absences or lack of preparation will lead to failing this class. *[Participation]*

Second, you will take an in-class exam consisting of identifications and essays. *[Exam]*

Third, each student will have the choice of write either a research paper (or proposal) or a policy memo on a contemporary case study or topic of her or his choosing.

* Students who are interested in pursuing further academic study should take this opportunity to complete a research paper or proposal as practice for turning ideas into academic products.
* Students who are less interested in further academic study should take this opportunity for practicing what will be expected of them in the private and public sectors: synthesizing great amounts of information that identifies the problems, threats and opportunities for decision-makers and lays out useful and realistic policy recommendations. Each memo will be addressed to a specific client of the student’s choosing—a head of a state-run oil company, the chief environmental regulator at an international institution or government agency, the policy chief of an NGO for or against fracking, or anyone else—and will summarize the geopolitical and/or economic significance of the event or issue, critique alternative explanations for the event/issue, outline attendant policy options, and explain how to choose among them. The idea behind these memos is not to do extensive additional research but to analyze critically contending hypotheses and to tease out logistically consistent policy choices. *[Policy Memo/Research Paper]*

Participation: 33% (in-class active discussion)

Exam: 33%

Research Paper or Policy Memo: 33%

Trial of strength and endurance: 1%

**Course Schedule**

*Major Changes to the syllabus* – While most of the syllabus is set, I am always happy to spend more time on subjects students are particularly interested in exploring. If there is something you want to spend more time on, please let me know.

*Minor Changes to the syllabus* – I may make minor changes to the syllabus. These will be announced at least a week in advance.

*Optional readings* – Optional readings are just that: optional. You do not have to read them and you will not be tested upon them. They are there if you are interested in the subject. Readings will be posted to the HSE system.

**Class 1. Introduction to Energy**

**Introduction to class: history and current state of energy (91 pages)**

Hamilton, James. 2011. “Historical Oil Shocks.” Manuscript. (29 pages).

Gaidar, Yegor T., *Collapse of an Empire: Lessons for Modern Russia* (Washington, DC: Brookings Institute) 2007, Chapter 3, pp. 39-70. (31 pages).

Yergin, Daniel. “It’s Still the One,” *Foreign Policy*, September/October 2009, <http://www.foreignpolicy.com/articles/2009/08/17/its_still_the_one?print=yes&hidecomments=yes&page=full> (6 pages)

The Economist, “Supermajordämmerung: The day of the huge integrated international oil company is drawing to a close,” Aug 1st 2013. <http://www.economist.com/news/briefing/21582522-day-huge-integrated-international-oil-company-drawing> (7 pages)

The Economist, “Flaming rocks: A second shale revolution may be coming, squeezing out yet more oil,” Jun 26th 2014.

<http://www.economist.com/news/business/21605928-second-shale-revolution-may-be-coming-squeezing-out-yet-more-oil-flaming-rocks> (2 pages)

The Economist, “Yesterday’s fuel: The world’s thirst for oil could be nearing a peak. That is bad news for producers, excellent for everyone else,” Aug 1st 2013.

<http://www.economist.com/news/leaders/21582516-worlds-thirst-oil-could-be-nearing-peak-bad-news-producers-excellent> (3 pages)

Oil Embargo, 1973–1974. Office of the Historian, U.S. Department of State. <https://history.state.gov/milestones/1969-1976/oil-embargo> (2 pages)

Yergin, Johnston, and Deutch, “Oil Lessons from the 1970s,” *The International Economy*, Fall 2009,

<http://www.internationaleconomy.com/TIE_F09_YerginJohnstonDeutch.pdf> (11 pages)

Recommended:

Yergin, Daniel. 1992. *The Prize*. New York: Simon and Schuster.

El-Gamal, Mahmoud A., and Amy Myers Jaffe. 2009. *Oil, Dollars, Debt, and Crises: The Global Curse of Black Gold*. 1st ed. Cambridge University Press. (193 pages)

**Class 2. Energy in the Domestic Economy (108 pages)**

Karl, Terry Lynn. Paradox of Plenty: Oil Booms and Petro-States, UCLA Press, 1997. Chapters 1-3, pp. 3-71. (68 pages)

Humphreys *et al*. 2007. *Escaping the Resource Curse.* Chapter 1, “Introduction: What is the Problem with Natural Resource Wealth?” (20 pages)

Sachs in Humphreys *et al*. 2007. *Escaping the Resource Curse.* Chapter 7. “How to Handle the Macroeconomics of Wealth.” (20 pages)

Recommended:

Sachs and Warner, 1995. “Natural Resource Abundance and Economic Growth,” *NBER working paper*. (47 pages; similar to Sachs 2007 above but important at least to skim)

Birdsall, Nancy and Arvind Subramanian. (2004) “Saving Iraq from its Oil.” Foreign Affairs, 83(4):77-89. (11 pages)

Radon, Jenik. (2005). “The ABCs of Petroleum Contracts: License-Concession Agreements, Joint Ventures, and Production-sharing Agreements.” In Svetlana Tsalik and Anya Schiffrin (eds.). Covering Oil: A Reporter’s Guide to Energy and Development. New York: Open Society Institute. (p. 61-85) (24 pages)

William Ascher. (1999). Why Governments Waste Natural Resources. Baltimore: Johns Hopkins University Press. (Chapter 1, “Introduction,” p. 1-31.) (30 pages)

**Class 3. Political Resource Curse (77 pages)**

Friedman, Thomas L. (2006). “The First Law of Petropolitics.” Foreign Policy, May/Jun, 28-36. (12 pages)

Collier, Paul. The Bottom Billion, “The Natural Resource Trap,” p. 38-52. (14 pages)

Ross, Michael. (1999). “The Political Economy of the Resource Curse.” World Politics 51: 297-322. (25 pages)

Rosser, Andrew. *The political economy of the resource curse: A literature survey*. Vol. 268. Brighton, UK: Institute of Development Studies, 2006.

<http://r4d.dfid.gov.uk/PDF/Outputs/futurestate/wp268.pdf> (26 pages)

Recommended:

Luong, Pauline Jones and Erika Weinthal. (2006). “Rethinking the Resource Curse: Ownership Structure, Institutional Capacity, and Domestic Constraints.” Annual Review of Political Science, 9: 241-263. (22 pages)

Morrison, Kevin. (2009). “Oil, Nontax Revenue, and the Redistributional Foundations of Regime Stability.” International Organization 63(1): 107-138. (31 pages)

Michael L. Ross. (2001). “Does Oil Hinder Democracy?” World Politics, 53: 325-361. (36 pages)

Smith, Benjamin. [Resource Wealth and Political Regimes: How Solid a Link After 40 Years of Research?](http://www.benjaminbsmith.net/uploads/9/0/0/6/9006393/june_2013_apsa-cd.pdf), *APSA-CD* 11, 2 (June 2013), 2, 17-20. (5 pages) <http://www.benjaminbsmith.net/uploads/9/0/0/6/9006393/june_2013_apsa-cd.pdf>

**Class 4. Energy and Conflict (112 pages)**

Collier, Paul, and Anke Hoeffler. "Greed and grievance in civil war." *Oxford economic papers* 56.4 (2004): 563-595. (33 pages) http://economics.ouls.ox.ac.uk/12055/1/2002-01text.pdf

Smith, Benjamin. "Oil wealth and regime survival in the developing world, 1960–1999." *American Journal of Political Science* 48.2 (2004): 232-246. (15 pages) http://www.notecrom.com/content/files/427/file.pdf

Le Billon, Philippe. "The political ecology of war: natural resources and armed conflicts." *Political Geography* 20.5 (2001): 561-584. (24 pages) <http://www.cddc.vt.edu/ept/eprints/ecowar.pdf>

Colgan, Jeff D. "Fueling the Fire: Pathways from Oil to War." *International Security* 38.2 (2013): 147-180. (33 pages)

Michael L. Ross. (2008). “Blood Barrels.” Foreign Affairs, 87(3): 2-9. (7 pages)

Recommended:

Le Billon, Philippe. *Fuelling War: Natural resources and armed conflict*. Routledge for the International Institute for Strategic Studies, London, 2005. (88 pages; skim chapter 1).

Daniel Yergin, The Prize. Part III (Chapters 16-19). (84 pages)

Colgan, Jeff. "Oil and revolutionary governments: fuel for international conflict." *International Organization* 64.4 (2010): 661-694. (33 pages)

Klare, 2002. *Resource Wars,* Chapters 1, 2, 9 (rest of book optional). (65 pages)

Di John, Johnathon. (2007). “Oil Abundance and Violent Political Conflict: A Critical Assessment.” Journal of Development Studies, 43: 961-986. (27 pages)

**Class 5. Energy in Russia (111 pages)**

Yergin, Daniel. The Prize: The Epic Quest for Oil, Money and Power, (1991), Ch. 6, 114-133. (19 pages).

Weber, Yuval. Review article of *Red Gas: Russia and the Origins of European Energy Dependence* by Per Högselius. (2 pages)

Gaidar, Yegor T., Collapse of an Empire: Lessons for Modern Russia, Brookings Institute, 2007, Chapters 4-5, pp. 71-161. (90 pages).

Recommended:

Högselius, Per. *Red Gas: Russia and the Origins of European Energy Dependence*. Palgrave Macmillan, 2013.

Considine, Jennifer I., and William A. Kerr. *The Russian oil economy*. Cheltenham & Northampton, MA: Edward Elgar, 2002.

Goldman, Marshall I., Petrostate: Putin, Power and the New Russia, Oxford University

Press, 2008, Introduction through Chapter 5 (1-135). (135 pages, but chapters 2-3 cover similar materials to Yergin and Gaidar.)

**Class 6. Russia, Europe, and the Caspian (128 pages)**

Goldman, Marshall I., Petrostate: Putin, Power and the New Russia, Oxford University

Press, 2008, reprinted 2010, Chapter 6, “Natural Gas: Russia’s New Secret Weapon,

pp.136-169 and Chapter 7, “Russia: The Unrestrained Super Energy Power,” pp. 170-

209. (74 pages)

Nygren, Bertil, “Putin’s Use of Natural Gas to Reintegrate the CIS Region,” Problems of

Post-Communism, vol. 55, No. 4 (July/August 2008), pp. 3-15. (13 pages)

Manning, R., & Jaffe, A. (1998). The myth of the Caspian 'great game': the real geopolitics of energy. *Survival*, *40*(4), 112-129. (17 pages)

Jan H. Kalicki (2001). “Caspian Energy at the Crossroads.” Foreign Affairs, 80(5): 120-134. (15 pages)

Hill, F. (2004). Pipelines in the Caspian-Catalyst or Cure-All. *Geo. J. Int'l Aff.*, *5*, 17. (9 pages)

Caspian Brief, US EIA, <http://www.eia.doe.gov/cabs/caspian.html>

Recommended:

Kevin Rosner, “The European Union: On Energy, Disunity,” in Gal Luft and Anne Korin (eds.), *Energy Security Challenges for the 21st Century*, (Greenwood Publishing Group, 2009), pp. 160-175. (15 pages)

Robert G. Bell, “NATO‟s Grapple with Energy Security,” in Gal Luft and Anne Korin (eds.) *Energy Security Challenges for the 21st Century* (Santa Barbara, CA: Praeger Security International), 2009, pp. 61-70. (9 pages)

Kalicki, Jan H., and David L. Goldwyn, eds. *Energy and Security: Strategies for a World in Transition*. JHU Press, 2013. Chapters 7-9 plus commentary (59 pages)

Dellecker, Adrian and Gomart, Thomas, eds., Russian Energy Security and Foreign

Policy, Oxford: Routledge, 2011, “Introduction, and Chapter 1, pp. 1-38 and Part III:

“Russian Export Policy and Relations with Transit countries,” Chapters 9-11 and

Conclusion, pp. 145-208. (64 pages)

**LeVine, Steve. *The Oil and the Glory: The Pursuit of Empire and Fortune on the Caspian Sea*. Random House, 2007. \*\*HIGHLY RECOMMENDED\*\***

Guliyev, F., & Akhrarkhodjaeva, N. (2009). The Trans-Caspian energy route: Cronyism, competition and cooperation in Kazakh oil export. *Energy Policy*, 37(8), 3171-3182. (11 pages)

Bilgin, M. (2009). Geopolitics of European natural gas demand: Supplies from Russia, Caspian and the Middle East. *Energy Policy*, 37(11), 4482-4492. (10 pages)

Overland, I., Kjærnet, H., & Kendall-Taylor, A. (Eds.). (2010). *Caspian Energy Politics: Azerbaijan, Kazakhstan and Turkmenistan*. Routledge.

Starr, S. Frederick, and Svante E. Cornell, eds. *The Baku-Tbilisi-Ceyhan Pipeline: Oil Window to the West*. Silk Road Studies Program, Uppsala University, 2005. (149 pages; don’t worry, not theoretical.)

Tsalik, Svetlana, and Robert E. Ebel. *Caspian oil windfalls: Who will benefit?*. Open Society Institute, Central Eurasia Project, 2003. (174 pages; don’t worry, not theoretical.)

**Class 7. The Future of Energy**

**Reading TBD.**

**Topics to be covered will be future of OPEC, unconventional energy sources and fracking, geopolitics of energy exploration, and pipeline politics.**

Recommended:

Amy Myers Jaffe, “OPEC: An Anatomy of a Cartel,” in Gal Luft and Anne Korin (eds.), *Energy Security Challenges for the 21st Century* (Greenwood Publishing Group), 2009, pp. 78-90. (12 pages)

Edward L. Morse and Amy Myers Jaffe, “OPEC in Confrontation with Globalization,” in Jan H. Kalicki and David L. Goldwyn (eds.), *Energy and Security: Toward a New Foreign Policy Strategy* (John Hopkins University Press, 2005), pp. 65-96. (31 pages)

Alvaro Silva-Calderon, “Commentary on Part I,” in Jan H. Kalicki and David L. Goldwyn (eds.), *Energy and Security: Toward a New Foreign Policy Strategy* (John Hopkins University Press, 2005), pp. 117-122. (5 pages)

Amy Myers Jaffe and Edwin L. Morse, “OPEC in Confrontation with Globalization,” in Kalicki, Jan H., and David L. Goldwyn, eds. *Energy and Security: Strategies for a World in Transition*. JHU Press, 2013. Chapter 5. (19 pages)

Wilfrid L. Kohl, “Consumer Country Energy Cooperation: The International Energy Agency and the Global Energy Order,” *Global Energy Governance: The New Rules of the Game*, (Washington DC: Brookings Institution Press), 2010, pp. 195-220. (25 pages)

E. Harks, “The International Energy Forum and the Mitigation of Oil Market Risk,” Chapter 12 in Goldthau and Witte, *Global Energy Governance,* 2010. pp.247-268. (21 pages)

Andreas Goldthau and Jan Martin Witte, “The Roles and Rules and Institutions in Global Energy: An Introduction,” *Global Energy Governance: The New Rules of the Game,* (Washington DC: Brookings Institution Press), 2010, pp. 1-12. (12 pages)

David Zweig and Bi Jianhai. (2005). “China’s Global Hunt for Energy.” Foreign Affairs 84(5): 25-38. (13 pages)

Edward L. Morse and James Richard. (2002). “The Battle for Energy Dominance.” Foreign Affairs 81(2): 16-31. (16 pages)

David G. Victor and Nadejda M. Victor. (2003). “Axis of Oil?” Foreign Affairs 82(2): 47-61. (15 pages)

Joe Barnes and Amy Myers Jaffe. (2006). “The Persian Gulf and the Geopolitics of Oil.” Survival 48(1): 143-162. (20 pages)

al Faisal, Turki. (2009). “Don't be Crude.” Foreign Policy, Sep/Oct, 102-103. (2 pages)

El-Gamal, Mohmoud A. and Amy Myers Jaffe. (2009). “Subpriming the Pump.” Foreign Policy, Sep/Oct, 98-101. (14 pages)

Victor, David G. and Linda Yueh. (2010). “The New Energy Order.” Foreign Affairs 90(1): 61-73. (12 pages)

EIA, “Oil Transit chokepoints” http://www.eia.gov/countries/regions-topics.cfm?fips=WOTC

Paul Stevens, “Transit Troubles: Pipelines as a Source of Conflict,” A Chatham House Report (2009). <http://www.chathamhouse.org/sites/default/files/public/Research/Energy,%20Environment%20and%20Development/r0309_pipelines.pdf> (32 pages)

Omonbude, Ekpen J. "The transit oil and gas pipeline and the role of bargaining: A non-technical discussion." *Energy Policy* 35.12 (2007): 6188-6194. (7 pages)

Adam N. Stulberg, “Eurasia’s Pipeline Tangle,” Russia in Global Affairs

(24 September 2011) <http://eng.globalaffairs.ru/number/Eurasias-Pipeline-Tangle--15337> (4 pages)

Daniel Yergin. (2003). “The Next Prize.” Foreign Affairs, 82(6): 103-114. (12 pages)

Freifeld, Daniel. (2009). “The Great Pipeline Opera.” Foreign Policy, September/October, 120-127. (8 pages)

Deutch, John. (2011). “The Good News About Gas.” Foreign Affairs 90(1): 82-93. (12 pages)

Hirschman, Albert O. *National power and the structure of foreign trade*. Berkeley: University of California Press, 1945. (81 pages)

Starr, F., & Cornell, S. (2005). The politics of pipelines: Bringing Caspian energy to markets. *Saisphere*.

**Class 8. In class-exam**