

Economics 327(L01) (PETROLEUM ECONOMICS)

Instructor: W. D. WALLS
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Lecture Location: ICT 116
Lecture Days/Time: MWF 11--11:50

Office: SS 332
Office Hours: MWF 12:50--13:50

(Fall 2018)

Course Description:

The course provides a non-technical introduction to the economics of petroleum production, crude oil markets, and refining economics. The course focuses on global crude oil and refined product markets.

Course Objectives/Learning Outcomes:

- Students shall learn to apply the simple analytics of oil price determination to historical international oil prices;
- Students shall become familiar with major sources of data on the international petroleum industry;
- Students shall become proficient in the application of the following concepts in the context of the petroleum industry: demand, supply, perfect and imperfect competition, and profit maximizing allocation of an exhaustible resource stock;
- Students shall become knowledgeable of major events in the evolution of the economics of the world crude oil market from 1900 to the present, with particular emphasis on the years since the formation of OPEC in 1960, and the commoditization of the oil market since 1980, and the evolution of the National Oil Companies that now control some ninety percent of the world's oil reserves;
- Students shall become familiar with the petroleum refining sector, the transportation of petroleum products, and the market for finished products in an international context.
- Students shall develop the skills necessary for the critical evaluation of news stories about the international petroleum industry.

Course Outline:

The course will introduce students to petroleum economics assuming no knowledge beyond principles-level economics. The course materials and lectures will focus on the international crude oil market. (Econ325 focuses intensively on the US and Canadian crude oil market.)

Course coverage will include, but is not limited to, the following:

- A review of the simple analytics of oil price determination and the history of international oil prices;
- Review of major sources of data on the international petroleum industry;
- Review of demand, supply, perfect and imperfect competition, and profit maximizing allocation of an exhaustible resource stock;
- Survey of major events in the evolution of the economics of the world crude oil market from 1900 to the present, with particular emphasis on the years since the formation of OPEC in 1960,

and the commoditization of the oil market since 1980, and the evolution of the National Oil Companies that now control some ninety percent of the world's oil reserves;

- Overview of the refining sector, the transportation of petroleum products, and the market for finished products in an international context.
- Develop in students the skills necessary for the critical evaluation of news stories about the international petroleum industry.

Prerequisites:

ECON 201 and ECON 203.

Required Textbook(s):

Coursepack available for purchase from *Bound and Copied*.

Recommended Textbook(s):

None.

Books on Reserve:

1. Adelman, M.A. *The Genie out of the Bottle: World Oil Since 1970*. MIT Press, 1995.
2. Adelman, M.A. *The Economics of Petroleum Supply*. MIT Press, 1993.
3. Parra, Franciosco. *Oil Politics*. I.B. Tauris, 2004.
4. Frank, H.J. (ed.) *The World Petroleum Market: Past & Future*. International Association of Energy Economists, 1994.
5. Simmons, Matthew R. *Twilight in the Desert: The Coming Saudi Oil Shock and the World Economy*. Wiley, 2005.
6. Yergin, Daniel. *The prize: The Epic Quest for Oil, Money & Power*. Free Press, 1992.
7. Sampson, Anthony. *The Seven Sisters: The Great Oil Companies and the World They Made*. Viking Press, 1975.
8. Horsnell, P. and R. Mabro. *Oil Prices and Markets*. Oxford University Press, 1997.
9. Stevens, Paul (ed.) *The Economics of Energy*. Volumes I and II, Edward Elgar, 2000
10. Adelman, M.A. *The World Petroleum Market*. Johns Hopkins Univ. Press, 1973.
11. Watkins, G. Campbell. *Petro makets: Probing the economics of continental energy*. Fraser Inst. 1989.
12. Hannesson, Rognvaldur, *Petroleum Economics: Issues and Strategies of Oil and Natural Gas production*. Quorum Books, 1998.
13. Marcel, Valerie. *Oil Titans*. Brookings Institution, Washington DC, 2006.
14. Pennwell Books. *International Petroleum Encyclopedia*. Pennwell Publications, Tulsa OK, 2007.
15. Maugeri, Leonardo. *The Age of Oil*. Lyons Press, 2007.

Desire2Learn:

This course will make use of the Desire2Learn (D2L) platform. Students who are registered in the course can log on at <http://d2l.ucalgary.ca> through their student centre. Please note that D2L features a class e-mail list that may be used to distribute course-related information. These e-mails are sent to your University of Calgary e-mail addresses only.

Grade Determination and Final Examination Details:

In-class Quizzes (3 @ 10% each)	30%
Term Paper	30%
Final Examination (comprehensive)	40%

	100%

IMPORTANT DATES

The in-class quizzes are scheduled for the following dates:

Quiz 1 -- Friday September 28th
 Quiz 2 -- Friday October 26th
 Quiz 3 -- Friday November 30th

The term paper is due by 4 PM on Wednesday December 5th and may be handed in at the Economics Department Main Office located on the 4th floor of Social Sciences.

(Scores on later papers will be reduced by a flat 10 percentage points per day until the day of the final exam. Term papers may not be handed in after the final exam.)

Grading Scale

A+	99-100	B	82-87	C-	70-71
A	92-98	B-	80-81	D+	68-69
A-	90-91	C+	78-79	D	60-67
B+	88-89	C	72-77	F	0-59

Students must receive a passing grade on the final exam to pass the course.

As per the Writing Across the Curriculum Statement in the Calendar, writing and grading thereof will be a factor in the evaluation of student work.

Any student work which remains undistributed after the last day of classes will be available to students through the instructor's office during the instructor's office hours until the end of the academic term in which the course has been offered.

Students seeking reappraisal of a piece of graded term work should discuss their work with the Instructor *within fifteen* days of the work being returned to the class.

The final examination will be comprehensive, scheduled by the Registrar, held in a classroom, and last 2 hours. If a student cannot write their final exam on the date assigned by the Registrar's Office, they need to apply for a deferred exam www.ucalgary.ca/registrar/exams/deferred_final. Under no circumstance will this be accommodated by the Department.

Non-programmable calculators WILL be allowed during the writing of tests or final examinations.

THERE WILL BE NO MAKEUP OR DEFERRED QUIZZES/TESTS/EXAMS under any circumstances, nor may the quizzes/tests/exams be written early. Students unable to write the quizzes/tests/exams because of documented illness, family emergency, religious observance, or university-sanctioned event will have the weight shifted to the final examination; otherwise a grade of zero will be assigned.

Reappraisal of Grades and Intellectual Honesty:

For reappraisal of graded term work, see Calendar I.2

<http://www.ucalgary.ca/pubs/calendar/current/i-2.html>

For reappraisal of final grade, see Calendar I.3

<http://www.ucalgary.ca/pubs/calendar/current/i-3.html>

Statement of Intellectual Dishonesty, see Calendar K.4

<http://www.ucalgary.ca/pubs/calendar/current/k-4.html>

Plagiarism and Other Academic Misconduct, see Calendar K.5

<http://www.ucalgary.ca/pubs/calendar/current/k-5.html>

Academic Accommodations:

The student accommodation policy can be found at: ucalgary.ca/access/accommodations/policy.

Students needing an accommodation because of a disability or mental condition should communicate this need to Student Accessibility Services in accordance with the Procedure for Accommodations for Students with Disabilities ucalgary.ca/policies/files/policies/student-accommodation-policy.

Students needing an Accommodation based on a Protected Ground other than disability should communicate this need, preferably in writing, to the course instructor.

Important Dates:

Please check: <http://www.ucalgary.ca/pubs/calendar/current/academic-schedule.html>

Student Organizations:

Faculty of Arts Students' Association (F.A.S.A.):

Economics Department Representative

Office: SS 803, E-mail: econrep@fasaucalgary.ca and Web: www.fasaucalgary.ca.

Society of Undergraduates in Economics:

<https://www.ucalgarysue.com/>.

Society of Undergraduates in Economics is a student run organization whose main purpose is to assist undergraduate economics students to succeed both academically and socially at the University of Calgary. Services include access to the exam bank, career events such as Industry Night and information sessions, mentorship programs, and social events for members. They invite you to join by contacting SUE at societyofundergradsineconomics@gmail.com.

Faculty of Arts Program Advising and Student Information Resources:

- Have a question, but not sure where to start? The Arts Students' Centre is your information resource for everything in Arts! Drop in at SS102, call them at 403-220-3580 or email them at artsads@ucalgary.ca. You can also visit the Faculty of Arts website at <http://arts.ucalgary.ca/undergraduate> which has detailed information on common academic concerns, including program planning and advice.
- For registration (add/drop/swap), paying fees and assistance with your Student Centre, contact Enrolment Services at 403-210-ROCK [7625] or visit them in the MacKimmie Library Block.
- Online writing resources are available at <http://www.ucalgary.ca/ssc/resources/writing-support>.

Evacuation Assembly Point:

In case of an emergency evacuation during class, students must gather at the designated assembly point nearest to the classroom. The assembly point for this classroom is Social Science Food Court.

Safewalk:

The Safewalk program provides volunteers to walk students safely to their destination anywhere on campus. This service is free and available 24 hrs/day, 365 days a year. **Call 403-220-5333.**

Freedom of Information and Protection of Privacy (FOIP) Act:

Personal information is collected in accordance with FOIP. For more information, see <http://www.ucalgary.ca/legalservices/foip/foip-hia>.

Internet and Electronic Communication Device information:

The use of cell phones for any purpose in class is prohibited. Computers and tablets may be used for note-taking only.

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2018-08-01