



Department of Economics Course Outline

Term: Summer 2004

Course: Economics 327
[Petroleum in the World Economy]

Section: 60

Time: MW 09:00 ? 11:50

Place: SB 142 (subject to change)

Instructor: Kazem Yavari

Office: SS 441

Telephone: 220-4600

Office Hours: MW 13:00 ? 13:50
or by appointment

E-Mail: kazemyavari@yahoo.com

Textbook(s):

Handout of Readings to be purchased from the Instructor or the Department of Economics Office.

(This includes several sections from United States Department of Energy, Energy Information Administration (EIA), International Energy Outlook 2002. This publication is available in its entirety on the EIA web site.)

Book(s) on Reserve

Adelman, M.A. The Genie out of the Bottle, MIT Press, 1995.

Adelman, M.A. The World Petroleum Market, Johns Hopkins, 1972.

Amuzegar, J. Managing the Oil Wealth: OPEC's Windfalls and Pitfalls, St. Martin's, 1999.

Brekke, K.A., and Howarth, R.B., Status, Growth and the Environment: Goods as Symbols in Applied Welfare Economics, Elgar, 2003.

Campbell, C.J. The Coming Oil Crisis, Multi-Science Publishing, 1997.

Claes, P.H. The Politics of Oil-Producer Cooperation, Westview, 2001.

Griffen, J., and Steele, H. Energy Economics and Policy, Academic Press, (latest edition.)

Griffen, J., and Teece, D., (eds) OPEC Behavior and World Oil Prices, Unwin, 1982.

Hunt, L.C. (ed) Energy in a Competitive Market: Essays in Honour of Colin Robinson, Elgar, 2003.

Leggett, J. The Carbon War: Global Warming and the End of the Oil Era, Routledge, 2001.

Perrings, C., and Vincent, J. (eds), Natural Resource Accounting and Economic Development: Theory and Practice, Elgar, 2003.

Rauscher, M. OPEC and the Price of Petroleum, Springer 1989.

Reynolds, D.B., Scarcity and Growth Considering Oil and Energy: An Alternative Neo-classical View, Edwin Mellen, 2002

Skeet, I. OPEC: Twenty Five Years of Prices and Politics, Cambridge University Press, 1988.

Verleger, P. Adjusting to Volatile Energy Prices, Institute for International Economics, 1993.

Other Reference Materials:

Students should be aware of a number of journals which include up-to-date material on the petroleum industry. Of particular note are:

(1) For Canada: Oilweek, Daily Oil Bulletin.

(2) For U.S.A: Oil and Gas Journal, Energy Users Bulletin.

(3) International Industry: Petroleum Economist, Petroleum Intelligence Weekly, Middle East Economic Survey, and Middle East Economic Digest.

In addition, recent events in the petroleum industry have called forth many articles in economic journals. Of particular interest to this class may be those in Canadian Public Policy, The Energy Journal, Journal of Energy and Development, and Energy Policy. For reference to other recent articles on the economics of the oil industry see the relevant sections (Q4) in the Journal of Economic Literature, or undertake a search through Econ-Lit (accessible through the Economics Department web page).

Finally, governments have recently published some interesting material on energy industries. In Alberta, material from the Energy Resources Conservation Board (now Energy and Utilities Board) is of particular interest. For the Canadian federal government, see the National Energy Board, the Science Council of Canada, the Economic Council of Canada and the Department of Energy, Mines and Resources (now Natural Resources Canada). For the U.S. see the Federal Energy Agency, Federal Energy Regulatory Commission, and Department of Energy (especially the Energy Information Administration, EIA); also hearings before various Congressional Committees, including the House Ways and Means Committee, the Senate Committee on Commerce, the Senate Committee on Foreign Relations and the Joint Economic Committee. The OECD also has a number of interesting recent publications on energy, including publications of the International Energy Agency (IEA). So does OPEC, including the OPEC Review and OPEC Bulletin.

An interesting detailed review of OPEC history is given in J. Evans, OPEC: Its Member States and the World Energy Market (1986). Useful data on individual countries can be found in The International Petroleum Encyclopaedia. The CERI World Oil Market Analysis is also useful.

Among useful websites are the following:

Canadian Governmental:

Natural Resources Canada: www.nrcan.gc.ca

National Energy Board: www.neb.gc.ca

Alberta Department of Energy: www.energy.gov.ab.ca

Alberta Energy and Public Utilities Board: www.eub.gov.ab.ca

U.S. Governmental:

International Governmental:

International Energy Agency: www.iea.org

Organization of Petroleum Exporting Countries: www.opec.org

Other:

Middle East Economic Survey: www.mees.com

Oxford Institute for Energy Studies: www.oxfordenergy.org

Course Objectives:

- To review the basic analytical concepts of relevance to the study of the world petroleum market: demand, supply, perfect and imperfect competition, and profit maximizing allocation of an exhaustible resource stock;
- To survey 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.
- To develop the skills necessary for the critical evaluation of news stories about the international petroleum industry.

Course Outlines:

- Introduction: Oil in the World
Statistical material from Part One of the Class handout.

IEA, International Energy Outlook 2002 Preface and Highlights (In class handout.)
- Analytical Background: Concepts in Petroleum Economics
Class handout, Part One.
Danielsen, *The Evolution of OPEC* NY, Harcourt, Brace Jovanovich, (1982), Chapters 2 & 3. (In class handout.)
- OPEC: History and Models of Behaviour
Danielsen, Chs. 6 and 7. (In class handout.)
J. Griffin and H. Steele, *Energy Economics and Policy* (2nd ed.) NY:Academic Press, 1986. Chapter 4. (In class handout.)
- Energy and the Future of Oil
IEA, International Energy Outlook 2002, Energy Consumption and Oil Markets (in class handout.)
- The "Commoditization" of Oil, Oil Markets Since 1980.
P. K. Verleger, Jr., "The Evolution of Oil as a Commodity", Chapter 7 in R. L. Gordon, H. D. Jacoby and M. B. Zimmerman (eds.) *Energy: Markets and Regulation* Cambridge, MA: MIT Press, 1987. (In class handout.)
F. E. Banks, "Oil Futures Markets: An Introductory Economic Analysis", *OPEC Review* IX(2), 1987, 191-219. (In class handout.)

Grade Determination and Final Examination Details:

Midterm

July 19, 2004

25%

Take Home Assignments	One	25%
Final Examination	Comprehensive	<u>50%</u>
		100%

A passing grade on any particular component of the course is not required for a student to pass the course as a whole.

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

There will be a Registrar scheduled final examination, lasting 2 hours

Tests and exams WILL NOT involve multiple choice questions.

Tests and final exams are marked on a numerical (percentage) basis, and then converted to letter grades. The course grade is then calculated using the weights indicated above, as applied to the percentage grades. As a guide to determining standing, these letter grade equivalences will generally apply:

A+	97 - 100	B+	81 - 84	C+	68 - 71	D+	55 - 58
A	89 - 96	B	76 - 80	C	63 - 67	D	50 - 54

If, for some reason, the distribution of grades determined using the aforementioned conversion chart appears to be abnormal the instructor reserves the right to change the grade conversion chart if the instructor, *at the instructor's discretion*, feels it is necessary to more fairly represent student achievement.

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Notes:

- Students seeking reappraisal of a piece of graded term work (term paper, essay, etc.) should discuss their work with the Instructor within one week of the work being returned to the class.
- Make-up examinations and deferred examinations will not be given except in cases of extreme personal emergencies. Also, examinations will not be given before the indicated dates.
- Students' exams and assignments will be returned during regular class time or at the time of the final exam. Papers may also be picked up by students during regular office hours.

KY/pml

2004-04-06