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978-1-107-00442-9 - Oil and Governance: State-Owned Enterprises and the World Energy Supply

David G. Victor, David R. Hults and Mark C. Thurber

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Oil and Governance

National oil companies (NOCs) play an important role in the world economy. They produce most of the world's oil and bankroll governments across the globe. Although NOCs superficially resemble private-sector companies, they often behave in very different ways. *Oil and Governance* explains the variation in performance and strategy for NOCs and provides fresh insights into the future of the oil industry as well as the politics of the oil-rich countries where NOCs dominate. It comprises fifteen case studies, each following a common research design, of NOCs based in the Middle East, Africa, Asia, Latin America, and Europe. The book also includes cross-cutting pieces on the industrial structure of the oil industry and the politics and administration of NOCs. This book is the largest and most systematic analysis of NOCs to date and is suitable for audiences from industry and academia, as well as policymakers.

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Acknowledgements

We began this project in 2007 during a period of growing speculation about the future of the oil industry and the national oil companies (NOCs) that are the industry's dominant actors. Our research group, the Program on Energy and Sustainable Development (PESD) at Stanford University, had just completed two major studies – one of the globalization of gas supplies and one of the experiences with power sector reform around the world. Both those studies pointed to the fact that politicians had a very hard time managing the political fallout from volatile energy prices, and the single most important factor explaining most energy prices was the behavior of the oil market. There was no shortage of economic models that purported to explain oil prices, but our team at PESD thought that the most important factors at work in the oil industry were just as likely to be political as economic. And the political forces that mattered most were likely to concentrate on NOCs since they controlled most of the world's oil reserves and production.

When we began this study, most of the existing research spoke of NOCs as a monolithic block and usually in pejorative terms. Analysts assumed that competitive, privately owned oil companies would always perform better than state enterprises. We weren't sure that claim was always correct. And in any case we didn't think that approach was useful. NOCs would not soon disappear from the scene – in fact, many analysts suggested the world was in the midst of a swing back to national control of key industries.

Our starting point was that NOCs weren't monolithic. There was huge variation in their behavior and performance. We were mindful that there was no shortage of hypotheses that claimed to explain why NOCs might vary, but there wasn't much systematic analysis that actually tested such ideas. This book is an effort – the largest and most systematic independent analysis of NOCs – to explain why they varied.

We developed our research methods in stages, and we are particularly grateful to colleagues who helped us test and refine those

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