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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Oil and Governance

State-Owned Enterprises and the World Energy Supply

DAVID G. VICTOR
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Nadejda Victor, US Department of Energy
Christopher Warshaw, Stanford University
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
Acknowledgements

methods on the early case studies. Those included many students at Stanford Law School and Paul Stevens who was involved with a similar study at Chatham House. Howard Harris at McKinsey and many colleagues at BP patiently helped us understand the industry. Field visits and interviews in Abu Dhabi, Brazil, Mexico, and Norway were especially formative – thanks to the many people who helped arrange those and the follow up discussions, notably Michael Ohadi in Abu Dhabi; Adilson de Oliveira and Rogerio Manso in Brazil; Pedro Aspe and Andres Rozental in Mexico; and Ivar Tangen in Norway.

We also benefited from the insights of Thomas Heller, professor at Stanford Law School, and Francisco Monaldi, who was in residence at Stanford’s Hoover Institution for a time during this project and has been a source of wisdom about the political economy of NOCs.

Early in 2008 we held a two week “winter seminar” at Stanford on NOCs. Many of the case study authors attended the sessions along with outside experts who offered invaluable advice – Jeff Colgan, Howard Harris, Christine Jojarth, Saad Rahim, and Edgard Habib. A special thanks to Christian Wolf for sharing his econometric research on NOC performance.

Each chapter in this book has undergone individual peer review, and those reviewers are thanked in those chapters. In addition to the people already thanked, we are grateful to Valérie Marcel for reviewing multiple chapters and sharing her insights from having studied the Gulf region NOCs so carefully.

The project benefitted from terrific administrative and editorial support. Kathy Lung led a team at PESD that included Tonya McPherrin, Rose Kontak, Aranzazu Lascurain, Valerie Wang, Emily Wang, and Joyce Thomas. David Victor moved to UC San Diego near the end of this project and thanks Amanda Brainerd for administrative help and Linda Wong for keeping track of all the references. PESD is grateful, as always, for the ongoing support of BP, plc, and the Electric Power Research Institute (EPRI).

At Cambridge University Press thanks to the team of Chris Harrison and Philip Good, who have guided this project from the early days. Rob Wilkinson and Penny Harper were also of great help in the production process.

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