17.906 The Geopolitics and Geoeconomics of Global Energy, Spring 2007 Prof. Flynt Leverett

Discussion 5: Resource Nationalism and Market Power

National Oil Companies

- Owned by the state
- Culture is very different from competitive firms
 - o Driven more politically than economically
 - Political social agenda to improve the state
 - o Effect on performance
- Two components
 - o Versus the IOCs and their culture
 - o Depletion and discounting
 - Without politics
 - Volume goes down, price goes up
 - o Versus each other
 - Their history/legacy
 - International relationships
 - Technology/knowledge
 - Government oversight
 - Gradient
 - □ Algeria→Iran→Kuwait→Abu Dahbi→Saudi Arabia
 - How it got this way
 - Type of government
 - o Centralization
 - o Stability
 - Power to get things done
 - Time horizon
 - Origin of Power
 - Economic Development
- Ways to nationalize
 - Abrupt nationalization
 - Iran, Iraq, etc.
 - Alienation from IOCs
 - o Gradual transition
 - Saudi Arabia, Kuwait, Abu Dahbi
- Types of democracies
 - o Stable and non-stable
- Influence
 - o Formal
 - o Informal
- Strategy
 - o Downsides
 - Price
 - Alienate
 - Fewer buyers
 - Pressure

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