The International Politics of Energy Policy
IRGN 428
Professor David G. Victor
Spring 2015

Professor David G. Victor (david.victor@ucsd.edu)

COURSE DESCRIPTION

The course will introduce students to the theories and concepts that help explain how societies design and implement public policies related to energy, focusing on how politics shapes energy markets. Topics covered will include the regulation of monopolies, the roles of state-owned enterprises such as national oil companies, the influence of interest groups, and international coordination to address topics like climate change and management of the global oil market.

REQUIREMENTS

This is an intensive seminar. Students are expected to complete the required readings each class and to contribute to discussions. There will be no lectures. Most classes will begin with discussion of a major theoretical puzzle and end with analysis of at least one case study.

Each student will be responsible for developing a ten-minute presentation on one of the case studies individually and to lead a 10-15 minute Q&A after their presentation. Signups for this task will occur in the third class. The presentation should not be simply a summary of the assigned material. Rather, the presenter should focus on what explains the politics in the issue at hand and how policy makers can make a difference. Assume that the students have read the assigned material on the case, but to develop an effective
presentation you will need to read more and to synthesize. Think about your audience—what do they know, what is most important for them to know? Which questions will spark a useful conversation that helps lead to more generalizable insights rather than just facts? Almost always, saying less and focusing on what is important is much more powerful than saying a lot that isn’t important.

Students will write two short policy memos (3-5 pages double spaced) on any two of the case studies. Policy memos are due COB (close of business) on Thursday, 16 April and Thursday, 14 May. Email them to s2carlson@ucsd.edu. Each memo will be addressed to a client—a head of a government agency or international institution, or a policy strategist at a firm or NGO—and will briefly summarize the state of play of existing policy, outline the policy options and explain how to choose among them. The idea behind these memos is not to do extensive additional research but to synthesize what you have learned about the case into a very compact space and to explain policy choices. Examples will be circulated and discussed in class.

Students are also required to write a final research paper (about fifteen pages, double spaced) that explains the politics and policy in a topic of their choosing. Students might want to use this paper for other purposes as well, such as a writing sample for potential employers. They should submit a one-page summary of the paper topic and likely argument on Friday, 17 April and plan to meet with Professor Victor during the following week (or two) to discuss the plan. The final paper will be due on 9 June (Tuesday). **No late work will be accepted.**

**REQUIRED BOOKS AND MATERIALS**

All readings will be on the TED System.

Classes marked with an asterisk (*) have heavy reading; be prepared.

**ADDITIONAL MATERIALS**

You may find these resources of special value for background information and data:

- BP, 2014. BP Energy Outlook 2035. Read the “booklet” online at [http://www.bp.com/energyoutlook2035](http://www.bp.com/energyoutlook2035). On that site see also the BP Statistical Review, which has historical data on the energy system.
GRADING

Final grades will be determined by the following formula:

1. Class participation 20%
2. In-class presentation 20%
3. Policy memos (two total) 20%
4. One page note on final paper 10%
4. Final paper 30%
COURSE OUTLINE

Unit 1: Introduction

Class 1: Introduction to the class (30 March). Overview of different perspectives on the future of world energy

- Stephen Lacey 2014 “This is What the Utility Death Spiral Looks Like” GreenTechMedia.com
- NOTE: as you read this widely read assessment of the world energy situation by the IEA, what do you see as the major challenges and opportunities in the energy business? Where are economic growth and technological change going to drive the energy business “on their own” and where is policy likely to be most important? As you read the second article, on the “death spiral” that is under way for many electric companies, think about why policy makers let this happen—some are even encouraging the death spiral.

Unit 2: Fundamentals: Public Choice, Regulation & Institutions

Class 2: Interest Groups and how they get organized (1 April)

- Olson, Mancur. *The Logic of Collective Action*, Harvard University Press, 1965. Introduction (pp. 1-4) and Ch. 1 (pp. 5-52). NOTE: If section “D” in chapter 1 is too technical read the nontechnical summary starting on p.33. Also, the language may be complicated in places, so please focus on the core ideas—what is Olson arguing against? And, pay particular attention to what Olson calls “non-market” or “inclusive” groups. Reminder: you read this in PMP!

Case: The Politics of Transforming Energy Supply: The Creation of the German Wind and Solar Market


*Class 3: When Should the State Intervene? (6 April)*


Case: U.S. Ethanol Policy: Environmentally Insane or Politically Rational?


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*Class 4: State Institutions and credibility (8 April)

Case: Foreign Investment and Expropriation

Case: Do Natural Resources Equal Geopolitical Power? Why Bolivia’s Lithium is Stuck in the Ground

Class 5: Delegation to Agents and Bureaucrats (13 April)
• Miller, Gary, The Political Evolution of Principal-Agent Models, Annual Review of Political Science, Vol. 8 (2005) pp. 203-225. Skim for the central ideas. In particular, what is a “principal-agent” model and what are its key elements? Reminder: you read the Kiewet and McCubbins piece on delegation in PMP.

Case: The BP “Macondo” Oil Spill in the Gulf of Mexico

Unit 3: State Enterprises and Monopolies

*Class 6: Why do State-owned Enterprises Exist? (15 April)
• Victor, David G., 2011, “National Oil Companies and the World Oil Market” 15 November. Summary of main findings of: Oil and Governance: State-owned Enterprises and the World Energy Supply (Cambridge University Press). Skim this essay so that you have the context for the two case studies on Brazil and Venezuela.
TWO Cases: The Contrasting Experiences of Brazil and Venezuela

- NOTE: these are complicated cases. Pay close attention to the question of WHY governments created State Owned firms in the first place; when did those perform well and poorly, and why?

*Class 7: Regulated Monopolies and Deregulation (20 April)*

- Besant-Jones, John E. Reforming Power Markets in Developing Countries: What Have We Learned? World Bank Energy and Mining Sector Board Discussion Paper No. 19. September 2006. Read just chapter 1. When these governments reformed their systems what were the problems they were trying to solve? How might the strategy in electricity be different from telecoms?

Case: Restructuring and Deregulation in Brazil


NOTE: this case and the case next class on India are complicated. To help you digest their essence, think about these questions:

- Why did the government create SOEs in electricity in the first place?
- What was the economic performance of the SOEs in electricity?
- If you know something about other SOEs in that country, how does electricity compare with those other industries?
- Why is it that most electricity SOEs in the world lose money yet don't go bankrupt?
- What goals was the government pursuing when it restructured its power industry?
- Restructuring requires institutions--for example, regulators to oversee the market. What were the main institutional requirements for successful restructuring in the country, and were those requirements in place before restructuring began?
- Which parts of the restructured power industry were most attractive to private investors? Which were least attractive? Were some kinds of

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Supplemental reading:
Newbury, David. Privatization, Restructuring, and Regulation of Network Utilities, MIT Press, 2002. Ch. 5 (pp. 171-198). Read the Newbury essay with an eye to one central question: Why did Britain restructure its power industry the way it did?
private investors more likely to invest than others? Why?

Unit 4: Bureaucratic Organizations and Delegation

Class 8: Learning and Evolution in Government Policy (22 April)


Case: Restructuring and Deregulation in India


Case: Who Learned What with Germany’s Energiewende

- Philipp Gerbert et al., 2014 Germany’s Energiewende: The end of Power Market Liberalization?, Boston Consulting Group (September)

Class 9: Working in Small Groups (27 April)


Case study: The Controversy Over Fracking


Class 10: Organizational Failures (29 April)

- Perrow, Charles, Normal Accidents: Living with High-Risk Technologies, Princeton University Press, 1999. Introduction (pp. 3-14) and Chapter 1 (pp. 15-31).

Case Study: Nuclear Power: risky, expensive or savior?


Class 11: Controlling Private Firms: Markets versus Regulation (4 May)

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2 Note: we may shift this reading to a more theoretical piece. Look for an update at class 9.


Unit 5: Collective Action

*Class 12: Theories of the Commons (6 May)

Case Study: Organizing the Oil Cartel

Case Study: Collective Action on Climate Change

Class 13: Domestic Politics and International Cooperation (11 May)

Case Study: International Promises and Domestic Realities of Energy Subsidy Reform⁴

³ Additional reading:

⁴ Additional supplemental reading:

• [Possible case study on Dominican Republic to be circulated in class.]

Class 14: International Cooperation: When do International Institutions Work? (13 May)


Case study: Is Protection of the Ozone Layer a Model for Global Climate Change?


Unit 6: Innovation

*Class 15: National Innovation Systems (18 May)*


Case Study: China’s Energy Innovation System


Case Study: Can the Government Steer Private Investors? The example of the US clean energy loan guarantee program


Unit 7: Putting it All together: Some Current Problems

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6 Supplemental reading:

Class 16: Why are countries that are rich in resources so poor? The “Resource Curse” (20 May)

Case Study: Resource Curse
- Collier, Paul. The Bottom Billion: Why the Poorest Countries are Failing and What Can Be Done About It, Oxford University Press, 2007. Ch. 3 (p. 38-52) and Ch. 7 (pp. 99-123).

HOLIDAY (No Class 25 May, Memorial Day)

Class 17: Energy and Economic Development: prospects for International Cooperation (27 May)

Case Study: Co-benefits from energy policy, the case of Soot in Asia
- ICAMP Report on opportunities for cooperation between California and India.

Case Study: Technology Transfer and the example of Coal
- “Copenhagen Accord”

Class 18: Two New Issues: Do Our Theories Explain Likely Policy outcomes? (1 June)

Case Study: Geo-engineering and Climate Change

Case Study: Is the Smart Grid so Smart, and Who will Pay for It?
- Federal Energy Regulatory Commission: Assessment of Demand Response and Advanced Metering, Staff Report (December 2012)