

Inkpen, Andrew & Moffett, Michael H. – The Global Oil & Gas Industry

PennWell, 2011, [Business] Grade ★★★★★

This might be the best text around on the business aspects of the oil and gas industry. The authors are two business professors who also serve as co-directors of the Thunderbird Center for Global Energy Studies. They aim to write a single source nontechnical book for amongst others readers with technical background to understand the business of oil and gas as they take on managerial positions.

There are a full 15 chapters to this 550+ pages book. However, there are a number of main themes to the chapters and their order. The first ones give an industry overview and discuss the not always pretty effects of oil on an economy. Then the authors present the value or production chain. In a logical, straightforward fashion they work their way from obtaining the right to explore for oil to the closure of the reservoir after production. The next section actually covers the same production process but from the business angle looking to revenue models and financing options. After discussing production of gas and LNG, Inkpen and Moffett take a stab at explaining the forces of supply and demand that determine the oil price. Further, the business of the downstream sectors further down the value chain is described with separate chapters on transportation, refining and the sale and marketing of petroleum products to end customers. The book ends with a gaze in the crystal ball to foretell the future of the industry.

The Global Oil & Gas Industry isn't meant to be a technical guide. Thus, to get a fuller picture of the industry it might be a good idea to combine the reading of this book with Morgan Downey's *Oil 101* or *Oil and Gas Production in Nontechnical Language* by Martin Raymond and William Leffner (where the latter also has written the best non-technical book there is on refineries). They all complement each other excellently.

This is a competent book written in an easy to read style. The content is ripe with case studies like an MBA textbook. Normally, I tend to find case studies a bit superfluous but in this case they add

humor, absurdities and detail and they shine light on how different this industry is to most others. As you would expect from a book with business focus, issues like the long growing competitive tension between the integrated oil companies (BP etc.), the national oil companies (Saudi Aramco etc.) and the major service companies (Schlumberger etc.) are discussed. The NOCs have since long taken control over the equity rights to most of the oil. The IOCs fight to retain the leading edge competence and technologies that make them hard to do without for the NOCs. By this IOCs gain access to ownership of oil. However, due to the skills of the service companies who sell their increasingly leading edge services to both IOCs and NOCs the position of IOCs is never comfortable and the NOCs have increasingly started to expand outside their borders and compete globally. To top it off, more nimble pure E&P companies attack the IOCs from below.

I have some minor objections. Now and then there are sections that read like excerpts out of a beginner's book in business administration (especially the chapter on financing and financial performance) and you are reminded that the authors are two academics. On the other hand, not often but sometimes, the authors use industry jargon without really explaining it. For example a "workover" is partially explained as "pulling off the Christmas tree". It's also a book with a clear US view discussing the growing importance of China as a potential threat and with a very cynical view of Petrostates and the competence of NOCs. I don't necessarily disagree but it is a clear bias that the reader should know about. In all, these are very small flaws in an otherwise impressive book.

There are plenty of books that cover the technical aspects of the oil and gas industry both for engineers and for non-engineers. There are few that focus on the managerial aspects of running an oil company so *The Global Oil & Gas Industry* certainly fills a void.

Mats Larsson, September 29, 2015