

MACQUARIE UNIVERSITY

Division of Economic and Financial Studies



UNIT OUTLINE
2006 Second Semester

ECON 887
ENERGY ECONOMICS AND FINANCE

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ECON887

Energy Economics and Finance

Course Overview

The focus of ECON887 is the study of the economics of the energy industry, including interactions among the main competing fuel sectors. We will focus primarily on primary energy sectors, rather than end-use sectors. It will combine economic geography, economic theory, industry study, and the interface of the energy sectors with the financial sector. It will include production, transportation, processing, financing, risk management, and concepts and issues of energy security.

Teaching Program

ECON887 will be delivered as a combination of lectures and classroom discussions.

Lecturer	Class Location	Class Time	Contact	Consultation Times
Dr. Ronald D. Ripple	C5A 310	Monday: 6pm-9pm	Office: E4A 407 Phone: 9850 7063 Email: rripple@efs.mq.edu.au	Tuesday: 10am-noon Wednesday: 2pm-3pm

The class sessions will be conducted primarily as lectures, with practical examples and problems introduced where appropriate.

The text for this class is:

Dahl, Carol A. (2004) *International Energy Markets: Understanding Pricing, Policies, and Profits*, PennWell Corporation, Tulsa, Oklahoma.

Set chapters for each topic's lecture are drawn from this text and identified in the lecture topic table below. Other materials, such as relevant journal articles, will be provided as we move through the material. Students should read these chapters and other materials prior to the lecture, so that they are familiar with the material to be covered. This should greatly enhance your learning experience.

Other reference texts may be found in the library. Several have been placed in Reserve, such as:

Adelman, Morris (1993) *The Economics of Petroleum Supply*, The MIT Press, Cambridge, Massachusetts.

Odell, Peter (2004) *Why carbon fuels will dominate the 21st century's global energy economy*, Multi-Science Publishing Co., Brentwood.

Odell, Peter (1963) *An economic geography of oil*, Bell, London.

Drew, Lawrence (1997) *Undiscovered petroleum and mineral resources: assessment and controversy*, Plenum Press, New York.

Course Calendar

Topic /week No.	Class meeting:	Topic	Chapters
1	31 July	Introduction	1
2	7 August	Models – Math	2
3	14 August	Coal : Competition	3
4	21 August	Natural gas – Japan : Monopsony	10
5	28 August	Natural gas – Europe – N. America. : Game Theory, Competition, and Transaction	11 & 7
6	4 September	Oil – OPEC – Monopoly	6
7	11 September	Fossil fuel production – Peak Oil	12
Mid-semester Break			
8	2 October	Public Holiday: No class!	
9	9 October	Supply and cost curves	13
10	16 October	Refining and transportation	14
11	23 October	Futures and options and risk management	15
12	30 October	Resource valuation: Real options, etc.	
13	6 November	Externalities – Climate change	8 & 9

Important Dates for the Semester

- The essay assignment is due 3 November 2006.
- The examination will be held during the examination period.

Course Assessment

Assessment will be based on a semester assignment and an examination, with the following weights:

Essay assignment	30%
Examination	70%

The final exam MUST be passed for you to gain a passing mark in this unit.

Assignment

The semester assignment is a 3,000 word essay. **The essay assignment is to be submitted by 4PM on 3 November 2006.** The assignment is to be submitted to the ECON887 boxes in ERIC (E4B). The specific essay topic will be provided in a separate handout, and on the WebCT unit homepage. All students must submit an essay; no essay, no pass.

NO LATE SUBMISSIONS WILL BE ACCEPTED!

The essay must be submitted using the official cover sheet, with the plagiarism declaration **signed**. These will be available on the WebCT page. You should keep a dated, witnessed copy of your assignment in the case of any mishandling. This is YOUR responsibility.

The Examination: It will be set over a three-hour duration.

Plagiarism

The University defines plagiarism in its rules: “Plagiarism involves using the work of another person and presenting it as one’s own.” Plagiarism is a serious breach of the University’s rules and carries significant penalties. You must read the University’s practices and procedures on plagiarism. These may be found in the *Handbook of Undergraduate Studies* or on the web at : <http://www.student.mq.edu.au/plagiarism/>

The policies and procedures explain what plagiarism is, how to avoid it, the procedures that will be taken in cases of suspected plagiarism, and the penalties if you are found guilty. Penalties may include a deduction of marks, failure in the unit, and/or referral to the University Discipline Committee.

University Policy on Grading

The Academic Senate has a set of guidelines on the distribution of grades across a range from fail to high distinction. Your final result will include one of these grades plus a standardized numerical grade (SNG).

On occasion your raw mark for a unit (i.e., the total of your marks for each assessment item) may not be the same as the SNG which you receive. Under the Senate guidelines, results may be scaled to ensure that there is a degree of comparability across the university, and so that students with similar performances compared with past students should achieve similar results.

It is important that you realize that the policy does not require that a minimum number of students be failed in any unit. In fact, it does something like the opposite, in requiring examiners to explain their actions if more than 20% of the students fail a unit.

The process of scaling does not change the order of marks among students. A student who receives a higher raw mark than another student will also receive a higher final scaled mark.

For an example of the policy see

<http://www.mq.edu.au/senate/MQUonly/Issues/Guidelines2003.doc> or
<http://www.mq.edu.au/senate/MQUonly/Issues/detailedguidelines.doc>

Student Support Services

Macquarie University provides a range of Academic Student Support Services. Details of these can be accessed at <http://www.student.mq.edu.au>.