



# A perspective on Robert Mabro’s work and contribution to petroleum research

Majid Al-Moneef

## 1970s and 1980s: perception of Arab-dominated OPEC

To many of my generation who studied economics in the West in the 1970s and 1980s, developments in the oil market posed both research and cultural challenges. In the early 1970s, following what came to be known as the ‘first energy crisis’, we were confronted with a barrage of media coverage about the ‘Arab dominated OPEC’ who sought to ‘strangulate the industrial world’ by controlling the price of oil. This perception became more apparent following the transfer of pricing power from the concessionaire international oil companies to the governments of the oil exporting countries of the Middle East, North Africa, and Latin America. The Arab-Israeli war of 1973 and the Arab oil embargo against the USA then amplified this media bias.

It is within this atmosphere that my research interests – together with those of many other Arab students of economics and political science studying in the West at that time – were shaped. In the USA, we were faced with a very emotive debate directed against the Arab members of OPEC. We also had to contend with the dominant mode of thinking in US universities and research institutes which tended to be very US-centric, focusing on the impact of oil price shocks on the US economy, the theory of exhaustible resources, peak oil, the oligopolistic behaviour of OPEC, and the Dutch Disease Hypothesis. Those of us who had an interest in the political economy of oil or economic development had to find our way through this US-centred research tradition. The seminal work of MIT’s Adelman<sup>1</sup> influenced research on the

issue of oil pricing, production, and market structure for decades.

Although the works of O’Conner, Sampson, Blair, and Jacoby were widely read, their influence on research was limited.

The situation was similar across the Atlantic, but the academic tradition was somewhat different. Political economy and development issues still had some influence on research in Britain and elsewhere in Europe. The works of Hartshorn, and Penrose and Mikdashi had some influence on research into petroleum economics and relations.

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Robert Mabro, being from an Arab country and understanding the challenges of the region more than anyone else, was surely also confronted with the western media’s negative view of Arab oil producers following the 1973 crisis. After studying civil engineering in Egypt, philosophy in France, and economics at London University, and specializing in economic developments of the Middle East at Oxford University, he switched his research focus to the economics and the politics of oil. Since then, he has devoted his research to understanding the various issues related to the very big questions facing the oil market. Mabro also promoted dialogue between oil producers and consumers at a time when the issue had not yet become

popular; this led to his first co-authored work<sup>2</sup> in 1974.

## OEPC, Oxford Energy Seminar, and OIES

I myself did not come to know of Mabro’s work until after my graduation from the USA. Back in those days, when there were no Google search tools, I came across his work when studying the oil price episode of 1986. Two of his papers<sup>3,4</sup> introduced me to the Oxford Institute for Energy Studies he had just established, I first met him in 1989 after attending his other creation, the Oxford Energy Policy Club. In that meeting, I was fortunate to meet the late Edith Penrose, whose research had already influenced many in the aftermath of the 1973 oil price increase, and Wanda Jablonski, whose journalistic insight and coverage of oil market relations through the publication, *Petroleum Intelligence Weekly* (PIW), guided many researchers since the 1960s.

Even then, Mabro was already critical of many of the dominant narratives around the oil market in the USA. For instance, he thought that the Hotelling rule was irrelevant when looking at a country oil producer. He also thought that for the oil-prolific Middle East, the issue of peak oil was too distant to make an issue from. Mabro argues that: *‘it is not sufficient to say that an exhaustible resource will be eventually exhausted and that its production will decline until extinction after reaching a peak. These are not predictions. Such statements are of no interest whatsoever unless we are told the dates at which the peak will be reached, and the likely shape of the production curve before and after the peak.’*<sup>5</sup>

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Furthermore, Mabro never believed in any of the variants of the ‘OPEC Cartel’ theory. Models of OPEC as a wealth-maximizing rational monopolist did not appeal much to him. Instead, he argued that: *‘the revenue maximization objective which theory postulates and core producers would dearly like to achieve is not credible. One has to become content with a second best: to obtain through the pricing policy more revenues than would have accrued under a competitive market structure. This more may be much better than nothing but is likely to be very different from the optimum.’*<sup>6</sup> Mabro came to formulate his understanding of oil market issues without any pre-set hypothesis or prejudice. His annually organized Oxford Energy Seminar was a venue to understand the market by bringing together all stakeholders: academia, industry, governments, media, financial community, consultants, etc.

**Mabro’s ongoing significance**

Mabro has also contributed significantly to current understanding of the concerns of oil producing countries, and of the challenges they face in developing their hydrocarbon resources and utilizing them for their socio-economic development. Prior to Mabro’s work, there was little systematic academic focus in the west on issues such as economic diversification, or on the ways in which hydrocarbon revenues could be used to maximize socio-economic welfare outcomes. At the time, some may have considered his research as niche and of no relevance to prevailing mainstream research, in a market obsessed with the energy security debate and western independence from Middle East oil. This quickly changed in 1993, when he published his seminal book, co-authored with Paul Horsnell, on the Brent Market.<sup>7</sup> Prior to this time, the functioning of the

world’s largest market for crude oil had been poorly understood.

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Although the focus of his research has been the Arab World, Mabro understood the challenges facing other producers – such as Mexico, Norway, Venezuela, and Russia – very well. He used his wide network – established through the OIES, the Oxford Energy Seminar, and the Oxford Energy Policy Club – to bring together producing and consuming governments, international and national oil companies, as well as producers of oil and those of other energy sources. He is highly regarded as a central figure in the field of oil research across Europe, Asia, the Middle East, and Latin America to this day.

Notes

- <sup>1</sup> *The World Petroleum Market*, M.A. Adelman, Baltimore: Johns Hopkins, 1972.
- <sup>2</sup> *Oil Producers and Consumers: Conflict or Cooperation*, Elizabeth Monroe and Robert Mabro, New York, 1974.
- <sup>3</sup> ‘On oil price concepts’, Robert Mabro, OIES, WPM 3, 1984.
- <sup>4</sup> ‘Netback Pricing and the Oil Price Collapse of 1986’, Robert Mabro, OIES, WPM 10, 1987.
- <sup>5</sup> ‘The Peak Oil Theory’, Robert Mabro, Oxford Energy Comment, OIES, September 2006.
- <sup>6</sup> ‘OPEC and the Price of Oil’, Robert Mabro, *The Energy Journal*, 13(2) 1992, pages 1–17.
- <sup>7</sup> *Oil Markets and Prices: The Brent Market and the Formation of World Oil Prices*, Paul Horsnell and Robert Mabro, Oxford: OUP/OIES, 1993.