



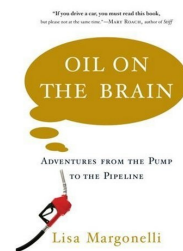
Book Review - Oil on the Brain

Posted by [Robert Rapier](#) on November 14, 2009 - 11:03am

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[Oil on the Brain](#) by Lisa Margonelli was recommended by Paul Sankey at the [2009 Energy Information Administration Conference](#) as a book that provided great insight into the oil industry. I have had it on my list of books to read, and recently picked it up to read during my travels. I have been traveling a lot lately, and I like to read while I travel, so I knocked it out over the past couple of trips I have taken.



The premise of the book is that a person who doesn't know much about the oil industry sets out to find out what it is really like on the inside. It reminded me in some ways of [Crude World](#) by Peter Maass (which I reviewed [here](#)). The biggest difference is that Margonelli was approaching the subject from a pretty basic starting point, and Maass had written quite a bit about the industry when he tackled *Crude World*.

I guess I never cease to be amazed by what people think the oil industry is like, and what it is really like. People seem to think that the oil industry is a bunch of guys in a smoke-filled room who conspire to set prices. To be honest, that's probably the way I viewed the industry when I was growing up. And still, my first reaction to my cable bill going up is "Those greedy cable companies are ripping me off." The big difference with the cable companies, though, is that their profits aren't thrust in everyone's faces at the end of every quarter. Every time oil prices do spike up and oil companies show nice profits, people do feel like they have been taken advantage of. But I digress a bit.

For this book, Margonelli embedded herself within various sectors of the oil industry. She spent time throughout the supply chain, hanging out at a gas station in California where she found that the owners made more money on candy and soda than they did on gasoline. She spent a day with a tanker truck driver and his dispatcher, and spent time in a refinery and on an oil rig. She even got inside the [Strategic Petroleum Reserve](#), which is typically off limits to visitors. She traveled abroad to Chad, Venezuela, Nigeria, and even Iran to understand the world of oil and what it has meant to these regions.

Here were what I thought were some of Margonelli's more interesting observations. She spoke a lot about the indirect costs of using oil. In talking about oil spills, she mentioned that her view of an oil spill had always been dominated by the *Exxon Valdez*. She had never connected these spills to her own fuel usage, but learned that drivers and boaters spill more oil every year than did the *Exxon Valdez*. The number she cited was 19 million gallons of oil products spilled each year in our waterways by boaters and auto drivers.

She wrote about the notion that oil companies are in a conspiracy to set prices. A [jobber](#) she spoke with - someone who has to buy fuel from the oil companies - said "There are eleven studies which show there isn't a conspiracy. Chevron, Shell, Exxon - they hate each other. It's like war daily. For them to collude is insanity, but people believe what they want to believe."

On that topic, she noted an episode of hypocrisy displayed by Nancy Pelosi. One day in 2006 Pelosi told a group of school children that we hadn't done enough to reduce our dependence on gasoline, and so demand was high and that's why the price was high. Then she got in front of the cameras and she cited the conspiracy of big oil and the Republicans working for their interests. But as Margonelli noted, "the myth of conspiracy overwhelms reason, particularly when pump prices and oil company profits are high." I think the lesson there is "If the talking point is working, keep pushing it."

She met an old-time wildcatter named Michel Halbouty (now deceased) who complained that the country has not had a coherent energy policy in 30 years. He advocated more promotion of domestic energy exploration, and fears a slow slide into deindustrialization. He noted that the main problem is that "People. Don't. Care." As long as they can pull in and fill up, they just don't care about energy policy.

In China, she met with someone within the government who was involved with energy policy. He noted that it would be a disaster for China to move toward an American way of life, but he says that cars are clearly there to stay in China. On GDP, Margonelli wrote that China requires 4 or 5 times as much energy as Japan per point of GDP. Finally, the minister commented that China needs "a bigger space to survive under U.S. hegemony." On that point, she also spoke with a European analyst who said that U.S. hegemony is a part of China's strategy; that if they can get the U.S. to bear the expense of maintaining the energy status quo, they will have the time and resources to retool their economy.

In the epilogue, Margonelli comments that there is no such thing as cheap gas; that there are hidden costs throughout the supply chain. But the population has come to expect cheap gas as a "grand bargain" with the government and the oil companies. When the price goes high, they look to the government to punish the oil companies so prices will come back down.

One weakness in the book is that it really didn't address the question of depletion. It seemed to take at face value that oil will continue to be available and business will continue as normal for decades. However, I note that Margonelli was at the [ASPO Conference](#) this year (along with Peter Maas; I am sorry I missed that) so she got a heavy dose of peak oil information. Some very interesting comments by her can be found at [this story covering the conference](#).

As one might expect, Margonelli emerged from her experience with a radically different view of how the oil industry works. I have to agree with Paul Sankey's assessment that it does provide great insight into the industry, from a very basic starting point and with a balanced view. As one reviewer pointed out, it could have been titled "The Petro-economy for Dummies", which is to say it is a book that is easily understood by those with zero knowledge of the industry. This book would be on my short list of books to recommend to people who want to know what the industry is really like.



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