



## The Living Room

### A tale of two spill... and what happened in between to the world's biggest oil company

A book review by Tomás de la Calle.

The first thing the reader will soon notice about the book is that a serious competitor has finally arisen to challenge the 'mythical' Daniel Yergin (another Pulitzer prize-winning, author of the now classical *The Prize*, and more recently *The Quest*). And, a competitor not for being the first to also write about the geopolitics of the oil industry (there are many others), but for being the first in doing so in a way that very much resembles that of Mr. Yergin. In fact, Mr. Coll not only describes the facts but he portrays in deep detail the personal backgrounds of the people surrounding such facts, their hobbies, tastes, and sometimes their vices, and of course, that makes reading very entertaining.

Time-wise, the book covers the history from 1989, the year of the ExxonValdez's spill, to 2010, the year of BP's Macondo spill: "Flying over Prince William Sound twenty-three years earlier, as the Valdez's oil spread into dark shapes, BP's Lord Browne had reflected about how the oil industry would now be 'measured by its weakest member, the one with the worst reputation,' that is, Exxon. After long years of resentment and competition between the two companies, the tables had turned."

Space-wise, the book describes the incidents experienced by ExxonMobil in a variety of countries: Indonesian Acehese guerrillas (that would remind a reader familiar with Colombia of similar issues between oil companies and rebels back in the 90's), Chad's classical oil curse, Equatorial Guinea's undisputed corruption ("that seemed like a place that García Márquez had invented"),

Qatar's huge gas fields, Nigeria's security challenges, Venezuela's cyclical nationalization vice, Russia's difficulties to make a trust-worthy long-lasting deal, and Iraq postwar access to oil.

Format-wise, the book is divided in two sections with fourteen chapters each: the first is called 'The End of the Easy Oil' and depicts the company under Lee Raymond's leadership during his twelve-year tenure (from 1993 to 2005), and his not-very-humble character, as the author points out: "Raymond started one meeting at the New York Stock Exchange by noting that executives from The Walt Disney Company were also present in the building that morning: 'I don't think Mickey or his friend Goofy are going to join us, but I may have to hold my judgment on that until after the Q&A session.'" The second part, 'The Risk Cycle', dwells upon Rex Tillerson's time in office after taking over Raymond's position.

At least two lessons could be drawn from the book that may apply to the Colombian environment, one about economic issues and the other about social ones.

The one about economic issues is about how oil companies struggle to book reserves or pretend to book, as the author finds out: "SEC's rule 4-10 enforced disclosures [of reserves] in official filings to the commission, not in press releases or oral statements to Wall Street analysts!" An example is given: "In 2008, using SEC rules, and based on the corporation's limited public disclosures, ExxonMobil's reserve replacement would have been

below 75%, an alarming rate. But instead of accounting forthrightly for its failure, the corporation issued a press release that quoted Tillerson boasting, ExxonMobil ... has replaced an average of 110% of production over the last ten years.' That was a defensible claim only if one preferred ExxonMobil's self-regulation to federal rules."

And the lesson about social issues could be found in the not-too-altruistic rationale ExxonMobil used to voluntarily join the Extractive Industries Transparency Initiative (EITI): "If you are helping to hold a government accountable for the use of revenues, that's just helping to enhance the business investment climate in there, because you don't have a lot of dissatisfied citizens that can find other ways of expressing their opinion about what's going on in the government. And if in fact the government is using the money to benefit the citizens, that's got to be for poverty reduction, for infrastructure, for lots of other things that help improve the investment climate." Sounds familiar to, say, Meta or Casanare governments?

In sum, it is a very good book full of interesting insights about the power of the Big Oil both inside the US and abroad; it is easy to read, entertaining, and not a few times peppered with hilarious quotes.

Coll, Steve. *Private Empire: ExxonMobil and American Power* (New York, NY) Penguin Press, 2012, 685 pp.