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Community

Diversifying Energy Economies of the West

How Communities Can Create New Competitive Advantages

In the midst of economic challenges exacerbated by the COVID-19 crisis, rural communities in the Intermountain West are desperate for solutions. While there is no panacea for navigating difficult economic transitions, there is evidence that fossil fuel dependent communities can build community resilience and new competitive advantage in today's market.

BACKGROUND

In recent decades, the economy of the Intermountain West has shifted dramatically, shaking the foundation of many rural communities and small cities. While the national economy has experienced significant and mostly positive changes stemming from automation, globalization of trade, and competition from abroad, the energy-focused economies of the Intermountain West have faced profound, and often debilitating, impacts. COVID-19 has added new economic stressors—such as dramatically higher unemployment and small business closures—that are hitting already vulnerable rural communities especially hard.

Fossil fuel dependent communities occupy a unique space in the broader transition of today's global economics. These local economies can be highly sensitive to market shifts wholly outside their control, including pricing, new technologies, competition from renewable energy sources, the discovery of new fossil fuel resources, and changes in regulations and trade agreements. Despite their natural resource richness, these communities often suffer from unequal wealth distribution, and have under-invested in efforts to diversify their economies.

THE OPPORTUNITY

Business and civic leaders in the energy-focused economies of the Intermountain West are desperate for solutions to the economic crisis and seeking opportunities to stimulate their economies. We hope our work can give communities a leg up as they embark on what can be a difficult pathway toward economic diversification and renewal.

According to our research and case studies, reorienting and rebuilding local economies in today's market is possible, though there is no

Resources Legacy Fund (RLF) analyzed research on community resilience and competitive strategy, and conducted a thorough examination of three rural, small-town economies that have experienced success in their efforts to move from a narrow focus on fossil fuel energy extraction and production to a more diverse and resilient economy. From this research, RLF created a change framework, offering promising approaches for communities seeking more sustainable and growing economies.

In our full report, "Understanding Economic Transitions in Energy-Focused Communities," we lay out three case studies—in Delta County, Colorado; San Juan County, New Mexico; and Campbell and Sheridan counties, Wyoming—and show what it takes to create new competitive advantage in today's economy.

The report's content and conclusions have broad social, economic, and environmental implications for funders, policymakers, civic leaders, economic development professionals, nonprofit organizations, and western residents interested in advancing economic change and improving community well-being.

panacea. Using common economic development concepts such as industry diversification and competitive advantage, we identified several promising approaches to rebuilding vulnerable and narrowly focused rural and small-town economies. Strong leadership and vision are essential to exploring and legitimizing diversification opportunities, while clear strategy and adequate resources are required to sustain and implement successful transition efforts.

A growing number of communities are evaluating differentiation strategies, identifying industry segments with attractive profit margins, and exploring local business opportunities to provide unique products or services that meet customer needs.

In Colorado's North Fork Valley, a small group of concerned citizens responded to catastrophic declines in the local coal industry by developing a bold vision for the future that included delivering high-speed broadband to every household and business in the community as the foundation for catalyzing startups, expanding existing businesses, and attracting new enterprises. In Farmington, New Mexico, San Juan Community College is meeting the needs of displaced energy workers through a "stackable credentials" training approach that provides income through on-the-job experience in new sectors and a career ladder with sequential training opportunities. In Wyoming's Powder River Basin, business leaders in Gillette are investing in "carbon plus" projects that develop coal-derived products for carbon capture, filtration, and manufacturing applications, while civic leaders in nearby Sheridan have successfully recruited light manufacturing businesses that build from the core skills used in nearby energy fields.

Communities can take charge of their economic future, building on current strengths as they also create new ones. While this requires local leadership, it also involves working with outside partners. Our framework for change outlines a practical process for how rural, small-town communities can create more successful and resilient economies.

FRAMEWORK OF CHANGE

In the Intermountain West, economic change is cultural change. People in this region fiercely identify with occupations and industries, as these jobs and sectors have defined their communities for decades. In each of our case studies, we found that any pathway to economic revitalization must acknowledge the unique place-based culture and be tailored accordingly.

The following framework is designed to offer guidelines for a systematic approach to reimagining and rebuilding local economies that have historically depended on fossil fuel extraction and processing.

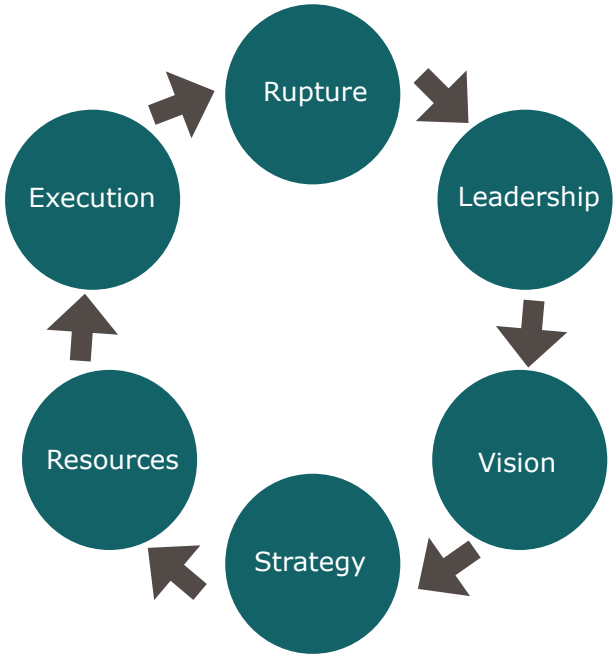
Rupture — A rupture is a significant impact to a way of life or economic foundation, such as when a coal mine abruptly shuts down. The more abrupt and significant a rupture, the more it stimulates faster and more focused change responses.

Leadership — An effective response to change is led by individuals in a community who are respected and willing, through their networks, to explore new development opportunities. Leadership must respect the past while facing the future, and requires local credibility and an ability to facilitate sometimes difficult discussions about change.

Vision — In order to effect change, it is essential to have a vision of success. The vision should express a generally desired future, but also outline, with some specificity, how the community can realistically get there.

Strategy — The vision needs a strategy that reflects the culture, assets, and market opportunities available to a place, along with a set of "where to play" and "how to win" choices, in order to prevail.

Resources —All transition efforts require human and financial resources to initiate change, build new competitive advantage, and support new ventures. While outside expertise and investment may be needed to jumpstart change, over time, resources and support should come predominantly from within a community.



Execution — Leadership, vision, strategy, and resources all set the stage for effective action. This involves coordination, adhering to choice commitments, and dedication to seeing efforts through to completion. Initiatives should seek to build momentum for future steps.

This framework provides a potential roadmap towards more diversified and resilient economies. As communities manage a transition from energy-focused activities, successful places will see growth in a mix of other industries, such as a mix of services, light manufacturing, and technology industries. Along with this new growth, our research also shows that protecting or incentivizing healthy landscapes is well-aligned with cultural values and can serve as a conduit for making rural areas and small towns more competitive.

COMMUNITY LEADERS DRIVE SUCCESSFUL CHANGE

Energy-producing communities in the Intermountain West mined and refined the oil, gas, and coal that fueled our nation's exponential growth and prosperity. Yet today, many of these places face economic volatility, decline, and, in some cases, collapse. As America's economy changes, there is an opportunity for communities to take charge of their future and carve out new competitive advantages, while also respecting their past.

Assets and market opportunities will vary from place to place. But every community that succeeds will have strong leadership willing to rethink current ways of doing business. Rather than spending time defending past cost advantages, adaptive community and business leaders focus on the demanding task of creating value for new customers and jobs for local residents in expanding markets. Investing in a realistic and compelling vision and strategy allows communities to become competitive and economically resilient in this new era.

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Economic change inherently involves uncertainty. It also gives local leaders and residents who care deeply about a place an incentive to be creative and take risks—to be entrepreneurial. These creative risk takers benefit from a supportive community that can provide access to needed infrastructure, expertise, and financial capital. Many successful places invest in local development or innovation hubs, and build relationships with state and federal government, and nongovernmental partners to access outside resources.

Because rural areas and small towns in the Intermountain West are often attractive places to live and work—and because so much of today's economy is made up of businesses that can locate anywhere—many regional communities are leveraging their small-town character and natural amenities as competitive assets to retain and attract people and business in higher-paying sectors, ranging from health care and manufacturing to software and engineering.

While economic ruptures can surface quickly, economic diversification takes time. This fact rewards early movers who deliberately seek short-, medium-, and long-term outcomes. Early wins build confidence and momentum. They also attract partners and investors, and keep people engaged in a community's longer-term vision of success.

Driving significant change is never easy. But with strong leadership, a clear vision, well-informed strategy, supporting partnerships, and resources—almost anything is possible.

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Resources Legacy Fund works with philanthropists to conserve land, water, and ocean resources while advancing healthy communities and social equity.

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