Diversifying Energy Economies of the West

How Conservation Proponents Can Promote Economic and Environmental Resilience

Rural communities in the Intermountain West face dire economic challenges, now made worse by the COVID-19 crisis. Policies and investments that protect or incentivize healthy landscapes are a promising pathway to help fossil fuel dependent communities shift from a narrow focus on energy extraction and production to more diverse and resilient economies.

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. Developing alternative economies is critical not only for the economic health of these communities, but also to reduce our national reliance on fossil fuels contributing to climate change.

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 civic leaders, business leaders, economic development professionals, policymakers, nonprofit organizations, and western residents interested in advancing economic change and improving community well-being.

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

Energy-focused Intermountain West communities increasingly are ready for change. A growing number of these 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. Most of these efforts seek to trade on quality of place—expansive landscapes, outdoor heritage, and rural values—as competitive assets to retain residents and entrepreneurs, and attract new businesses.

For example, as Farmington, New Mexico rebuilds its downtown, city leaders are establishing new partnerships to promote recreational opportunities and historic sites on surrounding tribal and federal lands. The communities in Colorado's North Fork Valley are investing in high-speed broadband and marketing surrounding open lands to people who may want to visit, work, and live there. Sheridan, Wyoming is pursuing a targeted-industry recruitment strategy that relies heavily on selling the area as a friendly community with outstanding recreational pursuits. All of these efforts recognize the value of place to retain and attract people and business as they endeavor to diversify their economies.

Environmental advocates can play a pivotal role helping communities navigate an economic transition that increasingly values natural resources less as commodities to be extracted than as amenities to be invested in, restored, and experienced. In our framework of change, several opportunities present themselves for conservation support and investment.

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.

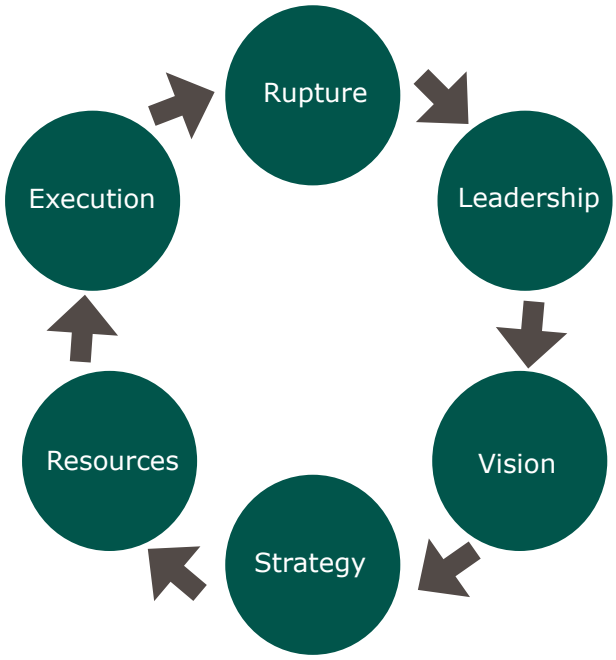
The following framework is designed to offer guidelines for a systematic approach to reimagining and rebuilding local economies that have historically depended on fossil fuel extraction and processing.

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.

BRIDGING CONSERVATION GOALS AND COMMUNITY PROSPERITY

Today, as globalization, automation, and the push for cleaner energy exacerbate the economic woes of some communities in the Intermountain West, the perceived divide between energy jobs and the environment seems to grow deeper, hurting both local communities and conservation priorities. The inability of some communities to sustain prosperity through traditional oil, gas, and coal extraction activities has resulted in frustration, distrust, blame, and even hostility toward the conservation community.

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Despite the seeming opposition between conservation advocates and rural energy communities, there is a strong partnership opportunity to build relevance and broaden support for conservation values and goals while improving the livelihoods of people who live in the Intermountain West. Both sides of the perceived divide can contribute valuable assets to achieve mutual success. Facing enormous challenges to adapt to a new era, a growing number of community leaders are working to coalesce and define the leadership, vision, strategy, and resources to diversify their economies. They need allies to succeed. The conservation community has valuable skills, connections, and resources that can assist rural and small-town communities as they navigate the current transition. Establishing this partnership requires a respectful approach that is built on shared values, such as love of the outdoors, and community priorities.

Intermountain West communities, often surrounded by large expanses of attractive landscapes, can be compelling places to live and work. Many of these areas are positioned to leverage 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, especially because so much of today's economy is made up of businesses that can locate anywhere. As our case studies show, this approach—merging environmental quality and economic success—is already an integral part of efforts to diversify local economies in the region.

Numerous studies have shown that rural Americans have a strong commitment to conservation of natural resources, water, wildlife, and open spaces. Our research suggests that policies and investments that protect or incentivize healthy landscapes are a promising pathway to making areas like the Intermountain West more competitive, while aligning with rural values. As conservation advocates seek to broaden their movement, and communities reach out to new allies to meet today's economic challenges, there is a win-win opportunity in the form of new alliances and a shared main street-conservation agenda that can reward people and improve the places and landscapes where they live and work.

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