RESOURCES LEGACY FUND®
CREATIVE SOLUTIONS. LASTING RESULTS.

Philanthropy

Diversifying Energy Economies of the West

How Philanthropy Can Jumpstart Economic Change and Community Well-Being

Rural communities in the Intermountain West face dire economic challenges, now made worse by the COVID-19 crisis. Private philanthropy can play a pivotal role jumpstarting economic transitions in fossil fuel dependent communities by providing critical capacity-building resources to foster community resilience and new competitive advantages. Philanthropic interests can also leverage and sustain the value of these efforts by nurturing partnerships and investing in better public policy outcomes.

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 funders, policymakers, civic leaders, economic development professionals, 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 communities are looking for ways to trade on quality of place—expansive landscapes, outdoor heritage, and rural values—as a competitive asset, creating incentives to invest in the community and the surrounding natural environment.

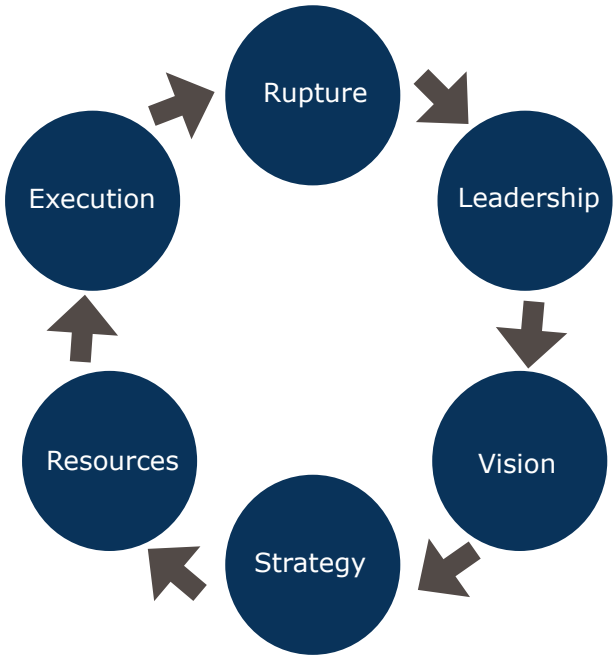
For example, as Farmington, New Mexico rebuilds its downtown, city leaders are establishing new partnerships to promote recreational opportunities and historic sites on surrounding tribal and federal lands. The communities in Colorado's North Fork Valley are investing in high-speed broadband and marketing 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.

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 has the power to lead to more diversified and resilient economies. As rural areas and small towns transition from energy-focused activities, successful places will see growth in a mix of service-oriented 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 in today's market.

INVESTING IN NEW COMMUNITY AND CONSERVATION PARTNERSHIPS

The economic challenges facing energy-focused Intermountain West communities highlight our nation's growing social and economic divide. These communities mined and refined the oil, gas, and coal that fueled our nation's exponential growth and prosperity. Yet now, as we try to wean ourselves off fossil fuels to stem the effects of climate change, many of these communities face economic collapse. And it's not surprising that they blame efforts to improve environmental health as the cause of their economic woes.

As a result, conservation interests face local resistance to new land and water protections and renewable energy development. Yet, in each of the case study communities we examined, environmental quality, access to the outdoors, and vibrant town centers were recognized as crucial economic assets in the effort to rebuild their economies.

Kent Kanouse

Philanthropy that has traditionally conceived of community development and environmental health as separate investment strategies can multiply its impact with an integrated approach. The call to action here is both moral and pragmatic: energy-producing communities need allies and investment to chart a new path forward, and philanthropic donors can improve community well-being through economic diversification, and also invest in partnerships that protect the environment and address climate change.

Our research points to the opportunity to invest in new competitive advantages. It shows that while there is no single answer for how to tackle this challenge, there is a context-sensitive approach that can work. Above all, our research attests to the importance of investing in local leadership and capacity that can advance culturally attuned innovation and economic success. Often suffering from underinvestment, these soft assets are crucial ingredients that drive visionary thinking and effective implementation.

BETTER PUBLIC POLICY OUTCOMES THROUGH PHILANTHROPIC ENGAGMENT

Private philanthropic investors can and should seek financial leverage through new partnerships and government programs designed to assist energy transitions and economic revitalization. The U.S. Department of Agriculture and U.S. Department of Commerce manage established rural development and impact assistance programs for these purposes. However, they are often narrowly limited in scope and undersubscribed because local entities lack the capacity, time, or skills to apply for and administer complex grant and loan programs. Philanthropy can provide technical support and training to help communities navigate application and compliance obligations, enabling the neediest communities to capitalize on current federal funding, and ensure balanced investment in impact assistance and future competitiveness.

Many states across the Intermountain West are offering programs and funding to assist rural economic transitions, including legislation (e.g., New Mexico's Energy Transition Act), new state capacity (e.g., Colorado's Just Transitions office), and new business development efforts (e.g., Wyoming's Business Ready Community program). Here too philanthropy can leverage public funds, ensure coordination between private and public parties, and push for renewal and expansion of public funding at this critical transition juncture.

RESOURCES LEGACY FUND®

CREATIVE SOLUTIONS. LASTING RESULTS.

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

resourceslegacyfund.org

For more information, contact:

Ben Alexander
balexander@resourceslegacyfund.org
406.579.6931
Bozeman, Montana