

MAIN STREET MONTANA PROJECT

A BUSINESS PLAN *For Montana by Montanans*

Natural Resources KEY INDUSTRY NETWORK

FINAL RECOMMENDATIONS TO GOVERNOR BULLOCK

PROBLEM STATEMENT 1

The importance of Montana's Natural Resource Industries is frequently overlooked, making these industries vulnerable to well-meaning but unbalanced public policies that erode the state's economic foundations.

The Main Street Montana Project plan expressly includes a goal to “responsibly develop Montana’s natural resources for long term economic growth.”¹ The Natural Resource KIN applauds that goal, emphasizing that natural resource industries are the economic foundation of this great State that provide many high-paying, family wage jobs. Yet, our industries’ importance to the overall economy is frequently overlooked by policy makers, economists, environmentalists, and the general public that instead seem to focus on the “new economy” and its hi-tech and web based industries; forgetting that it is the natural resource industries which provide the raw materials and tax base required to develop these jobs and businesses. For example, a typical smart phone consists of numerous minerals that are derived from mining. Similarly, the largest industrial use of minerals produced by the Stillwater Mining Company is for catalytic converters; the key emission system component in automobiles crucial to keeping our urban areas from being choked in smog. Paradoxically many users of these great technologies oppose the development of new mines because they mistakenly regard mining as part of an old, polluting, by-gone industry that lacks relevance. We need to change these types of misperceptions that have resulted in some groups that oppose nearly all natural resources development pursuing an agenda that is bad for jobs, bad for working Americans, and seems to promote “de-industrialization.”

The KIN understands public concerns about environmental stewardship, but we want to stress that the business community, particularly the natural resources sector, understands those concerns and is equally committed to stewardship of our environment. Natural Resource industries in Montana are world leaders in best practices. The desirability of the Treasure State (ranked #1 among best states to live in by residents)² as a destination for travelers, businesses and retirees points to the unspoiled beauty of the state coexisting with natural resources development.

¹ Main Street Montana Report <http://mainstreetmontanaproject.com/About/Pillar3>

² Gallop poll results of resident al attitudes toward state <http://destinationmissoula.org/blog/montana-pride/>

MAIN STREET MONTANA PROJECT

A BUSINESS PLAN

For Montana by Montanans

KIN Recommendation #1

The State in partnership with the Natural Resource Industry Sector should launch educational and public relations campaigns including Montana University System and K-12 programs. These campaigns would cover:

- **Highlighting Montana’s natural resources sector as the world leader for best practices.**
- **Emphasizing the higher level of sophistication and conservation measures within today’s natural resource industry sector.**
- **Promoting Montana companies in the sector as good stewards of its natural resources with a balanced approach to development - without asking for incentives associated with other sectors.**
- **Presenting examples of Montana Natural Resources KIN industries working together in communities across Montana, including tribal communities.**
- **Showcasing what industries do for Montana and for Montana communities.**
- **Quantifying all the revenues from natural resources sector companies that go into local and state tax bases.**
- **With messaging targeted toward businesses, stressing opportunities for Montana natural resources to provide the needed raw materials and work to develop in-state supply chains instead of importing.**
- **With messaging targeted toward potential workers; promote higher wages and benefits, skilled jobs and training in the natural resources sector.**

Economic Development Benefit

An educational / public relations campaign would:

- Sustain, reinvigorate, and expand Montana’s natural resources sector, which is noted for its high paying family wage jobs and foundational tax contributions.
- Increase support for responsible development of Montana’s diverse natural resources.
- Expand the ability to attract, retain and grow Montana businesses.
- Benefit tribal economies, rich in natural resources, from expanded economic development stemming from increased natural resources investment and development.

MAIN STREET MONTANA PROJECT

A BUSINESS PLAN *For Montana by Montanans*

PROBLEM STATEMENT 2

Federal policies, regulatory pressures, and permit challenges constitute some of the greatest challenges facing Montana's natural resource industries.

The Natural Resources KIN is comprised of representatives of a variety of companies involved in mining and quarrying, cement, timber production and the wood products industries. The very survival of many of these companies is currently threatened by headwinds that are the result of a general downturn in international commodity markets, strengthening of the U.S. dollar, and increased federal regulatory pressures. While market pressures and exchange rates are produced by macroeconomic forces beyond the control of state government, the state can and should play a key role in influencing federal regulatory policies, which have a profound impact on the natural resources sector's economic viability, and in ensuring a balanced approach to state regulations.

Federal issues are varied and their impacts are substantial as noted by KIN members. The Corette power plant's recent closure was due to mercury regulations. EPA's proposed Clean Power Plan could affect the future of Montana's coal industry, as well as power prices in general, even though its impacts were tempered by the recent US Supreme Court decision to stay the rule while it's being litigated. Recent NGO permit challenges and other court decisions have become increasingly problematic to Montana's coal industry. Rules on four pollutants adopted by the federal government add an estimated \$30/ton – a 30% increase to cement – constituting increased costs with no production benefit to the cement producers. One KIN member noted that EPA's current digital permitting system ends up requiring companies to publish information that can be confidential and divulges trade secrets. Montana sawmills are impacted by a lack of timber supply from federal lands with the result that managing fiber supply is among the all sawmill's greatest challenges.

Legislative grid lock in Washington DC adversely impacts Montana's natural resources industries; for example sand and gravel and cement companies suffer because Congress has failed to enact a federal highway bill. One frustrated KIN member described the current situation in Washington D.C. as "craziness that can't continue."

MAIN STREET MONTANA PROJECT

A BUSINESS PLAN

For Montana by Montanans

KIN Recommendation #2

The natural resources industry, with other KINs / industry sectors, should continue to discuss, educate, and collaborate on key issues while the Governor, as the state's industry and economic spokesman, must be our advocate and needs to set a tone that Montana "does it right" for our state and is an example for other state's in balancing prosperity and environmental stewardship

- The Natural Resources KIN members agree that federal regulations and policies are having the greatest negative impact on our industries. The Governor needs to be a voice in DC for "doing it right" and advocating for parity in regulatory application.
- The Governor should set a tone among MT State regulators and decision makers that the goal is to "do it right" – not damage the key foundations of our State's economy and lifestyle.
- The Governor needs to encourage federal and state regulators to find workable solutions and to push back against those who do not want workable solutions, but only to end our industries. Examples of successful collaborations include the work on Sage Grouse and finding a solution for permitting issues at Signal Peak.
- Explore whether the State can file amicus briefs in support of industry against outside NGO suits to invalidate permits.
- Convene a group of experts to determine what else the Governor can do to limit interference from outside NGO's which adversely affect our State's economy and require that bond's be posted on MEP appeals.
- Advocate for access to federal timber, for innovative solutions and funding to preserve Montana's coal industry, support the ability of hard rock mining companies in obtaining permits.
- Convene a broader discussion on natural resources and climate change which includes more stakeholders and other KIN members. Include in these discussion topics that have larger implications than may be initially perceived such as wildfire management.
- Have industry experts partner with the state to analyze impacts of "economic shocks" to guide Montana in becoming more resilient to economic downturns.
- Hold joint meeting(s) between the Natural Resources KIN and Tourism KIN to discuss balanced development.
- Broaden alliances through meetings with Transportation, Energy, Manufacturing, and possibly other KINs to discuss infrastructure development, transportation, and other shared areas of interest or concern.

Continued next page

MAIN STREET MONTANA PROJECT

A BUSINESS PLAN *For Montana by Montanans*

KIN Recommendation #2 (continued)

- **The State, with KIN representatives and other stakeholders, should work together to increase efficiencies and streamline MEPA.**
- **Cross-KIN representatives need to be part of the conversation in regional discussions affecting the industry including those among the Western Governors Association.**
- **Support the creation of a new circuit court reducing legal delays.**

Economic Development Benefit

The economic benefits of the Governor's leadership and joint efforts of advocacy would:

- Spur more strategic development of Montana's natural resources.
- Sustain higher wages, profits, and revenues enjoyed by Montana companies and workers
- Strengthen the ability of the State to grow, retain, and attract employers.

PROBLEM STATEMENT 3

Lack of access to federal timber adversely impacts the wood products industries in Montana

One KIN member noted that his mill in Montana is procuring 65% of its wood from Canada; that supply should be coming from in-state. Another KIN member noted that the market for his product is strong and his plant could sell more if it had more access to federal timber. Another KIN member noted that his saw mill is running at 65% capacity for lack of timber supply while currently there are 6 million acres of dead trees on federal land and federal agencies agree something needs to be done to deal with that especially as regards wildfires. In fact, according to a review of the 2015 fire season by the US Forest Service released in October, the cost of fighting forest fires has rapidly increased over the previous 20 years, increasing from 16 percent of the agency's overall budget in 1995 to over 50% in 2015. The report noted this is having a debilitating impact to the Forest Service budget and projects that if left unchecked the share of the budget devoted to fire in 2025 could exceed 67%.

MAIN STREET MONTANA PROJECT

A BUSINESS PLAN *For Montana by Montanans*

KIN Recommendation #3

The KIN would like a continuation of what the governor has been doing to increase access to timber and address federal land management and mining issues. Additional opportunities include:

- **KIN can write letters to elected officials to encourage them to support the industry in gaining more access to raw materials.**
- **Having the Governor and industry work together to address federal land, mineral planning, and management issues.**
- **Identifying opportunities within Federal Farm bill funding for Montana.**
- **Provide additional state resources to ensure timber availability until the U.S. Forest Service provides more predictable timber supply.**

Economic Development Benefit

These recommendation proposals would:

- Ensure a more stable supply of local timber for Montana's sawmills.
- Increase the output from Montana's sawmills
- Create more investment and good paying jobs in the wood products industries.
- Reduce the potential for catastrophic wildfires.

PROBLEM STATEMENT 4

Appointments to review boards are an issue for the natural resources industries, and as they are for other industries sectors as well. The Natural Resources KIN sees a clear and critical role for environmental advocates on these boards and we value constructive guidance; but that there is currently an imbalance to the detriment of Montana industries and the goal of "doing it right."

There is a need to balance quality of life with the responsible development of natural resources. To help achieve this, appointments to review boards must assure balanced representation and the boards' decision processes must be science-based. And the Natural Resources KIN hasn't been the only KIN to note this as an issue; the Health and Wellness KIN has already made a recommendation to the Governor to review the processes and appointments to that sector's relevant review boards. Natural Resources KIN members have found it very troubling that the State's Board of Environmental Review (BER) has overturned MDEQ's decisions, its own agency, specifically citing a recent BER decision overturning an expansion permit for the Signal Peak Mine and similar challenges are anticipated at other Montana coal mines.

MAIN STREET MONTANA PROJECT

A BUSINESS PLAN *For Montana by Montanans*

Environmental groups across the west are systematically targeting existing permits to challenge, which sends a chilling signal of uncertainty to investments in natural resources projects.

KIN Recommendation #4

With KIN member input, review and re-orient boards and councils overseeing the industry to add balance. Specifically:

- **Carefully select members of the MT Environmental Review Board to ensure the goal of “doing it right,” rather than stop industry. The Clean Power Advisory Board was an example of this type of balance.**
- **Address the roles and influence other groups (e.g., MEIC) have on these boards and councils ensuring a balanced view**
- **Have KIN members involved in the boards and council appointment process.**
- **Make sure there is KIN representation on innovation boards.**

Economic Development Benefit

Better balance to Natural Resources Sector oversight boards and councils would:

- Help to ensure that permitting processes /decisions are consistent and objective.
- Make permitting more efficient.
- Support responsible development of Montana’s diverse resources.

PROBLEM STATEMENT 5

Innovation / new market development is needed to prevent sun-setting of natural resources industries.

All industries are subject to decline unless innovation and new market development takes place to drive increased demand and growth. The Natural Resources KIN sees the opportunity to lead the way by working to identify funding and methods that have been successful to increase infrastructure as well as partnering with higher education systems to foster innovation. For example, the KIN would like to see Montana host a carbon capture and sequestration project as well as generate more secondary manufacturing in the lumber [wood] industry. The Natural Resources KIN can interact and collaborate with the Transportation KIN for better efficiencies /cost saving in transportation. There is a need to incubate natural resources, develop in-state supply chains as well as identify industry by industry strategies for promotion while supporting innovative campus and business efforts to commercialize research projects (tech transfer) in areas of economic growth.

MAIN STREET MONTANA PROJECT

A BUSINESS PLAN *For Montana by Montanans*

The KIN sees opportunities to expand and enhance successful public-private partnerships that focus on research, technology and innovation such as “Innovate MT” and “MSU’s Center for Entrepreneurship for the New West”.

KIN Recommendation #5

The KIN and the Governor’s office can take a leadership role in fostering innovation by:

- **Having the KIN and industry members partner with the Governor’s office and the Department of Commerce to increase exports, find new markets, develop new industry products such as biomass, and new company partnerships.**
- **Working with the Department of Labor and Industry to develop work-based learning and apprenticeships in the Natural Resources Sector.**
- **The KIN and industry can partner with higher education systems to foster innovation.**
- **The Natural Resources KIN has the opportunity to lead the way in carbon capture and sequestration tied to enhanced oil recovery, for optimum benefit to the state.**
- **The KIN would like to see Montana generate more secondary manufacturing in a many industry areas (lumber, cement, minerals).**
- **The KIN can work to identify funding and methods that have been successful to increase infrastructure and innovation.**
- **The Natural Resources KIN can interact and collaborate with the Transportation KIN for better efficiencies /cost saving in transportation.**

Economic Development Benefit

The economic benefits of these innovation suggestions include:

- Increased investment, revenues and job creation
- Business innovation creates new economic opportunities for existing companies
- More successful business start-ups and more rapid expansions of existing firms
- Fosters research and innovation across industry sectors