

HEADWATERS ECONOMICS RESEARCH UPDATE

June 2008

www.headwaterseconomics.org



HEADWATERS
ECONOMICS

SOUTHEAST ALASKA

A NEW ECONOMIC ANALYSIS & THE FUTURE OF CONVERTING BIOMASS TO ENERGY

The Tongass National Forest in Southeast Alaska is the nation's largest national forest. Nearly 17 million acres in size, it encompasses the largest intact temperate rainforest on earth. The Tongass is also home to numerous communities and industries that are re-examining their future in light of high energy costs, population outmigration, and ongoing challenges to the timber industry.

Headwaters Economics is currently working with the Tongass Futures Roundtable in Southeast Alaska to better understand this region's unique challenges and find relevant solutions. This diverse group of conservationists, timber mill owners, native tribal members, elected officials and public lands managers is seeking a long-term balance of healthy and diverse communities, vibrant economies, and responsible use of resources while maintaining the natural values and ecological integrity of the forest.

As a first step, Headwaters Economics prepared an extensive analysis of the economic challenges and opportunities facing Southeast Alaska. Titled *Socioeconomic Trends and Measures for Southeast*



Southeast Alaska

Alaska, the report offers a detailed view of Southeast Alaska's evolving economy and is designed to inform economic development planning.

The report shows regional economic trends and figures, and details the economies of local industries, boroughs, and census areas. While data disclosure restrictions can make representing local economic trends difficult, if not impossible, Headwaters Economics was able to make use of *(Continued, over.)*



Remoteness, dramatic meetings of forest and sea, and rugged mountain backdrops characterize Southeast Alaska's geography. The region's communities are seeking new ways to capture value from these resources. *Photo: Ben Alexander.*

(Continued from front page) multiple databases and statistical techniques to estimate most of these restrictions. As a result, the report conveys a broad range of detailed economic information that has been previously unavailable to the public. Not surprisingly, the report documents that Southeast Alaska is struggling economically. Trends include: slow economic growth, declining earnings, population outmigration, rising cost of living, and high unemployment. The report also illustrates that the region is highly dependent on government and non-labor sources of income. In addition, economic hardships disproportionately affect the region's native villages, which struggle to maintain the economic foundation of subsistence traditions.

The report also shows signs of economic resilience. Industries such as travel and tourism are holding steady, while information and health services are growing, pointing toward the region's ability to create jobs in sectors that are fast-growing nationally.

One solution that emerged from Headwaters Economics' report centers on shifting logging activities towards second-growth stands and restoration projects. Another involves converting previously low-value fiber and wood "waste" into biomass energy. Headwaters Economics is currently conducting a feasibility assessment for biomass-to-energy projects in the region (see next page).

ECONOMIC VOLATILITY CHALLENGES COMMUNITIES AND INDUSTRIES

The full report contains economic analysis of the region and its industries. Detailed information is available for local boroughs and census areas as well. Examples of the type of information contained in the report are shown on the right.

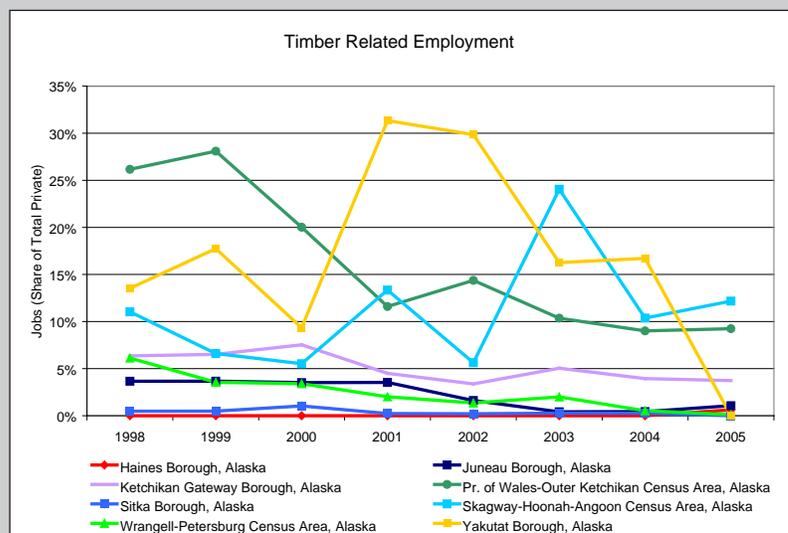
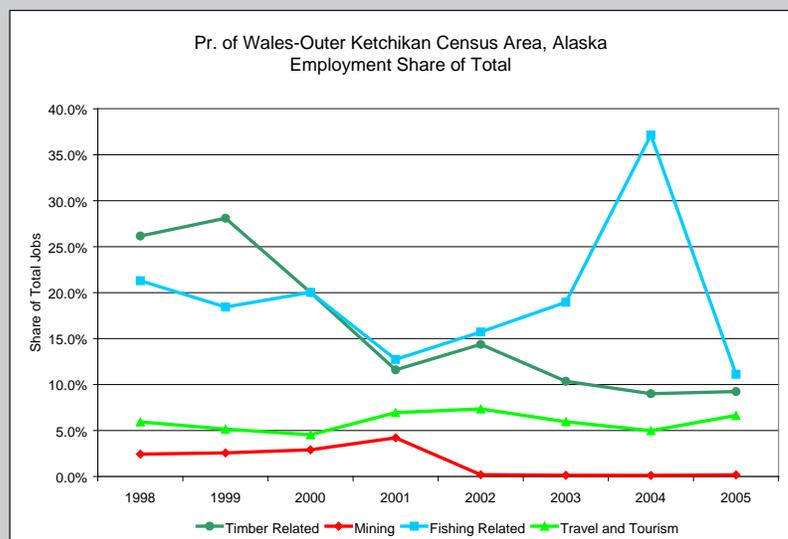
Access the report online:

www.headwaterseconomics.org/southeast



The upper chart details volatility in four employment sectors in the Prince of Wales-Outer Ketchikan Census Area.

The lower chart traces the volatility in timber-related employment, and the differences in its importance (share of total private-sector jobs) to different communities.



Biomass to Energy

As the cost of energy escalates dramatically, there is growing interest in efforts to convert biomass to energy and electricity in Southeast Alaska's communities.



"Nearly 50% of every log sawn in local mills was being wasted, either as sawdust, bark or discarded offcuts. For Southeast Alaska, looking to wood biomass as an alternative energy source just makes sense."

-Karen H. Peterson
University of Alaska Cooperative Extension Svc.

In response, Headwaters Economics is working closely with members of the Tongass Futures Roundtable to implement biomass energy projects in the region. At the May, 2008 meeting in Hoonah, Alaska, the Roundtable adopted goals for biomass projects in the region that include:

- Improving regional energy self-reliance, community viability and prosperity
- Increasing resiliency and competitiveness of regional sawmills
- Reducing energy costs and carbon footprint
- Job-creation and stimulating secondary manufacturing of wood products
- Making forest restoration more economically viable

Over the summer we will be conducting feasibility assessments, supporting the start-up of a bio-brick manufacturing business, and developing partnerships designed to meet the supply, technical, and demand challenges of bringing biomass energy projects to fruition.

ALSO AT HEADWATERS ECONOMICS

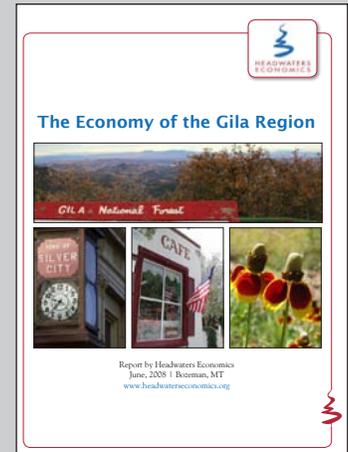
www.headwaterseconomics.org

Recently released:

This report explores the question of whether and how rural, isolated communities can benefit from being gateways to large expanses of public lands. The Gila Region on the New Mexico-Arizona border is considered as a case study.

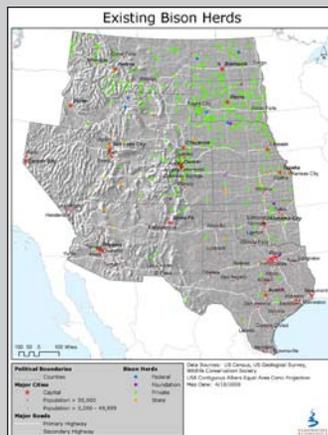
Contact Ray Rasker for more information

ray@headwaterseconomics.org



WORK IN PROGRESS:

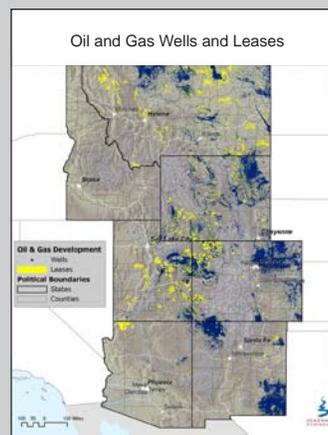
Bison Reintroduction Atlas



This collection of maps and analysis offers detailed descriptions of the human landscape where bison restoration may occur, and will serve as an important tool for bison conservation in North America.

Contact Patty Gude for more information
patty@headwaterseconomics.org

Energy Development & the West



We are studying the benefits and costs of energy development in the Intermountain West in order to highlight ways the region can profit from energy development while minimizing negative economic, fiscal, and social impacts.

Contact Ben Alexander for more information
ben@headwaterseconomics.org



WELCOME!

Yang-Yang Chen, an MBA candidate at UC-Berkeley's Haas School of Business, has joined Headwaters Economics for a summer research fellowship. Yang-Yang will be working to develop a business model for biomass energy ventures in Southeast Alaska.

Yang-Yang can be reached by phone 406.570.8937 or by e-mail: yangyang@headwaterseconomics.org.

MISSION STATEMENT

Headwaters Economics is an independent, nonprofit research group. Our mission is to improve community development and land management decisions in the West.

HEADWATERS ECONOMICS

Mail:

P.O. Box 7059, Bozeman MT 59771

Deliveries:

810 N. Wallace Avenue, Suite D, Bozeman MT 59715

Staff:

Ray Rasker, Ph.D. 406.570.7044

Ben Alexander 406.599.7423

Mark Haggerty 406.570.5626

Patty Gude 406.599.7425

Jeff van den Noort 406.599.1653

Julia Hobson Haggerty, Ph.D. 406.600.1766

www.headwaterseconomics.org

printed on recycled paper