



# **B C Community Forest Association AGM May 31, 2008**

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## **Presentation Outline**

- **Current Economic Situation**
- **Regulatory Review**
- **Bio-energy Call Information**
- **Climate Change, Carbon and Forestry**



## **Current Economic Situation**



## **Importance of Forest Industry to BC**

- **Includes forest management, harvesting, reforestation and manufacturing of lumber, pulp, panels and other products**
- **Accounts for 6.8% of GDP and 28% of goods GDP**
- **Sales in 2007 were \$13.9 billion, 32% of BC manufacturing shipments**
- **Exports in 2007 were \$12.3 billion, 39% of total exports**
- **Direct employment of 84,300 persons in 2007**
- **Including indirect effects, accounts for 170,000 jobs**



## Current State of Forest Industry

- US housing down by half from peak
- Lumber prices reflect lack of demand
- Canadian dollar at par with the US
- Pulp prices are up but offset by currency
- Fuel costs soaring
- Over-supplied log market due to MPB
- Interior cost position good
- Coast is still a high cost producer



## Forest Industry Response

- Reduce costs wherever possible
- Temporary and permanent mill closures
- Reduced capital expenditures
- Reduced production
- Product diversification



## What Government is Doing

- Working Roundtable on Forestry
- Full Regulatory Review
- Community Development Trust
  - Tuition Assistance Fund
  - Transitional Assistance for Older Workers
  - Job Opportunities Program

[www.labour.gov.bc.ca/cdt](http://www.labour.gov.bc.ca/cdt)



## What Government is Doing-- Continued

- Forestry Innovation Investment (FII)
- FPInnovations--Canada's forest research facility
- Economic development and diversification
- Community Transition Program
- Targeted Initiative for Older Workers (TIOW)



## Regulatory Review Purpose

- Streamline and reduce unnecessary red tape
- Cut processing time
- Eliminate unnecessary cost burdens resulting from regulation



## Process

- Industry groups and government agencies requested to submit proposals for changes to legislation, regulation, policy and processes affecting industry
- Inter-agency team reviewed proposals based on:
  - feasibility
  - impact on regulatory review principles
  - intended or unintended impacts



## Summary of Proposals

- 545 received in 26 subject areas
- About 30 per cent duplication
- Majority related to forestry tenure and revenue
- Some more appropriately dealt with a Forestry Roundtable



## Themes in Proposals

- Reluctance to rely on professional advice
- Lack of risk tolerance and performance
- Lack of client centered perspective
- Lack of results-based approach
- Need for streamlined planning



## Next Steps

- **Implement initiatives that do not require legislative change or further consultation as soon as possible**
- **Consult with forest industry in the next 30 days on additional actions that can be taken to assist the industry**
- **Consider changes to First Nations' forest tenures**
- **Prepare legislative changes for longer-term proposals**



## Bioenergy Call Information



## Two-Phase Call For Bioenergy

- **Phase I: for projects that are immediately viable and do not need new tenure from the Forest Service**
- **Phase II: for projects that would require forest tenure**
  - ☐ **Backstop tenure needed for IPPs**
  - ☐ **Need to determine the size of the tenure opportunity**



## Biomass Volume Estimation Study

- **Purpose is to estimate potential tenure opportunity for bioenergy**
- **Opportunity is guided by:**
  - ☐ **Forest stewardship requirements**
  - ☐ **Available low grade MPB timber, and**
  - ☐ **Available allowable annual cut**





## Volume Available to Support Bioenergy

Timber Supply Area	Potential allowable annual cut available for 20-year term bioenergy tenures (m <sup>3</sup> /year)
Quesnel	1,000,000
Williams Lake	700,000
100 Mile House	300,000
Merritt	200,000
Kamloops	200,000
Lakes	400,000
Morice	300,000
Prince George	900,000 to 1,300,000
<i>Prince George district (nil)</i>	
<i>Vanderhoof district (150,000 to 300,000)</i>	
<i>Fort St. James district (750,000 to 1,000,000)</i>	
Interior Total	4,000,000 to 4,400,000



## BIOENERGY LEGISLATION UPDATE



## Legislation

### Amendments to *Forest Act* and *FRPA*:

- Eliminate double counting of waste volumes
- Ensure the AAC profile is harvested (AAC Partitioning)
- Fibre flow to non-lumber producers
- Tenure to support Call for Power (Phase 2)
- Access to landing and roadside waste



## Tenure Implications

- Expect business relationships between energy providers and existing licensees
- NRFL – awarded to successful hydro proponent
- Fibre Supply Licence to Cut
- Forest Licence to Cut – Landing and Roadside; tie over for successful proponent



## NRFL

- **Direct award to holder of Bio-energy Supply Contract**
- **No change to existing license requirements**
- **Up to 20 year term**
- **Provides for cutting permits**
- **Pay stumpage/waste/residue etc.**
- **No change to Forest management (planning, silviculture, roads).**



## Fibre Supply LTC

- **Competitively awarded (not restricted to bioenergy)**
- **Area based License to Cut**
- **Fibre recovery permits**
- **Remove or process and remove timber**
- **Requires “notification” to be received from primary**
- **No volume limit**
- **5 year term (extensions to 10 yrs)**
- **Requirements to provide security deposits**
- **May be direct awarded under Section 47.3 to company with approved bio-energy application until NRFL up and running.**



## Forestry License to Cut

- **Provides short term access to roadside/ landing debris**
- **Small volumes or sporadic interest**
- **Access to landing and roadside waste timber**
- **Remove and process timber only (no cutting)**
- **Requires notification from primary**
- **No volume limit**
- **May be direct awarded**
- **5 Year Term**



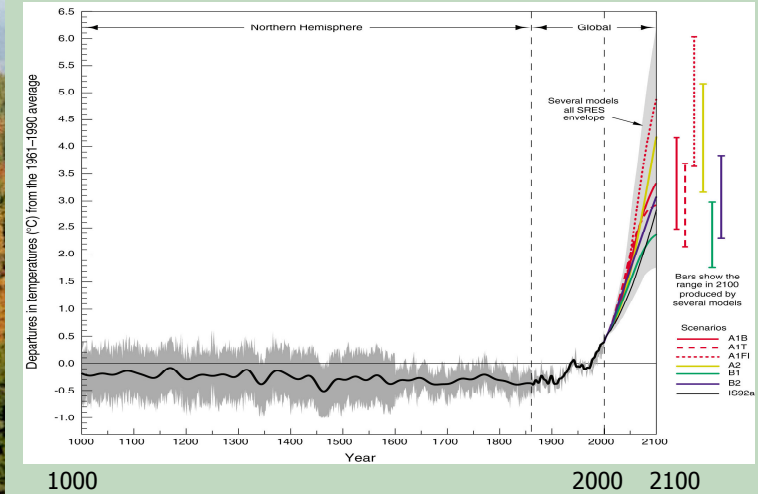
## Forestry License to Cut

- **Direct award to company with an approved bio-energy application**
- **Needs fibre to achieve commercial operation date**
- **Supply timber to plant until NRFL up and running**

## Climate Change, Carbon, and Forestry

Departure  
In  
Temp.  
From  
1951 to  
1990  
Normals

## Temperature Over last 1000 next 100 years



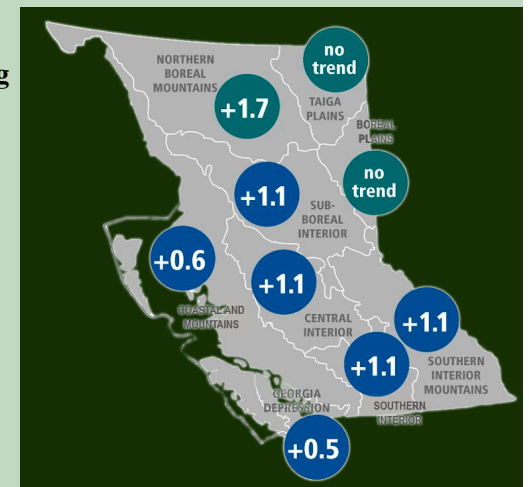
## Projections: Global Ecosystem and Agriculture Impacts (IPCC 2007)

Up to 1 °C	Some ecosystem shifts Some increases in agriculture but reduction in tropics
1-2 °C	25% species lost from current range Further increases in agriculture except reduction in tropics
2-3 °C	Most tundra and 50% of boreal forest disappears 33% species lost from current range Global agriculture peaks except further reduction in tropics Large increase in <u>hunger</u>
3-4 °C	Global decrease in agriculture temperate and tropical Further increase in <u>hunger</u>
4-5 °C	Further global decrease in agriculture. <u>Hunger</u> .
5-6 °C	Widespread species extinction. <u>Hunger</u> .

## The Adaptation Challenge: BC is Warming

Change in Average Temperature, 1895-1995 (°C/century)

- North Warming Faster
- Winter Warming Faster
- Spring Coming Earlier



Global Increase 0.6°C

Source: BC MOE 2002



## Adaptation Challenges



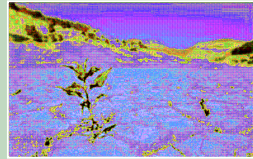
Frequent Intense Storms



Insects and Disease



Longer Fire Season

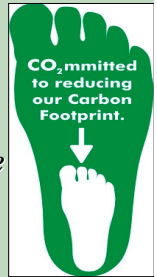


More Severe Drought

## BC Responds

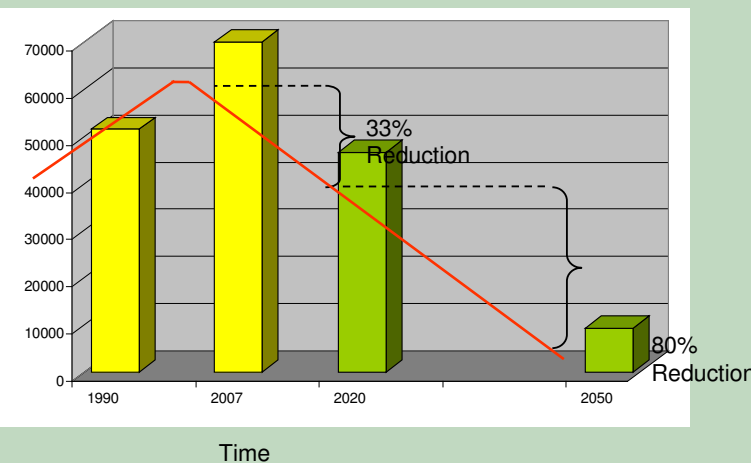
### Targets to Slow Emissions (mitigation)

- **Government Operations Carbon – Neutral by 2010**
  - Measure, *Reduce*, Offset
  - Buildings, travel, procurement
  - Staff on Travel Status- \$25/ tonne CO<sub>2</sub>e
  - Invest in Pacific Carbon Trust
- **BC - 33% reduction by 2020**
- **80% reduction by 2050**



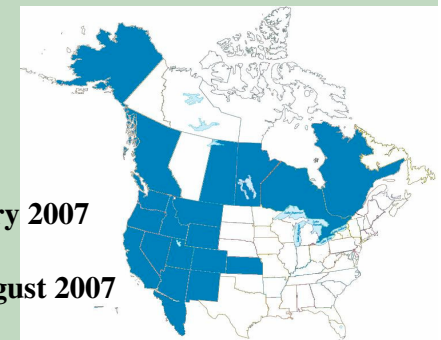
## BC Emission Reduction Timelines

GHGs  
Mega  
Tonnes



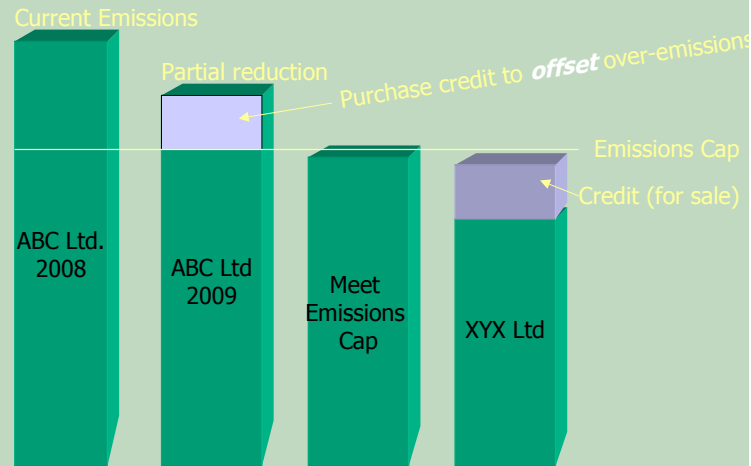
## Western Climate Initiative (WCI)

- **Cap & Trade system**
- **Launched in February 2007**
- **Regional goal set August 2007**
- **Complete design of cap & trade by August 2008**





## What is a Carbon Credit?



## What is an Offset?

GHG Offset is generated by the;

- reduction,
  - avoidance; or,
  - sequestration
- of GHG emissions from a specific project

They are a “compensating equivalent” for GHG emissions

## How Can Forest Management Adapt?

### BC’s Future Forest Ecosystems Initiative

- Purpose: To adapt British Columbia’s forest and range management framework to a changing climate
- Ecosystems remain resilient to stress caused by climate change, human activity, and other agents of change.
- Ecosystems continue to provide the basic *services, products and benefits* society depends on and values.

## Increasing Forest Carbon Across Landscapes

- Increase Forest Area
- Increase Forest Cover
- Fire protection
- Forest health
- Longer rotations
- Conservation areas





## Increasing Forest Carbon in the cutblock

- **Partial retention**
- **Minimize slash-burning emissions**
- **Immediate reforestation**
- **Species selection**
  - Diversity for resilience
- **Stand management**
  - Fertilization
  - Soil conservation



## FFEI Components

- n **Research** - constraints for key species & processes
- n **Forecast** - how climate change might alter them
- **Monitor** changes
- n **Evaluate** management approaches
- **Adapt** the management framework
- **Communicate** knowledge gained



Questions?