



B C Community Forest Association AGM June 2, 2007

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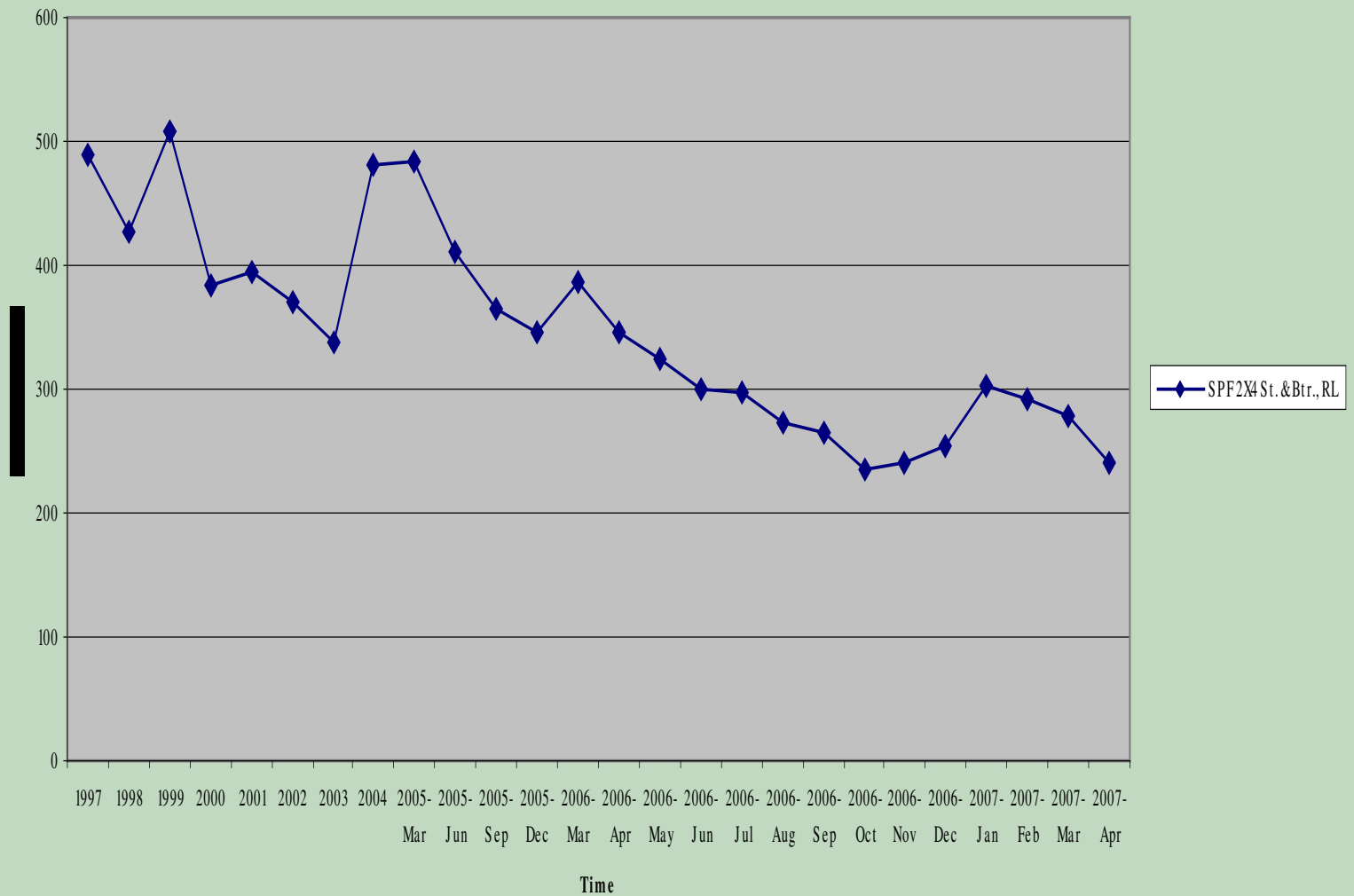
Presentation Outline

- Market Status
- Softwood Lumber Agreement
- Market Pricing System
- Mountain Pine Beetle
- Bio-energy Initiative
- Non-timber Forest Products



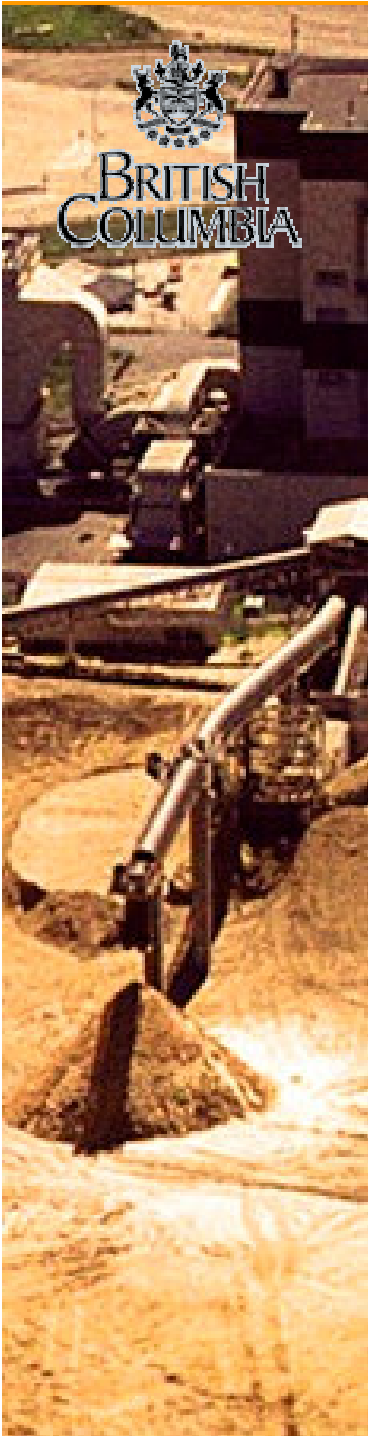
The Lumber Market is 'BAD'

B.C. Interior Lumber Prices



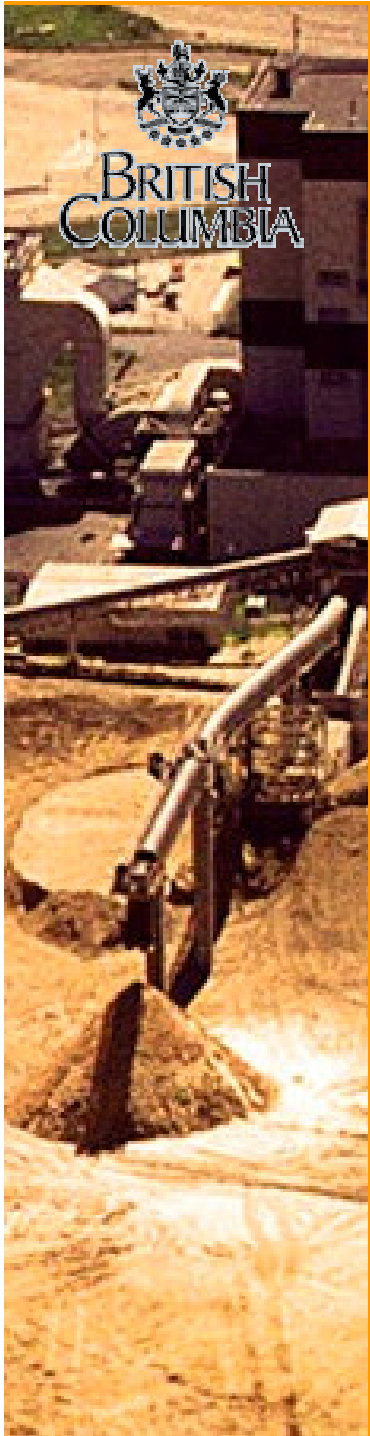


Softwood Lumber Update



Background

- Term: 7 years, option to renew for additional 2 years;
- Canadian regions choose export tax or quota - may switch at year 3 and year 6
- October 12, 2006: Agreement came into effect
- BC chose export tax option; revenues will be remitted to the province.
- Coast and Interior treated separately.



Living under Export Tax

- Tax rate depends on Random Lengths Composite Price – can be 0 to 15%
- Under current low lumber prices, tax has been 15% in each month since implementation and is expected to be 15% for most of this year
- Surge triggered if exports greater than 110% of BC's market share resulting in a surcharge equal to 50% of tax rate
- Surge has not been triggered yet, but the calculation of the surge trigger is one of the items the US has requested consultations on.

POLICY REPORTING REQUIREMENTS

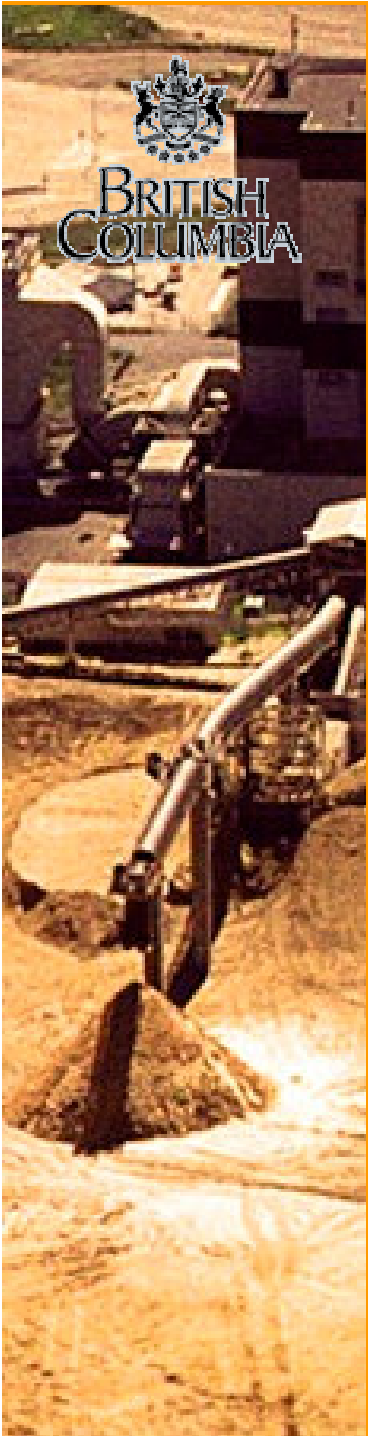
All Policy Changes

Paragraph XV(13): All Policy Changes
Relating to Timber Pricing and Forest
Management

Potential Circumvention
(Article XVII, para 1&2):
Changes that offset the
export measure provided
to producers or exporters
of softwood lumber

Para 14:
“Safe Harbour”

SCALE



Dispute Settlement

- Either Party may refer a matter to arbitration 40 days after a request for consultations
- Arbitration to be handled by the London Court of International Arbitration (LCIA)
- Agreement specifies that Arbitration Tribunal shall endeavour to issue decision within 180 days after tribunal is appointed



Market Pricing System

System Architecture

Market Based Pricing



Standing Timber

- ① Timber representative of the overall provincial harvest is developed for sale

Auction

- ② Volume is competitively auctioned

Auction Prices

- ③ Auction prices are used to set **stumpage** (what government is paid for Crown trees).

Statistical techniques and timber characteristics are used to translate auction prices into stumpage rates for the remaining harvest

Stumpage

Auctioned Volume

Timber Sale licences are auctioned according to strict rules.

For these licences, auction prices, (auction reserve price plus the competitive bid) can be used directly as the stumpage rate.

Remaining Harvest

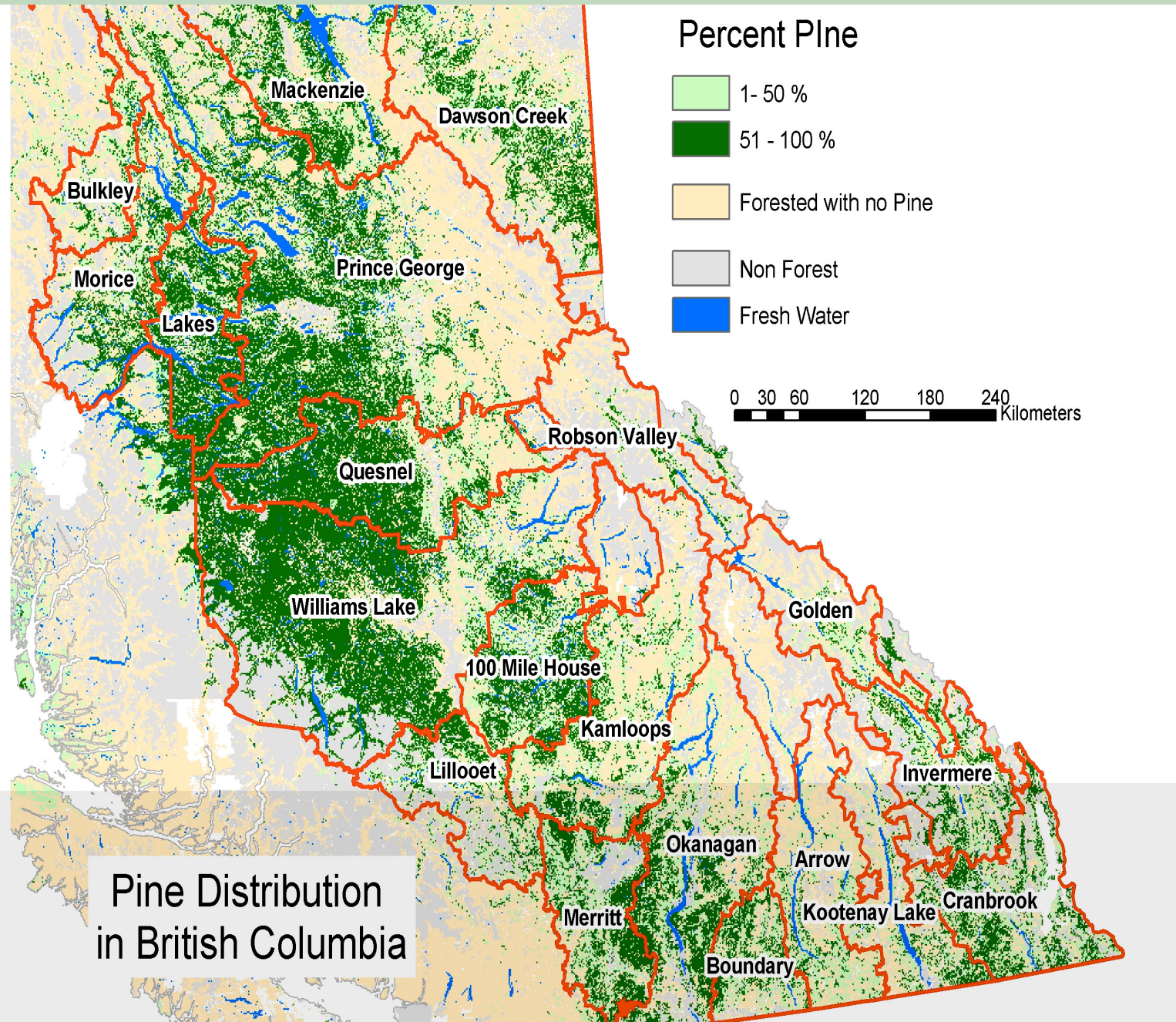
The remaining harvest comes from different types of tenure.

Long term tenure holders have additional forest management responsibilities, so tenure obligation adjustments are made to create the final stumpage rate

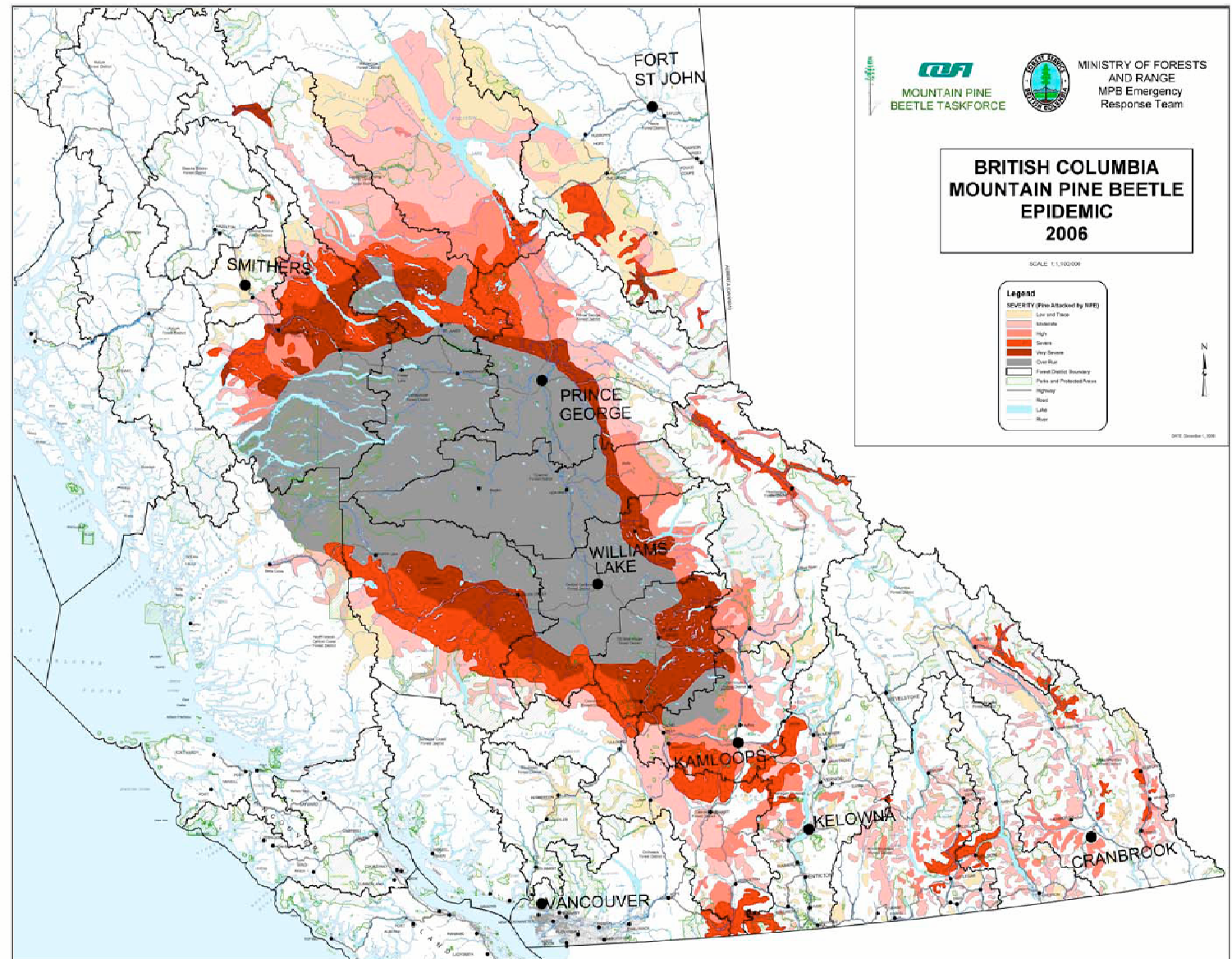


Mountain Pine Beetle Update

Distribution of Pine in B.C.



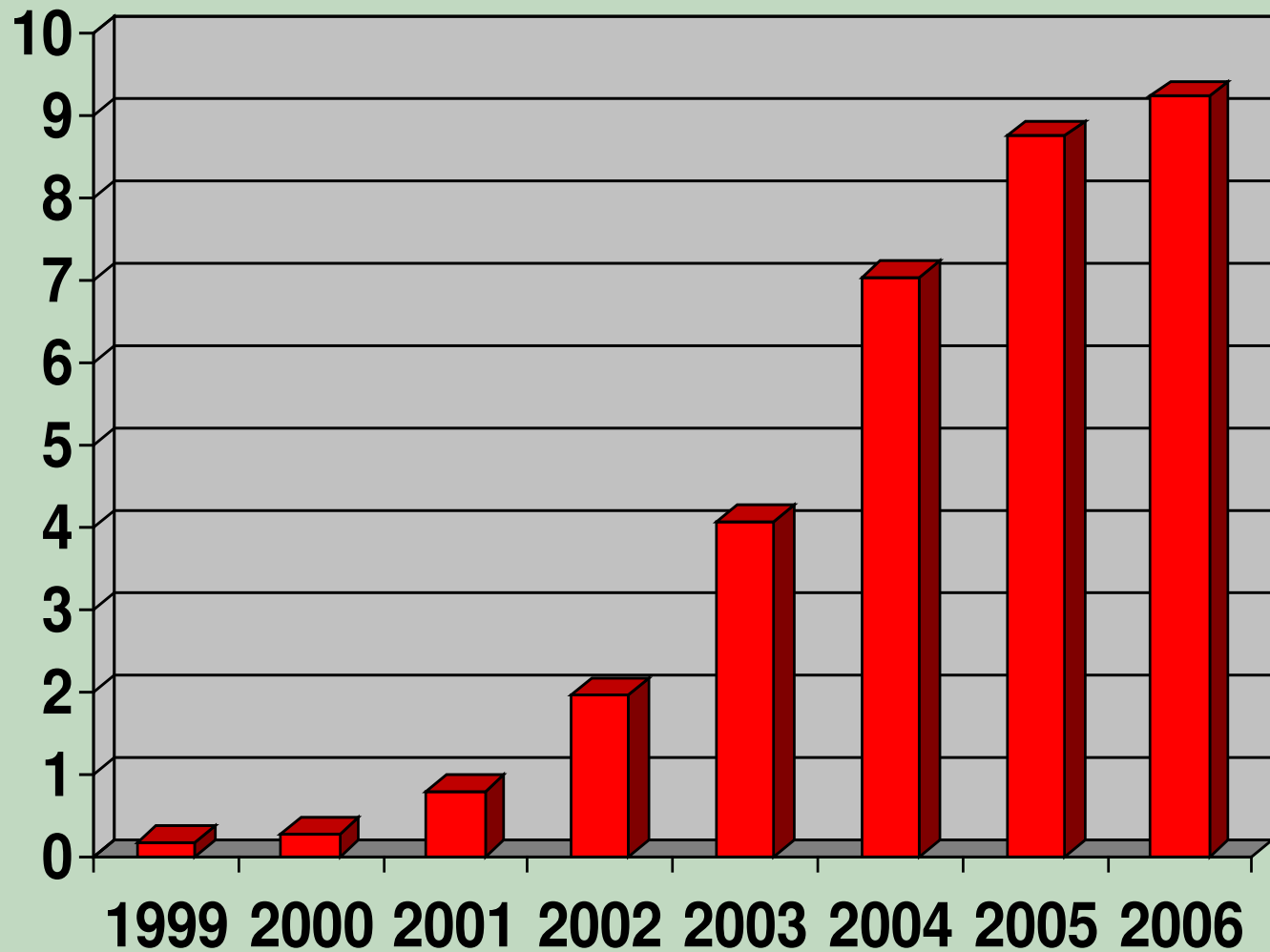
Magnitude of the Epidemic: 2006



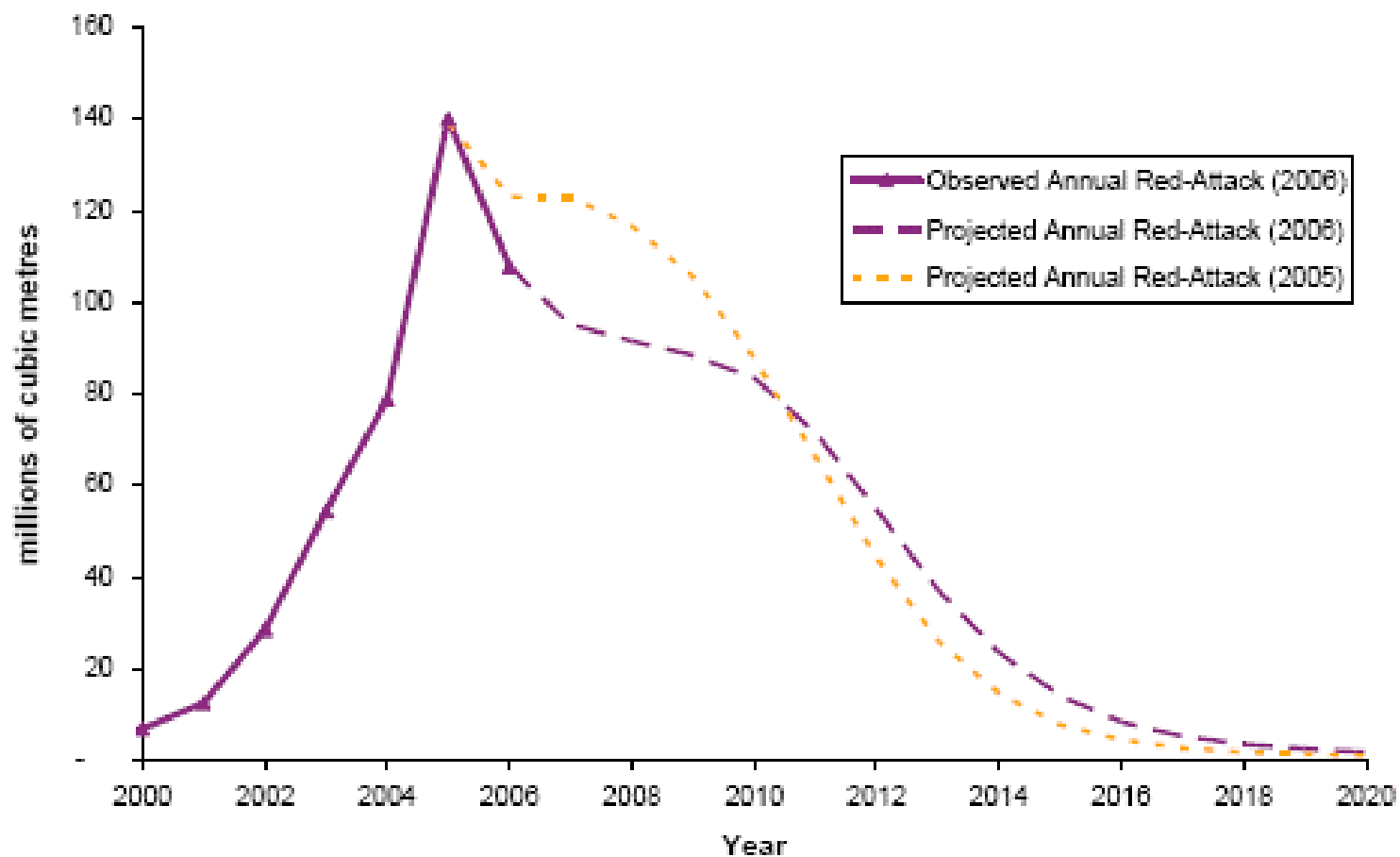
582 Million Cubic Metres Killed



Annual Red-Attack



Comparison of Observed and Projected Annual Kill (red-attack) on the Timber Harvesting Land Base for BC





Quantity of Affected Timber (red- and grey-attack) in BC

- The volume of trees infested (red- and grey-attack) has increased substantially:
 - Affecting 582 million cubic meters of timber in 2006, up from 411 million cubic meters in 2005

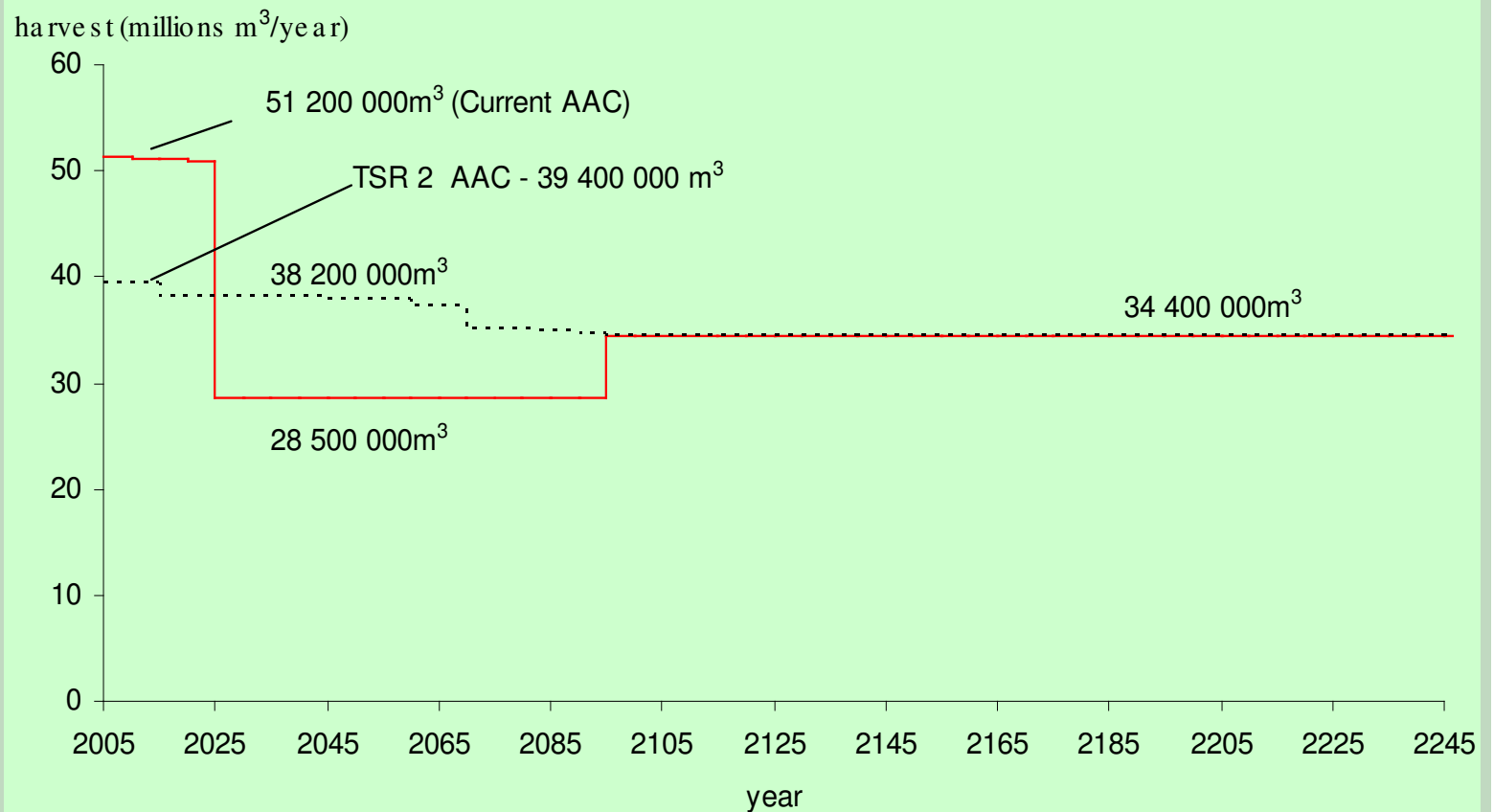


582 Million Cubic Metres =

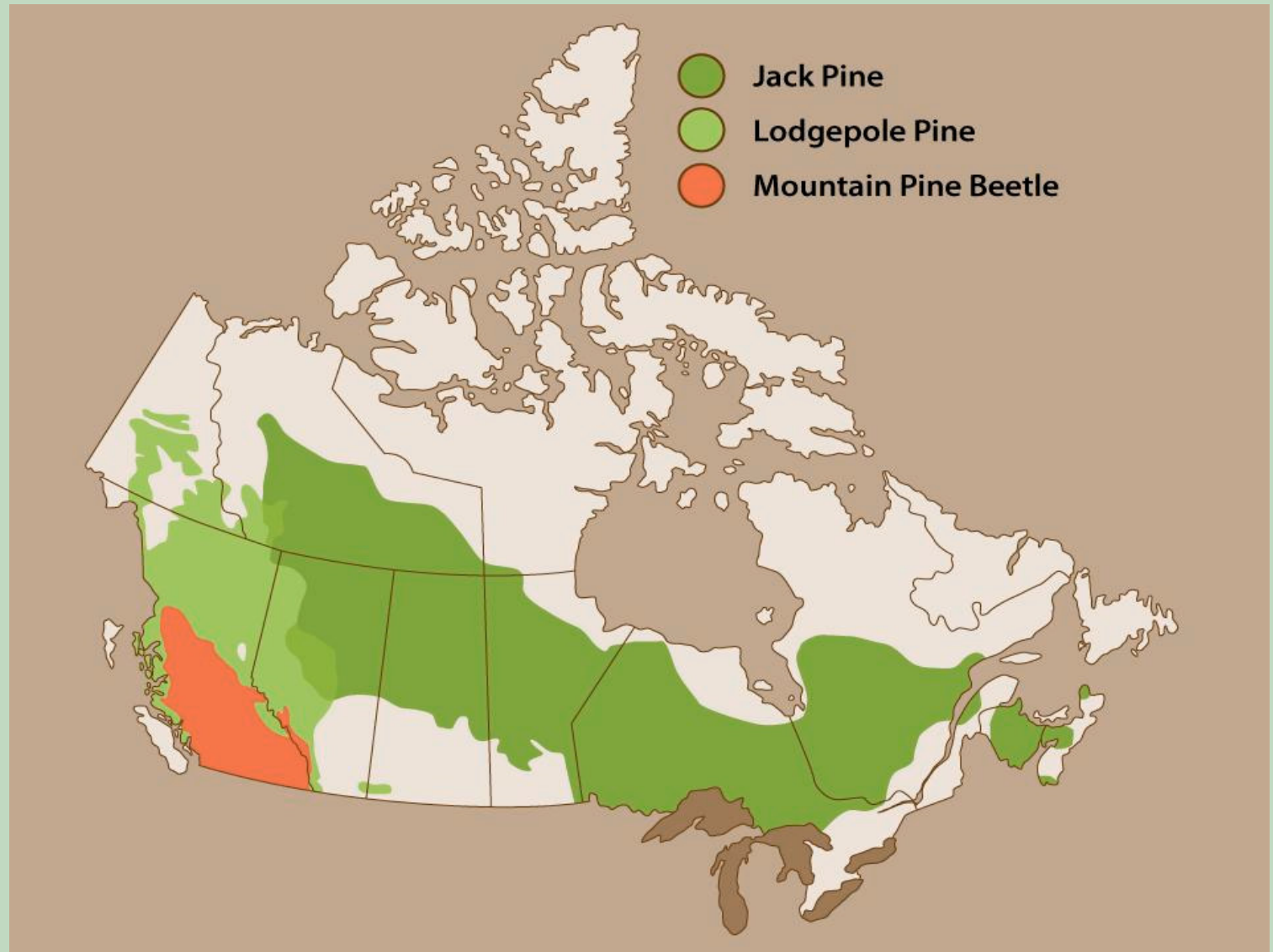


**13 Million Logging Truck Loads or
Over 15 Years of Harvest in B.C.'s Interior**

Interior Timber Supply Scenario – If Mortality 80%



Susceptible Pine Across Canada





MPB Action Plan 2006-2011

Goal:

To sustain long-term community, economic and environmental well-being while dealing with the short-term consequences of the epidemic.

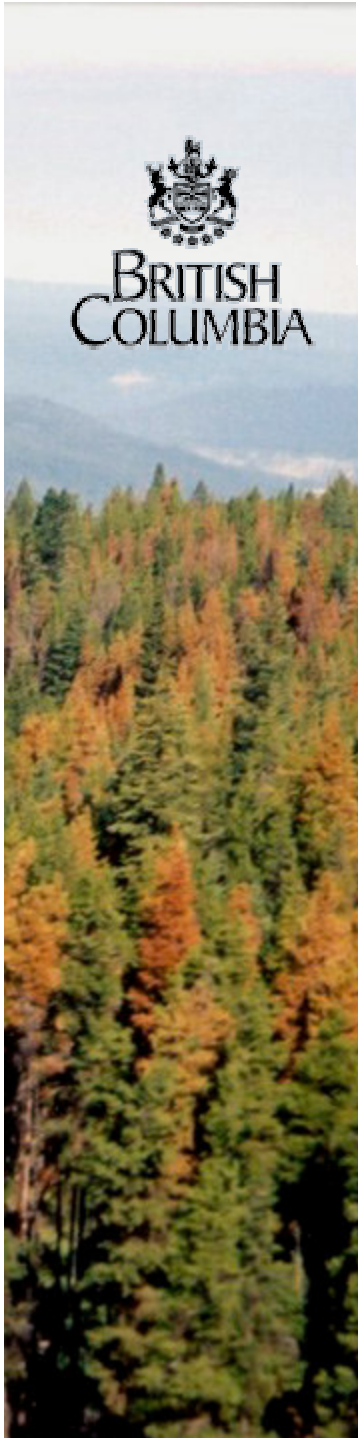




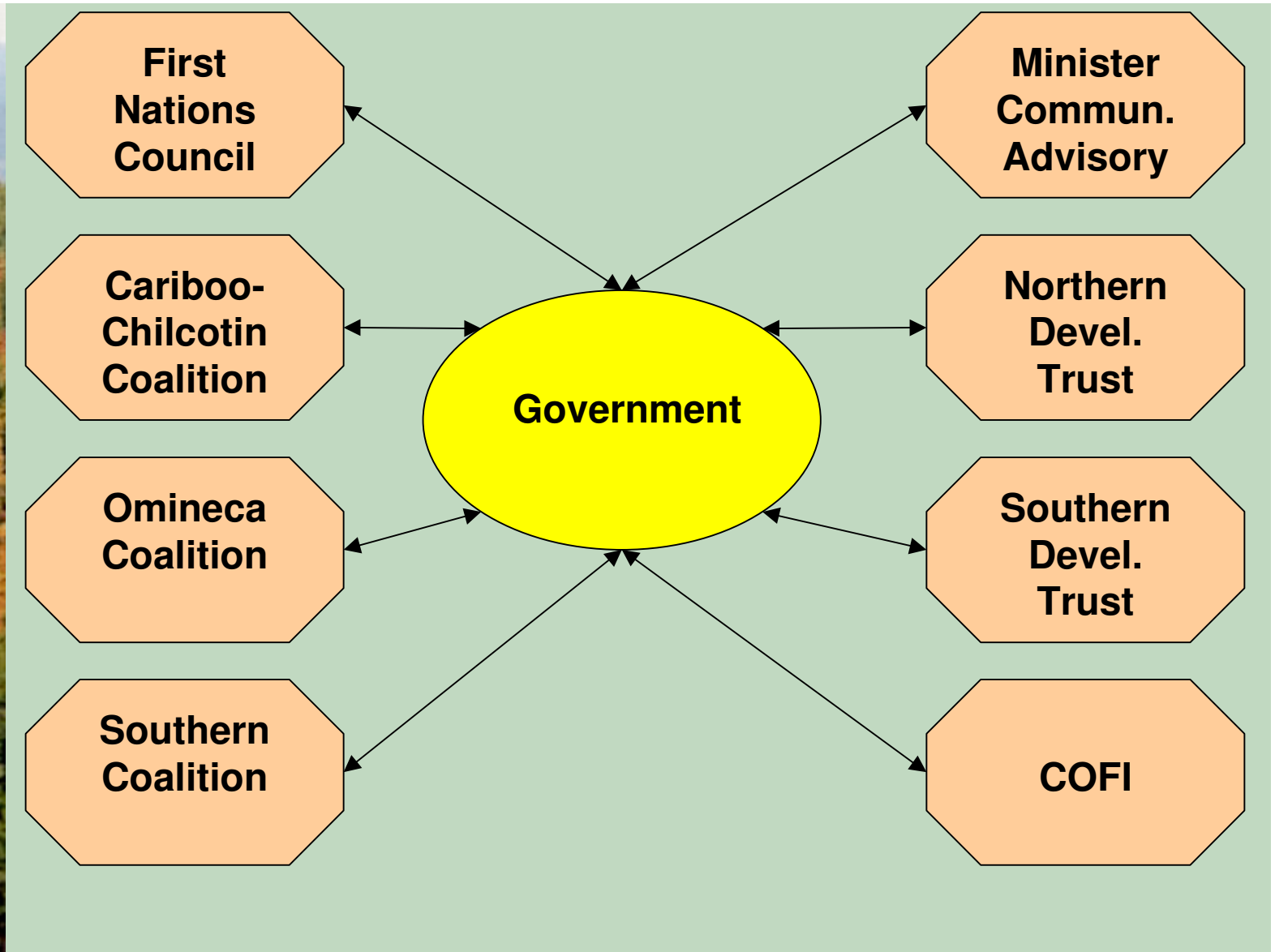
MPB Action Plan for 2006-2011

- Community sustainability
- Public safety
- Recovering value
- Conserve long-term forest values
- Limit further damage
- Restore forest resources
- Co-ordinated planning and mitigation





Shared Leadership – Government and Communities





Actions

- Forests For Tomorrow program
- Future Forest Ecosystems Initiative
- Investment in highways Provincial economic development in sectors
- Reduction of fire hazards near communities



Bio-Energy Update

Bio-Energy

- The BC Energy Plan released on February 27th seeks to use, in addition to other sources (agriculture and municipal waste etc), wood residue and MPB timber to generate electricity



Bio-Energy

Three Key Challenges

- Significant inventory of beetle-attacked pine (standing trees and waste piles from logging operations)
- About 40 beehive burners
- Stimulating new investment and employment across B.C. forest sector





Bio-Energy

Potential Sources of Fuel

- Mill residues (lowest cost, but increasing demand)
- Roadside and landing site piles (short-to mid-term supply)
- New tenures (unallocated volumes limited)
- Biomass from forest rehabilitation
- Biomass from managing community interface fire hazards
- Biomass outside the forest land base



Bio-Energy

What MoFR is Doing

- Working with industry to remove policy barriers inhibiting usage of waste wood
- Monitoring harvest practices to inform Allowable Annual Cut decisions
- Working with BC Hydro and MEMPR to assess energy sector requirements as they apply to Crown timber



Bio-Energy

Benefits identified by IPPs

- Reforestation of lands impacted by the MPB
- New Economic Opportunity to diversify local economy
- Further reduce dependencies on Fossil Fuels as an alternate fuel source



Non-Timber Forest Products Update



Non-Timber Forest Products

- Most NTFP harvesting is unregulated despite \$600M annual value employing up to 30K people
- Some First Nations concern regarding potential increased profile and harvesting
- CFAs and Nisga'a treaty provide for NTFP rights but not yet defined
- Centre for Non-Timber Resources at Royal Roads in research and extension role



Non-Timber Forest Products

Established Inter-agency committee to further NTFP management in BC to:

- facilitate communication;
- undertake case studies to provide strategy;
- improve inventory information and analysis;
and,
- foster infrastructure development.



QUESTIONS?