

## **Jager, Brenda CSNR:EX**

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**From:** Barwin, Gabrielle FLNR:EX  
**Sent:** Monday, May 7, 2018 2:53 PM  
**To:** Silverio, Lisa FLNR:EX  
**Cc:** Geary, Orla FLNR:EX  
**Subject:** 11am - May 8 - COFI  
**Attachments:** 11am 237383 BNI for MDD Meeting with COFI May\_2018 (3).docx

Hi Lisa

Please find **\*draft\*** material attached for tomorrow's 11am meeting.

Tim Sheldan, Chris Stagg and Peter Jacobsen will attend in person.

Thank you,  
Gabby

**MINISTRY OF FORESTS, LANDS, NATURAL RESOURCE OPERATIONS AND  
RURAL DEVELOPMENT  
INFORMATION BULLETS**

Date: May 1, 2018  
File: 280-20  
CLIFF: 237383

**PREPARED FOR: Honourable Doug Donaldson, Minister of Forests, Lands, Natural Resource Operations and Rural Development**

**ISSUE: Meeting with Council of Forest Industries Board (COFI)**

**BACKGROUND**

There is no formal agenda developed for the meeting; the goal is to have a conversation with the COFI Board, however there will be a short overview presentation for the Caucus lunch. COFI is interested in engaging on a wide range of strategic initiatives and goals of government (see list below received from COFI). COFI's Board members will be interested in discussing and understanding the Minister's thoughts on government's approach to advance the priorities the Premier outlined at the COFI convention in April 2018.

Areas of Interest:

- Fibre supply: access to timber; predictable timber supply; security of existing tenure rights;
- Indigenous relations, UNDRIP and connection to land use planning review
- Combined impacts on sector competitiveness of the - Contractor Sustainability Review, Professional Reliance Review, Land Use Planning Review, Worksafe etc
- Government's plan regarding log exports, and the coastal industry
- Old growth and ENGO's campaign
- Coast Pulp Fibre Project (status of John Allan's report)
- Fire preparedness for 2018
- Value added mills – what is government definition / vision / policy direction?
- Forest Enhancement Society BC and other climate related funding
- BCTS performance – many business units not meeting sales targets as is. What is expected impact of BCTS added reconciliation mandate?
- Provincial SAR Legislation – Impacts of Caribou, Marbled Murrelet and Northern Goshawk implementation plans
- Competitiveness and investment in BC facilities;

**SPEAKING POINTS:**

- The forest sector is a critical economic generator for BC; it supports healthy, stable communities, and provides direct employment for over 60,000 people in 140 communities. We're committed to building a sustainable economy that works for all British Columbians and the environment.

- Many British Columbians view the social license, which is so critical to the success of our sector as being frayed and this is concerning to all of us that see a bright future for the forest sector.
- Our government is taking positive steps to rebuild the social license and we are working to achieve this through a number of processes including the Contractor Sustainability Review, Professional Reliance Review, Land Use Planning Review, Worksafe and other initiatives looking at fibre utilization and implementing UNDRIP.
- BC has not had a hard look at its policy structure for over a decade and we are looking at a number of key linked themes internally – fibre access, tenure and concentration, improved utilization; expanding manufacturing of higher valued products in BC, increasing the use of wood in public and private construction through changes to the BC Building code; Old Growth harvest and the move to second growth, development of a made in BC species at risk framework, to name a few.
- Because of the breadth of the topics being examined we don't have the luxury of employing a single large engagement process. We will need to engage industry and other stakeholders through targeted forums and processes designed to focus the discussions to capture the range of stakeholder perspectives and discuss policy options.
- A Pearce Commission would not work in the context of the complex land base and rapidly changing legal, social and environmental circumstances we are now facing.
- The intent of all of these initiatives is to rebuild the confidence in the forest sector as an effective partner in managing BC forests and develop BC's economic future.
- FLNR and MIRR are investigating at how to engage with First Nations on policy, program and legislative review to identify opportunities to implement the principles of UNDRIP.
- There is a fundamental requirement and need to understand the First Nations interests and rights on the landbase.
- The Province contributes \$60 million to support revenue sharing, business and capacity support for First Nations to participate in the forestry sector.
- The Strategic Forestry Envelope (SFE) funding can be used to assist in the purchase of or development of a partnership or joint venture of First Nations with an existing sawmill.
- It is critical to first look at how to engage with First Nations in our policy development, programs and legislative processes to identify opportunities to implement the principles of UNDRIP, before tenure reform could be considered
- In my Mandate Letter from the Premier, there are specific commitments to revitalize BC's forest sector through working with communities and industry to develop a fair, lasting strategy to create more jobs by processing more logs in BC, and expand BC's innovative wood-products sector by addressing regulatory and capital barriers hampering the growth of engineered wood production.
- I believe that a significant opportunity exists to improve the manufacturing capacity in BC to increase domestic demand for logs that are currently exported. Staff are working with relevant ministries and industry to ensure progress is made.
- This includes the work of BC's Forest Fibre Action Plan which is helping to improve access to harvesting residual fiber that can be used to support the development of bio-energy, and provide increased fibre for the pellet and pulp sectors, reduce burning levels of forest residuals and CO2

released into the atmosphere. Forest Enhancement Society and Forest for Tomorrow play a role in achieving improved utilization.

- We are also working to deal with the current and longer term access to pulp chips on the Coast. The joint industry, government Coast Pulp Fibre Advisory Group was formed in 2017/2018 and is being led by John Allan. The Advisory group was tasked to review and identify options to improve short and long term chip access. I have received the Coast Pulp Fibre Advisory Group completed report. I see the collaborative review process and the reports focus on using linked business-to-business and government policy solutions as a positive example of how to seek workable solutions to improve fibre security.
- Recognizing log exports play a role in an integrated forest sector, we're committed to getting more jobs out of every cubic metre of timber harvested. This means increased utilization of residual fibre from harvest to improve the supply of chips for pulp mills and providing feedstock for pellets and renewable energy. This includes increasing manufacturing of logs in BC to feed the development of engineered and value-added wood products.
- Manufacturing more second growth timber will increase domestic demand and second growth log exports will decline. The increased utilization of second growth logs in BC will not only reduce log exports but will help to increase the supply of chips for our Coastal Pulp mills.
- CLT/Dowel Laminated Timber, and LVL, are just a few of the value added products that BC can develop. COFI members and FLNR are supporters and members of FPInnovations. We need to look at how to improve manufacturing of Hemlock on the Coast and the Interior to reduce costs of harvesting and transporting logs. FPInnovation is playing a key role in helping to achieve this. FPI's work is helping to develop and expand new markets.
- Staff from FLNR and Natural Gas Development are exploring ways to expand utilization of engineered wood in BC to foster the development of 'made in BC' products needed to build CLT/Dowel Laminated Timber structures.
- We are taking proactive steps to make our forests more resilient to climate change through targeted adjustments to our reforestation programs including: climate based seed transfer, tree planting in burned areas, using deciduous trees strategically and increasing tree planting density.
- The Chief Forester and her staff are engaging COFI, ILMA and other stakeholders throughout the province on climate adaptation actions undertaken.
- Integrated Investment Planning supports climate change adaptation and mitigation by selecting land-based opportunities for climate-considered investments. These investments may include sequestering forest carbon and are used for wildfire risk reduction, wildlife habitat and timber supply. This planning considers investments to communities through the Strategic Wildfire Prevention Initiative.
- I understand your interests in BCTS continuing to meet its sales objectives. The past history of logging around contentious areas coupled with declining AACs, the 2017 wildfires and First Nation expectations (UNDRIP, revenue-sharing & rights/title) did impact BCTS performance last fiscal and the entire sectors. Notwithstanding challenges, BCTS achieved 87% of its target volume, ranging from 83% (Coast) to 85% (Northern Interior) to 90% (Southern Interior).

- BCTS is building more time into planning and development phases of its business to accommodate challenges and time needed to consider UNDRIP and stakeholder consultation and issue resolution.
- BCTS has developed plans designed to meet its sales targets despite these challenges, but will require a balanced approach between First Nations and government objectives, including data to drive the MPS, revenue generation and fibre flow to sustain rural economies and good jobs.
- I want to compliment you on the collaborative work to develop the economic analysis needed to develop the assessments of potential impacts of instituting a SAR order. Wildlife management much like wildfire are challenges we need to deal with through BC driven approaches.
- There is no silver bullet to resolve the issues the sector is facing; it is going to take working collaboratively to identify the linkages across many old and new challenging issues and find opportunities that help move us forward. The linkages are becoming more complex such as climate change and its impacts on fire and flooding which impact both immediate and future fibre supply. How we have done things in the past won't work in such a dynamic and changing environment.
- I want to thank you for this opportunity meet and discuss the future of the BC Forest Sector.

**Contact:**

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Reviewed by	Initials	Date
DM		
DMO	GB	May 7, 2018
ADM	CS	May 3, 2018
ED	PJ	May 2, 2018

## **Jager, Brenda CSNR:EX**

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**From:** Donaldson, Doug FLNR:EX  
**Sent:** Wednesday, May 23, 2018 2:08 PM  
**To:** Silverio, Lisa FLNR:EX  
**Subject:** FW: COFI Lunch - May 8  
**Attachments:** 20180405 SN COFI\_finaldraft.docx; SN\_COFI\_lunch\_May 8.docx

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**From:** Thomas, Vivian P GCPE:EX  
**Sent:** Monday, May 7, 2018 4:04 PM  
**To:** Donaldson, Doug FLNR:EX  
**Cc:** Renneberg, Tim FLNR:EX  
**Subject:** COFI Lunch - May 8

As requested, I've attached some notes for you (and also copy of PJH's COFI speech).

Cheers,

**Vivian Thomas**

Communications Director  
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and Rural Development  
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**Speaking Notes - COFI**  
**Apr 6, 2018**

We are gathered on the territory of the Lheidli T'enneh [clayt-clay den-ay]

Thanks for the opportunity to address your annual convention.

It's been nine months since we formed government.

Since Day 1, your industry has been front and centre.

It was literally baptism by fire.

Our first act as government was to help people affected by an unprecedented wildfire season.

I want to thank everyone here who contributed to that extraordinary effort.

British Columbians will come back from this even stronger than before.

Government continues to do everything it can to help.

Including investments to rebuild local economies and restore public forest lands.

I'm proud to say that the Forest Enhancement Society is investing \$134 million in projects around the province.

Including \$99 million in the Cariboo, to help restore public forests impacted by wildfires.

Thousands of workers and hundreds of communities depend on forestry for their livelihoods.

We must do everything we can to support them as we move from recovery to resiliency.

In our second week as government, I was off to Ottawa and Washington to defend BC's interests on the softwood lumber file.

These cases can go on for years, but Canada has ultimately won key legal rulings in the past.

We will continue to support our litigation defence.

When the conditions are right, we will be prepared to negotiate a settlement that serves BC's interests.

Through it all, we will stand shoulder-to-shoulder with you defending BC's interests.

Since those first hectic weeks, we have continued to learn more about the challenges and opportunities facing forestry.

I want to take this opportunity to lay out:

- our government's approach
- our expectations for your industry
- and the key challenges we need to work together to solve.

### **Why We Value the Forest Industry**

Our government's approach to economic development is straightforward.

Some of you may have heard us talk about Sustainable Shared Prosperity.

That means:

- We want to increase the incomes and wealth of British Columbians;
- We want to see that prosperity fairly shared;
- We want to make sure that it doesn't come at the expense of the environment.

We will be focused on encouraging industries that add to our prosperity, industries that:

- Produce goods or services the rest of the world wants to buy at prices they are willing to pay;
- Pay above average wages and salaries to British Columbians;
- Generate healthy **net** government revenue;
- While stewarding our natural capital.

We are **not** going to chase companies and industries



- that aren't competitive in the international market place.
- that can only be competitive by paying low wages.
- that require ongoing subsidies from government.
- that cannot or will not look after the environment.

It's that simple.

We used this framework in our approach to LNG.

An industry with the potential to generate good-paying jobs and government revenue upon which we build services for people.

We coupled that with the need for agreements with First Nations, and to be world-leading in terms of greenhouse gas emissions.

It is this same framework that shows why we value the forest industry:

- You are competitive in the international marketplace
  - Apparently too competitive for your American counterparts!
- You pay good wages
  - More than 30% higher than the BC average;
- You generate healthy government revenues
  - More than \$2 billion from forestry in 2016;
- You recognize the importance of properly stewarding our forests.

You create jobs and opportunity in all corners of the province.

You account for almost 80% of all manufacturing shipments in BC.

And one-third of all goods exported from BC.

For all of these reasons, and more, we value the forest industry.

### **Our Expectations for the Forest Industry**

Let me now turn to our expectations of your industry.

There are three.

**One: We expect you to be profitable.**

News Flash: I am OK with businesses making profits.

If we are going to raise the standard of living for people in BC, industry needs to earn sufficient returns to encourage investment, and remain innovative and competitive.

We want you to earn a fair return on capital.

Most of you are currently earning a very nice return.

I'm OK with that.

You have to earn good returns in the good years to balance off the bad years. Keep this in mind when market conditions become more difficult, as they will from time-to-time.

Which brings me to point #2.

**We expect the public to get a fair return on its resource.**

This is the other side of the coin.

An efficient operator should expect a decent return over the business cycle.

But so should the owner of the resource.

**Three: We expect to work in partnership with you to maintain and strengthen the social licence for the BC forest industry**

- By providing good employment;
- By looking after our communities;
- By working to bring about true reconciliation with Indigenous people
- By ensuring that each log gets put to its highest and best use within BC

**Challenges**

Let me now turn to talk about the challenges we are facing.

There are five.

**One: We need to figure out how we are going to minimize the dislocation that will result from the reduction in AACs in the Interior**

We know the arithmetic of fewer cubic metres.

But this could play out in a number of different ways.

How can we guide things so that community dislocation is minimized?

I am not here to tell you that I have a definite view of how we should do this.

But, I am pretty sure having the government just stand back and let the “last-man-standing” thing play out is not the way to go.

We would like to talk with you about this.

**Two: We need to revitalize the Coast industry.**

The previous government’s stated objective with their forest policy reform in 2003 was to put in place a framework which would result in logs going to the highest and best use **within BC**.

Yet between 2003 and 2016:

- Crown harvest levels on the Coast were essentially unchanged
- Log exports from Crown lands almost tripled,
- Lumber production fell by 35%, and
- The pulp and paper industry has had increasing difficulty in accessing affordable fibre.

That doesn’t sound like logs are going to the highest and best use **within BC!**

We would like to talk with you about this.

**Three: We need to work together to effect true reconciliation with First Nations**

We won’t achieve that by ignoring Supreme Court decisions.

We won’t achieve that by ignoring the principles of reconciliation.

We will achieve it by working with First Nations to share prosperity with everyone.

I'm looking forward, with hope and optimism, to an economy where industry, workers and Indigenous Peoples all benefit from the wealth they helped create.

Only by doing this will we have certainty on the land base that you need.

I am not pretending it will be easy.

Significant change is rarely easy.

But I am asking you to work with us on this.

#### **Four: We need to facilitate more diversity in access to fibre**

A major change of the previous government's reform in 2003 was taking away the Minister's authority to approve or not approve transfer of licences.

This was significant.

Previously, this was one of the tools the government had to maintain the social licence to operate.

The only factor that would allow the Minister to cancel a tenure transfer was if the effect of the transfer

"unduly restricts competition in the standing timber markets, log markets, or chip markets."

This is a power the Minister has not used once since 2003.

And since 2003 there has been a significant concentration amongst major tenure holders, both on the Coast and in the Interior.

What I have heard from many operators is that the combination of:

- The increasing concentration of tenures amongst a relatively small number of companies;
- The move to lower harvests post-beetle;
- The increase in log exports; and

- The loss of the timber that had previously been targeted to specialty or valued added producers

has made it increasingly difficult to get fibre for their businesses.

We will need to continue to work on how we can ensure that the right log truly does flow to the right mill.

BC's timber is diverse in terms of species and log grades.

Some logs are best processed in high volume lumber mills.

But others are best processed in veneer mills, OSB mills or other types of specialty mills.

We need to find ways to allow the operators of those specialty mills to have fair access to the fibre best suited for their mill.

Thus maximizing the contribution of the industry to BC's prosperity.

As for the concentration issue, we are **not** going to unwind the clock, but I would make two observations:

- i. High concentration puts more of an onus on the large companies now to maintain and strengthen their social licence to operate; and
- ii. I would be extremely skeptical that any further concentration of tenure into the hands of the largest forest companies in BC would be in the public interest.

We would like to talk to you about this.

#### **Five: We need to work together to reduce the amount of waste left behind**

I understand the necessity of harvesting as much beetle-killed timber as possible in the Interior while it still had economic value.

This created a short-term situation where large waste piles were probably unavoidable.

But we are now moving into an era, on both the Coast and in the Interior when fibre will be at a premium.

We cannot afford to leave so much waste behind.

As you may know, part of our agreement with the Green Party is that we will levy the carbon tax on burning waste piles.

We are going to take the time to get this right, but you should start factoring this into your business plans.

Frankly, I hope we don't collect any significant revenue from this tax.

Our hope is that, working collaboratively with companies that may have good use for that fibre, you will not have to be burning very much fibre by roadside.

We would like to talk to you about this.

### **Final Comments**

I have spoken about maintaining and strengthening the social licence to operate.

I started by talking about how our government values the forest industry.

We value the good jobs you provide.

We value the economic benefits you spread across the entire province.

We value the significant government revenues you generate to pay for teachers, nurses, road, hospitals and all the other public services that make for a good society.

I have referred to "your industry" in this speech.

But what a social licence to operate means is that everybody in the province:

- Forest workers and communities,
- First Nations,
- Urban dwellers,
- Teachers, social workers, doctors,

would all view the forest industry as "our industry," because they see the benefits it brings.

I'm excited for the future of the industry, and making it work for British Columbians.

That means getting the most value out of every log, including jobs for people in B.C.

We'll make B.C. a world leader in engineered wood products, and grow our value-added sector.

And we will expand and deepen trade relationships, to get even more value from B.C.'s abundant natural resources.

Working together, our forest industry will be there for all British Columbians, for generations.

Thank you.

## **COFI Luncheon – May 8**

### **Hotel Grand Pacific – Vancouver Island Boardroom**

Audience: COFI Board of Directors and government caucus

- Thank you
- Acknowledge Lekwungen [Luh-kwun-gen] peoples, including the Esquimalt and Songhees First Nations.
- Acknowledge recent merger of Coast Forest Products Association and COFI. One month in, hope it is going well.
- Recent trip to Quesnel – integration of different aspects of forest sector:
  - Primary mills – West Fraser & C&C Wood products
  - West Fraser – MDF
  - Pinnacle Pellet
  - Pulp & Paper mills
- Devastation of Plateau Complex fire – result of 20 combined fires – covering total area of 545,151 hectares (about same size as Prince Edward Island). Largest fire in B.C.'s recorded history.
- As you know, 2017 was a record year for wildfires - \$568 million spent on direct wildfire costs; over 1.2 million hectares burnt including 700,000 hectares on the timber harvesting landbase.
- Recovery is ongoing.



- \$134 million in forest enhancement funding will help with reforestation and wildfire risk reduction projects; with \$99 million concentrated in the Cariboo.
- Will be doing an indepth review of the recommendations coming from George Abbott and Maureen Chapman.
- COFI now speaks for some coastal as well as Interior companies.
- Forestry has many challenges:
  - Coast – fibre supply for pulp mills
    - Log exports
    - Harvesting the profile
  - Interior – mountain pine beetle, wildfires
  - Both – trade issues – softwood lumber duties; and newsprint duties.
- We value forestry – supports tens of thousands of good-paying jobs in over 140 communities throughout B.C.
- Healthy revenues to government which support vital public services
- We want to work in partnership with you to maintain and strengthen the social licence for the B.C. forest industry by:
  - Providing good employment
  - Looking after communities

- Working on true reconciliation with Indigenous people
  - Ensuring each log gets put to its highest and best use in B.C.
- We need to facilitate more diversity in access to fibre.
- We need to work together to reduce the amount of waste left behind.
- Future is in reducing waste and in exploring innovation such as increasing the number of mass timber buildings.
- The municipality of Esquimalt approved a proposal to build a 12-storey building from wood as housing next to the naval base.
- Last week my colleagues announced new funding (\$3.4 million) for UNBC's wood innovation lab.
- B.C. companies produce high-quality products from sustainably managed forests.
- Working together with all forest sector stakeholders, I'm confident that the industry will continue to be strong.
- Thank you.