

COFI Members 2023 (BC Council of Forest Industries)

FOR-2023-32636 Meeting materials from July 1, 2023 – Sept 30, 2023:

Company	CEO	CLIFF / Meeting with Minister
A&A Trading	John Mohammed	
Babine	Steve Zika	
Canfor	Don Kayne (Chair)	
Carrier	Bill Korbyban	
CONIFEX Timber	Ken Shields	
Dunkley	Rob Novak	
Gorman Bros.	Nick Arkle	
Interfor	Ian Fillingier	
Kruger	Thomas Hoffman	
Louisiana-Pacific Corp	Mike Blosser	
Mercer	Jaun Carlos Bueno	
Mosaic	Rob Gough	
Paper Excellence	Stew Gibson	
Sinclair Group	Greg Stewart	
Teal-Jones Group	Dick Jones	
West Fraser Timber	Ray Ferris	
Weyerhaeuser	David Graham	
WFP Western Forests Products	Steven Hofer	

BRIEFING NOTE FOR INFORMATION

DATE: May 31, 2023
PREPARED FOR: Honourable Bruce Ralston, Minister of Forests
ISSUE: Meeting with Mercer International CEO Juan Carlos Bueno

BACKGROUND:

- Mercer International is one of the world's largest producers of market pulp and has diversified their interests to include manufacturing of solid wood products, forestry harvesting and transportation services in BC and Germany and bio-extractives in Australia and most recently purchased two mass timber operations. Mercer's 12 operations are located in four countries, and span three continents.
- Mercer pulp mills produce not only Northern Bleached Softwood Kraft (NBSK) and Northern Bleached Hardwood Kraft (NBHK) pulp, but also biomass-based green energy and bio-extractives. Their bio-extractives include – Turpentine, Tall Oil which is similar to Crude Oil but made from renewable fiber, Cellulose Filaments that replace fiberglass in concrete, mortar products to reduce cracking and is a thickener in paint and ink and is also used in non-woven filters.
- Mercer recently purchased Santanol an Australian firm that produces Sandalwood Oil that is used in formulations of cosmetics and fragrances. With the purchase of the Katterra Cross Laminated Timber (CLT) plant in Spokane Valley, WA in 2021, Mercer produces one-third of North America's CLT capacity.

On May 31, 2023 Mercer received a court sales order approval to acquire Structurlam's Mass Timber assets following its declaring bankruptcy in April 2023. With its holdings of both Katterra's and Structurlam's facilities, Mercer has increased its cross-laminated timber capacity to approximately 210,000 m³ and added 45,000 m³ of glulam production capacity.

Mercer is a publicly traded, multinational company with offices in Vancouver, BC, Washington State and Berlin, Germany. Juan Carlos Bueno was appointed CEO of Mercer on May 22, 2022. Mr Bueno is an Industrial Engineer, with hands-on experience in industrial and product development and has a proven track record of achieving commercial and operational excellence over his 30-year career.

Mercer's BC Holdings include:

- Mercer Celgar, an NBSK pulp mill producing approximately 500,000 tonnes of Northern Bleached Softwood Kraft pulp, enough eco-certified green energy to supply the mill's needs plus up to an additional 20,000 homes, and 250,000 litres of Turpentine annually.
- Cariboo Pulp and Paper, a 50/50 joint venture with West Fraser located in Quesnel. Regarded for its superior length of fibres, Cariboo's pulp is used in the manufacturing of a variety of paper products that include printing and writing paper, tissue, and specialty grades.
- Mercer Forestry Services operates in Lumby, BC assisting Mercer Celgar operations by providing chip hauling as well as providing log harvesting, hauling and road building services to third-party customers.

Mercer's Mass Timber Holdings include:

- In August 2021, Mercer acquired the Kattera CLT plant in Spokane Valley, WA and in March 2023 signed its first major mass timber project contract^{s.21}
s.21
- Structurlam's production facilities are in Penticton, BC and Conway, Arkansas.
- In addition, Mercer operates its Mass Timber office in Vancouver. The Centre houses the Mercer design team, including project managers, architects and engineers. The Centre supports the development of a mass timber ecosystem in BC, partnering with companies such as Intelligent City and other producers of engineered wood products (e.g., Western Forest Products) to develop joint bids on mass timber projects.

DISCUSSION:

Fibre Access – Mercer will outline the goals to conserve Old Growth and protect caribou are laudable. s.13; s.17
s.13; s.17

Carbon Taxes - On April 1, 2023, the province's carbon tax rates were aligned with the federal carbon pricing backstop. Carbon tax rates will be increased by \$15 per tonne of carbon dioxide equivalent emissions each year until reaching \$170 per tonne in 2030. The province has committed to reviewing the rates prior to 2026 to ensure it remains on target to attain its emissions reduction goals. Commencing April 1, 2024, large emitters will be exempt from carbon tax but will be subject to a new output-based pricing system (OBPS). The OBPS will require large industrial emitters to pay for emissions exceeding performance-based limits. An option will also allow certain emitters that otherwise don't meet the OBPS threshold to participate in the program.

BCTS Performance – s.13
s.13

Forest Enhancement Society of BC (FESBC) – Government provided \$50 million dollars of funding that will be used in projects and programs designed to increase the use of low-value or residual fibre, including trees damaged by recent wildfires and waste left over from logging that would otherwise be burned in slash piles. This funding has helped and will continue to support Mercer's access to residual waste for their chipping operations.

s.13; s.21

Vancouver to be a center of excellence for Mass Timber – Mercer has its Mass Timber operational office in Vancouver and with its recent purchase of Structurlam's assets is interested in the government supporting Vancouver as a center of excellence.^{s.13}

s.13

s.13 A total of 307 laminated wooden buildings have been constructed in BC, compared to 356 in all of the U.S.

MINISTRY RESPONSE:

- I understand your fibre access concerns, that is why I have committed staff and resources to expand the use of residual fibre from harvest and put new rules and licensing in place to access burnt timber.
- The Pulp Fibre Task Force was formed to deal with fibre access, and I am happy to say we are seeing strong results. In support of this process, I have authorized the introduction of Wildfire Salvage Opportunity Agreements and it is wonderful to see your firm accessing burnt timber opportunities.
- BCTS is moving forward to redevelop and get sales out. BCTS has also instituted “Pile Nicely” requirements in 7 Timber Sales Licenses offered in Kootenay Business Area. They have also released their Pulp sales Schedule for Coast and Interior and they are offering 1.7 million cubic meters of volume up for bids.
- Reducing of carbon emissions is critical for all governments and industries in order to reduce the impacts of Climate Change. The last few years of significant weather events have made that very clear.
- s.13

- The FESBC funding is a perfect example of how when government and industry work together- in this case through the Pulp and Paper Coalition meaningful and positive results occur.
- Your interest in having Vancouver become a center of excellence aligns with government’s goal of increasing the use of Mass Timber and my mandate to move the sector from high-volume to high value production. Have you already spoken to the Ministry of Jobs, Economic Development and Innovation about this? I will be happy to help arrange a meeting so that we all can be part of that discussion.

Attachment(s): None**PREPARED BY:**

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Executive Director,
Compensation Business Analysis
Branch
(250) 415-6638

REVIEWED BY:

	Initials	Date
DM	EO	June 6, 2023
DM, LNRO		
Associate DM		
ADM	MS	
Program ED.	PJ	June 1, 2023

Company Details

Mercer International is one of the world's largest producers of market pulp and a growing leader in the solid wood products space. Large-scale, modern mills produce not only NBSK (softwood) and NBHK (hardwood) pulp, but also biomass-based green energy and bioextractives. With the purchase of the Katterra Cross Laminated Timber (CLT) plant in Spokane Valley, WA in 2021, Mercer produces one-third of North America's CLT capacity.

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Mercer's BC operations include:

- **Mercer Celgar**, an NBSK pulp mill producing approximately 500,000 tonnes of Northern Bleached Softwood Kraft pulp, enough eco-certified green energy to supply the mill's needs plus up to an additional 20,000 homes, and 250,000 litres of turpentine annually.
- **Cariboo Pulp and Paper**, a 50/50 joint venture with West Fraser located in Quesnel. Regarded for its superior length of fibres, Cariboo pulp is used in the manufacturing of a variety of paper products that include printing and writing paper, tissue, and specialty grades.
- **Mercer Forestry Services** operates in Lumby, assisting Mercer Celgar operations by providing chip hauling as well as providing log harvesting, hauling and road building services to third-party customers.

Mass Timber

Mercer has the vision to become a world leader in the solid wood industry, with a particular focus on mass timber design and production.

In August 2021, Mercer acquired the Katterra CLT plant in Spokane Valley, WA and in March 2023 signed its first major mass timber project contract^{s.21}

s.21

In April 2023, Mercer entered into an initial bid asset purchase agreement with Structurlam to buy its assets in BC and Arkansas following Structurlam's declaration of bankruptcy. Bidding will open on May 25, 2023.

In addition, Mercer operates a Mass Timber Centre of Excellence out of its Vancouver offices. The Centre houses the Mercer design team, including project managers, architects and engineers and is helping to attract international talent to BC. The Centre supports the development of a mass timber ecosystem in BC, partnering with companies such as Intelligent City and other producers of engineered wood products (e.g., Western Forest Products) to develop joint bids on mass timber projects.

CEO Bio

Juan Carlos Bueno joined Mercer as President, Chief Executive Officer and Director in May 2022. Since 2018, he has served as the Chairman of the Board and co-founder of Global Energy which produces novel green energy generation devices.

Mr. Bueno has extensive global industrial and product experience and a proven track record of achieving commercial and operational excellence over a 30-year career. Before his position at Global Energy, from 2011 to 2017, Mr. Bueno was Executive Vice President and Divisional CEO, Biomaterials for Stora Enso, where he designed and led their new biomaterials division, growing sales and profitability. Mr. Bueno created a vision and strategy to expand into new sectors, such as lignin and hemicellulose. He also has broad experience in investor relations, board interaction and other key CEO functions.

Mr. Bueno has also previously served in executive positions, including Vice President, Crop Protection, President Agar Cross, Commercial Manager, Global Financial Analyst and Business Consultant with EI DuPont de Nemours & Company in Brazil (now DowDuPont), UK, Argentina, Colombia and the USA.

Mr. Bueno holds a Bachelor of Science in Industrial Engineering and a graduate degree in Negotiation & International Relations. He is a Director of the Forest Products Association of Canada (FPAC) and the BC Council of Forest Industries (COFI).

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Withheld pursuant to/removed as

s.13 ; s.14

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s.13 ; s.14 ; s.17 ; s.21

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s.13 ; s.14