



BRIEFING NOTE

PDE/MBR Joint Meeting with the *BC Value+Added Wood Coalition* Victoria

Briefing Note

What:

Meeting with BC Value+Added Wood Coalition Steering Committee, regarding support for the value-added wood manufacturing sector.

Who:

Honourable Bruce Ralston, Minister of Forests

BC Value+Added Wood Coalition (VAWC) Steering Committee members:

- Brian Menzies, Executive Director, Independent Wood Processors Association (IWPA) (VAWC Co-Chair)
- Paul Rasmussen, President, Interior Lumber Manufacturers Association (ILMA) (VAWC Co-Chair) (not in attendance)
- Andy Rielly, President, Rielly Lumber and Chair IWPA
- Brian Hawrysh, President, BC Wood Specialties Group (BC Wood)
- Dan Battistella, former President, ILMA
- Doug Pauze, President, Coastland, and Member, IWPA
- Jake Power, Owner, Power Wood, and Member, IWPA
- John Gillis, Vice President Centurion, Co-Chair of BC Wood, and Director IWPA
- Ken Kalesnikoff, President, Kalesnikoff, and Chair, BC Wood
- Warren Carter, North Enderby Timber, and Director, ILMA

Executive Summary:

The purpose of the Coalition is to represent BC's value-added industry and support development of policies to grow the sector. The Coalition's key concern is access to fibre supply (logs and lumber) to ensure investment certainty and a future diversified wood industry. The Coalition wants to discuss specific policies they believe are important to address this concern.



BRIEFING NOTE

PDE/MBR Joint Meeting with the *BC Value+Added Wood Coalition* Victoria

Background:

In 2021, the value-added sector provided almost 14,000 jobs and generated \$1.5 billion in GDP. Over the last decade, the value-added sector has increased total jobs and jobs per cubic meter.

Specific policy initiatives the Coalition want to discuss include:

1. Expansion of the Manufactured Forest Products Regulation (MFPR):
 - Government strengthened the MFPR in 2020 and is exploring changes, including to the Interior exemption.
2. Expanding the BC Timber Sales (BCTS) Value-Added Manufacturing Program:
 - BCTS has announced changes to the program and is committed to increasing volume.
3. Policy to ensure wood fibre is resold into the domestic market for further processing.
4. Policy to ensure wood fibre stays in domestic markets for further processing.
5. A new Value-Added Wood branch within the Ministry of Forests to provide dedicated and focussed support to growing the value-added sector.
6. A voice for value-added wood producers in softwood lumber negotiations:
 - Meetings are already scheduled with the Coalition to discuss this topic.

Additional ongoing government action includes:

- The \$180 million Manufacturing Jobs Fund will provide investment capital.
- Promoting the use of BC Wood products and mass timber.
- Supporting the new Value-Added Accelerator initiative to increase the flow of fibre to the value-added wood manufacturing sector.

Recommendations:

Assure the Coalition of government's mandate to grow the value-added wood manufacturing sector, appreciation for the Coalitions' work, and commitment to continue to work closely with them on supporting and growing the sector.

BC VALUE+ADDED WOOD COALITION

The Honourable David Eby
Premier of British Columbia
Premier@gov.bc.ca

April 12, 2023

Dear Premier Eby:

The **BC Value+Added Wood Coalition** represents the Independent Wood Processors Association, BC Wood, and the Interior Lumber Manufacturers Association.

We are a single platform that is the voice of B.C.'s value-added industry that can together develop policies and communications that better support the provincial government's mandate of moving towards more high-value wood products.

The BC value-added industry directly employs over 16,000 British Columbians, generates \$5 billion sales annually, and consists of over 600 business throughout the province with the large economic clusters in the Lower Mainland, Southern Interior, and Vancouver Island.

We would like to request the opportunity to meet with you to discuss our vision for the future of BC's Forest Sector, that encourages diversified and innovative manufacturers producing more higher-value, and innovative, wood products.

Our group will be in Victoria from April 25th-26th and are available to meet at your convenience. I can be contact at brianmenzies@iwpabc.com or by my cell phone **250-213-5397** to arrange a date and time that would best suit your schedule. I look forward to hearing from your office.

Sincerely,



Brian Menzies
Executive Director
Independent Wood Processors Association
a member of the
BC Value+Added Wood Coalition



Interior Lumber
Manufacturers' Association



Minister Bullets

CLIFF number: 274504 **Date:** May 18, 2023

Minister Name: Bruce Ralston

ISSUE:

- Timeline to Implement the BCTS Value-added Manufacturing Program

s.12; s.13

Branch Responsible: **BCTS Provincial Operations, Timber, Range and Economics**

Ministry Contact Name & Phone #: **Allan Powelson, Executive Director, BCTS (778) 974-5667**

Stakeholder Communication Summary

Stakeholder	Date	Initiator	Communication Method	Description of Communication / Information Provided	Comments
Cedar Shake & Shingle Bureau	May 24, 2022	Cedar Shake & Shingle Bureau	Letter	Letter was sent to Melissa Sanderson, ADM, following up their meeting on May 6. Concerns from the cedar shake and shingle industry were summarized along with a request to quicken the time it takes to issue salvage permits.	A follow up email was sent on June 23 to Melissa and another letter was sent on July 27 to the Minister. BCTS drafted a response which was provided on August 15 from Melissa.
BC Custom Wood Products – Dave Philpott	July 19/22		Email and phone call	Had a phone discussion with BC Custom Wood Products and the new VA program. Provided him with a communication document about the new program. Asked him that we are seeking input about the new VA program.	He will read the material and may provide input
Timber Sales Advisory Committee	July 26/22		Committee meeting	Provided a high level overview of the new VA program and that we will be holding workshops to help to flush out the details of the new program and provided a communication document for the members to review. These workshops are not to discuss the concepts of the new program.	
Kurt Niquidet, COFI Dan Battistella, VA Coalition	July 26, 2022	BCTS	Email	A meeting invite was sent to invite COFI and the VA Coalition to a ½ virtual workshop to review and discuss the details of the Cat VA program.	Dan requested the date of the workshop be changed from August 15 to 17. The VA Coalition will confirm the date and attendance after their meeting on July 27. Invite was forwarded to Warren Carter, VA Coalition and Michael Armstrong, COFI.
John Brink, COFI	July 27, 2022	BCTS	Email	An email was sent to notify him of the ½ day workshop and the potential dates. BCTS will send the meeting invite once the date is confirmed.	
Value-Added Sector (see excel distribution list for contacts)	July 28, 2022	BCTS	Email	A meeting invite was sent to the value-added sector for a 2-hour session to present the preliminary design of the Cat VA program and provide an opportunity to give input.	

Kurt Niquidet, COFI Michael Armstrong, COFI John Brink, COFI Dan Battistella, VA Coalition Warren Carter, VA Coalition	July 28, 2022	BCTS	Email	The meeting invite was resent with an updated time of August 17. Other COFI and Coalition members were included in the invite.	
Category 2 Registrants	August 2, 22		Letter	A letter inviting Cat 2 registrants to the 2-hour virtual session on Cat VA and the Communique of June 15, 2022 were sent.	Invite to Duncan Davies of Pinnacle Pellet was undeliverable. Email address unknown.
Kathy Klassen, Pacific Coast Cedar Products and Shake and Shingle Organization	August 9, 2022		Phone	BCTS called to invite the shake and shingle organization to the Value-added Workshop on August 17. Kathy expressed strong interest in Category VA, and will discuss with the group and will send 1-2 people.	Meeting invite was forwarded to Kathy.
Wenstob Timber	August 11, 2022	Kevin Wenstob	Phone	BCTS returned a call to Wenstob Timber and as requested, forwarded the meeting invite on August 18.	Kevin called again and provided comments: <ul style="list-style-type: none"> • No advantage being in Cat 2 because the processing obligation is restrictive. As a small operator it can be challenging to harvest and process within the TSL term. • Larger operators who are associated with small manufacturing facilities can bid on Cat 2 TSLs and have the ability to harvest and process within the TSL term. Difficult to compete with them. • Small Cat 2 TSLs of 5,000 m3 are preferred. Large TSLs are challenging for small operators.
Tahtsa Timber Ltd	August 15, 2022	Andy Andersen	Phone	BCTS returned a call to Tahtsa Timber. They are a Cat 2 registrant and produce 250,000 m3 of low-grade timber. They take logs that mills do not want or is too far to take to pellet plants and make products that are exported to China. The proposed performance obligation for Cat VA will not work for them. They are interested in attending the value-added session on August 18. BCTS forwarded the meeting invite.	
COFI	August 18, 2022	Kyle Siachan	Email	COFI asked when BCTS will be sending the presentation to everyone who attended the value-added workshop on August 17. BCTS replied and said the presentation will be sent on August 22.	

Mike Warburton, Warburton Company	August 18, 2022	Mike Warburton	Phone	<p>Mike Warburton called as he received the letter as a Cat 2 registrant and missed the session on Aug 18. BCTS will send the presentation to him so he may provide his comments. Initial comments include:</p> <ul style="list-style-type: none"> • Cat 2 should be localized in areas and should be tailored to where they are offered. • Target the small operators. 	
Bill Everitt, Princeton Wood Preservers	August 18, 2022	Princeton Wood Preservers	Email	<p>Bill was unable to attend the session on August 18 but expressed an interest in engaging on the development of Cat VA. BCTS sent the value-added presentation from Aug 18.</p>	
Josh McQuillan, Drax	August 18, 2022	Drax	Email	<p>Drax requested to be sent the presentation and asked if government decided when the transition from Cat 2 was going to commence. BCTS sent the presentation and indicated a date has not been determined yet for the transition.</p>	
Michael Adam, Adwood Manufacturing	August 18, 2022	Adwood Manufacturing	Email	<p>Adwood provided a letter that was previously sent to Doug Donaldson, MLA, regarding their concerns for the value-added industry. Concerns include:</p> <ul style="list-style-type: none"> • Hurdles include access to timber and access to breakdown of timber at primary mill. • Recommended solutions for timber access. • Rationale for keeping timber prices low to non-primary mills. • Recommended solutions to primary breakdown (sawmills) access. 	
Attendees from Value-added workshop and session – August 17 and 18	August 19, 2022	BCTS	Email	<p>The presentation from both sessions were sent to all attendees.</p>	
Ken Kalesnikoff	August 19, 2022	Ken Kalesnikoff	Phone	<p>Ken called Al Powelson and suggested that BCTS institute a more stringent share holder % than the current 50% as part of registration. He also raised that licence holders with an AAC up to 200K m3 should be allowed to participate in the program. Al reminded him the ILMA was supposed to provide a rationale for this.</p>	
Gerrie Kotze, Teal Jones	August 19, 2022	Teal Jones	Email	<p>Teal Jones provided comments in response to the VA engagement session:</p>	

				<ul style="list-style-type: none"> • Concern regarding overall health of the industry, availability of fibre, efficiency of fibre flow, and promoting fair treatment of participants in the sector. • Registration requirements and performance obligation are questionable. Seems bureaucratic and invasive. • Registration may be unfair for new entrants. • Cat VA may create additional pricing pressure imposing higher barriers of entry for participants in Cat 1. 	
Georg Woernle, Canadian Bavarian	August 19, 2022	Canadian Bavarian	Email	<p>Canadian Bavarian provided comments:</p> <ul style="list-style-type: none"> • “Putting a fence” around the fibre would not work on the coast. • Metric that should be used is jobs/m3. • More volume to support Cat VA. • More selective profile for TSLs, longer harvesting times, and smaller volume for Cat VA TSLs. 	
Craig Upper, Porcupine Wood	August 22, 2022	Porcupine Wood	Email	<p>Porcupine Wood provided comments:</p> <ul style="list-style-type: none"> • Two primary issues: who is eligible to participate and provide a stable, economical and high quality fibre to eligible participants. • Requirements for eligibility should be limited to log facility and remanufacturing facility. • A different category for residual fibre users. 	
Dennis Smith, Kitwanga Forest Products	August 22, 2022	Kitwanga Forest Products	Phone	<p>Kitwanga provided comments:</p> <ul style="list-style-type: none"> • The program will never suit all needs, i.e., small and large producers. • Agrees with auditing and 10K m3 restriction to be eligible to register in the program. • The TSLs that are advertised should range from small, medium and large and not focus only on small or large volumes. The size of TSLs dictates who can bid. <p>He was unable to attend the session. BCTS sent the presentation for his review and comment.</p>	

Bill Everitt, Princeton Wood Preservers	August 22, 2022	Princeton Wood Preservers	Email	Bill questioned the restriction regarding the dimensions of fence posts identified in the Manufactured Forest Products Regulation list. BCTS thanked him for bringing this to their attention and would discuss internally.	
Paul Bouchard, BP Wood	August 19, 2022	BP Wood	Email	Paul was unable to attend the session on Aug 18 and requested a recording. BCTS sent the recording and presentation – Aug 23.	
Stan Hadikin	August 23, 2022	Mercer International	Email	Mercer provided the comments: <ul style="list-style-type: none"> • Restructuring Cat 2 • Fibre quality in Cat 2 • Vary the size of TSLs in Cat VA • Proximity • Create a new category, Category Fibre for residual fibre products. 	
Dan Weibe, Box Lake Lumber Products	August 25, 2022	Box Lake Lumber	Voicemail	Dan was unable to attend the engagement session and asked for more information.	BCTS provided presentation and recording of the engagement session on Sept. 6, 2022.
John Brink, Brink Group of Companies	September 2, 2022	John Brink	Email/letter	John Brink provided a response to the questions from the engagement session on August 18.	
Doug Rouck, Rouck Bros	September 5, 2022	Doug Rouck	Email	Doug provided the following comments: <ul style="list-style-type: none"> • Pleased that changes will be made but people always find a way to bend the rules. • Getting the right log is always a challenge. • Most Cat 2 TSLs are too large and we can only utilize a small amount of logs. • Costs of the TSLs are inflated which makes it difficult to utilize the wood, same price for all the species of wood. • We buy most of our wood on the open market and we have timbered land that we can log. 	
BC Value-Added Coalition	September 6, 2022	Brian Menzies	Email/notes	The VA Coalition provided notes for a meeting with Melissa Sanderson. Their comments included: <ul style="list-style-type: none"> • Allow licensees with tenures of up to 200K m3 into Cat VA. • Using the Manufactured Forest Products Regulation to define who is allowed into the program is limiting. 	

				<ul style="list-style-type: none"> • Eliminate surrogate bidding. • Apportionment for Cat VA. • A role in the Softwood Lumber negotiations. 	
John Drew, Wood Co	September 20, 2022	John Drew	Email	<p>John Drew provided responses to the questions in the presentation. Additional comments were provided:</p> <ul style="list-style-type: none"> • More volume allocated to Cat 2. • Agree with 10,000 m3 limit for registration requirement. • Performance should be tied value measured and employment created. • Cat 2 facilities should process a minimum volume of logs from each sale, i.e., 50%. • TSLs allocated to Cat 2 should have input from Cat 2 registrants re: profile. Input in planning process. • Annual reporting of performance measures. 	
<p>Cedarland Forest Products</p> <p>Vancouver Speciality Cedar Products</p> <p>Watkins Group of Companies</p> <p>Pacific Coast Cedar Products</p>	September 20 and 21, 2022		Mill Tour	<p>BCTS staff (Paul Kennedy and Susan Lee) attended a mill tour with Parliamentary Secretary Doug Routley. Concerns expressed by all four mills were around access to fibre and particularly to cedar. Vancouver Specialty Products, Watkins and Cedarland have expanded their products to use hemlock and other species because they have limited access to old growth cedar.</p>	
Harald Mischke, Cedarland	September 26 and 27, 2022	BCTS	Email	<p>BCTS provided the presentation of Cat VA to Cedarland and included the questions posed at the engagement session. Harald provided the following comments:</p> <ul style="list-style-type: none"> • He likes the s.16.1 program and the conditions for awarding TSLs. • Mill accreditation should be simple. Investment, a workforce that operates special equipment to add value to wood. • Performance obligation must be monitored and enforced. • Transition from Cat 2 to Cat VA should be smooth and simple. No excessive bureaucratic conditions. • Exclude residual fibre users. 	

				<ul style="list-style-type: none"> Major tenure holders must be happy to supply timber to value added industry first prior to exporting. Create an incentive for them (no TIAC). 	
John Brink, Sunny Kullar, Brink and Companies	September 29, 2022	BCTS	Phone	<p>In response to John Brink's letter of September 2, BCTS (Al Powelson, Len Stratton, Gilbert Richir and Paul Kennedy) had a phone meeting John Brink and Sunny Kullar. They discussed:</p> <ul style="list-style-type: none"> The previous s.21 program was flawed and Cat VA should not be like that program. To obtain investment in VA, we need trees as currency and reasonable access to fibre for investment. Need to take volume from major licensees and give to Cat VA. Explore having all BCTS volume for Cat VA. This will force majors to build relationships with VA sector and they will not have control. Cat VA should exclude residuals manufacturers. Easier to export wood to Asia than to sell to remanufacturers. Selling timber is easier than developing a relationship. 10K m3 limit is fair. Better if a person as any tenure they are not allowed into the program. No "fence" is needed around Cat VA volume. Agree with phase in of the new program. The sooner the better. Agree that a person must operate a facility prior to applying to Cat VA. Need more volume for Cat VA to get investment. Majors are not invested in BC as most are putting their money elsewhere, e.g., coast industry. 	
Kurt Niquidet, COFI	September 30, 2022	Kurt Niquidet	Email	<p>Kurt provided the following comments:</p> <ul style="list-style-type: none"> COFI is a strong supporter of BCTS' mandate to provide credible representative price and cost data for MPS. Unclear as to who will be eligible in Cat VA as it will be based on the Manufactured Forest Products Regulation. COFI concerned that pulp and paper 	

				products will be ineligible and asks that BCTS reconsider this.	
Bill Everitt, Princeton Wood Preservers	September 30, 2022	Bill Everitt	Email/letter	<p>Bill provided the following comments:</p> <ul style="list-style-type: none"> • Frustrated because post and rail companies were not previously consulted. • Special Forest Products program ran for years and worked for many smaller value-added companies. Take this work and make it better instead of reinventing the wheel. • Value-added is not defined in the presentation; what does it mean? • It appears a lot of burden will be placed on small companies in reporting, accreditation etc. • No focus on post and rail companies and their needs. <p>Additional questions in letter.</p>	
Bill Kordyban, Carrier Lumber	September 30, 2022	Bill Kordyban	Email/letter	<p>Bill provided the following comments:</p> <ul style="list-style-type: none"> • Cat VA will cause dislocation among existing Cat 2 registrants. • Many of the potentially dislocated produce value-added products and will lose their livelihood with Cat VA. • BCTS should not restrict eligibility in the program on limited set of solid wood products or on product value. • Cat VA should be available to any producer without tenure who adds value as defined by the difference between output value generated and input costs. • Focus performance obligation on jobs/m3 generated. 	
Mark Everard, SBC Firemaster	September 29, 2022	Mark Everard	Email/letter	<p>Mark provided the following comments:</p> <ul style="list-style-type: none"> • Provided a discussion paper on value added to their product, firewood. • Suggested that Cat VA be measured by value produced rather than product. 	Review discussion paper
Brad Bennett, Franklin Forest Products	October 3, 2022	Brad Bennett	Email	Brad requested an extension to October 7 and indicated he likes to overall direction Cat VA is taking.	

San Group	October 6, 2022	Kevin Somerville	Meeting/mill tour	BCTS toured the San Group mill in Port Alberni.	
Brad Bennett, Franklin Forest Products	October 7, 2022	Brad Bennett	Email/letter	<p>Brad provided the following comments:</p> <ul style="list-style-type: none"> • AAC allocated to Cat VA needs to be in line with government's commitment of redistributing a significant level of provincially available harvest. • Cat VA must ensure the eligibility of those adding significant value to low quality raw material. • Support the restricting of diverting timber but still allow for private business arrangements. • Accreditation needs to ensure flexibility to accommodate short term market related curtailments but eliminate timber access to those operations with prolonged periods of curtailment. 	
Peter Edwards, Partap Group of Companies	October 13, 2022	Peter Edwards	Email	<p>Partap sent a letter to the minister on September 7 regarding their concerns to secure long term timber supply for their lumber manufacturing facility on the coast.</p> <p>Following, the Partap Group requested to meet with BCTS (Al and Len) about options to access fibre through Category 2/VA.</p>	
Partap	October 18, 2022	Peter Edwards	Meeting	<p>BCTS and Garth Wiggle, Special Projects, met with Partap and discussed:</p> <ul style="list-style-type: none"> • Partap owns facilities in Maple Ridge and does custom remanufacturing lumber products. • Receives 100% of feedstock from other sawmills through business deals however are finding it more difficult to purchase timber. • Suppliers include: Probyn Logging, Ledcor etc. and timber comes from west coast of Vancouver Island. • They have not participated in BCTS programs, have no experience in logging however are interested in Cat 2 to have timber to trade. • BCTS provided information on Cat 2, Cat V and advised they contact Chinook. • Partap contacted Chinook the following day to register in Cat 2. 	

Mike McKay and Brad Bennett, Franklin Forest Products	October 20, 2022	Franklin Forest Products	Meeting	<p>Discussion included:</p> <ul style="list-style-type: none"> • Design TSLs based on clients' needs in the area. Knowing your clients. • They use the full profile, have no tenure and are niche primary producers and sell to reman facilities. • They don't want to get into logging however they want bring a TSL to a company to log and trade to get the feedstock they need. • It's about adding value and not what product you produce. • They operate 9-10 months/year (minimum of 220 days/year). This includes holidays and downturns due to markets. • New entrants should have 3-5 years of operating prior to being allowed into the program. 	<p>Information for milling accreditation.</p> <ul style="list-style-type: none"> • They operate 9-10 months/year (minimum of 220 days/year). Demonstrates an active and viable business. • New entrants should have 3-5 years of operating prior to being allowed into the program.
Mike McKay and Brad Bennett, Franklin Forest Products	November 15, 2022	Franklin Forest Products	Letter	<p>Comments included:</p> <ul style="list-style-type: none"> • Support local relationships to encourage major licensees to enter into long-term supply agreements with timber processing facilities. • Facilities should operate a minimum of 200 days/year. • Suspend registrants from bidding during periods of curtailment of 30 days or longer. • Supports concept that 50% of TSL volume be processed at TSL holder's facility. • Registrants should be restricted to two TSLs at one time. • Use the differential in the value per m3 of raw material inputs vs. the collective value per m3 of products sold. 	
Paul Patton, SBC Firemaster	January 25, 2023	SBC Firemaster	Phone	<p>Comments included:</p> <ul style="list-style-type: none"> • SBC Firemaster is upset they will be excluded from the new program. • They employ 50 people from the community and provides a high number of jobs/m3. • Registration requirement should include number of jobs/m3 created and financial benefits. 	<p>A meeting has been set up on February 10, 2023 for SBC Firemaster to express their concerns directly to the executive director and director of BCTS.</p>

				<ul style="list-style-type: none"> They want their voice heard and upset their input was not considered. 	
Dwayne Sorenson, Kalesnikoff Timber	January 27, 2023	Kalesnikoff Lumber	Virtual meeting	Kalesnikoff Lumber discussed eligibility and registration criteria in the new program to determine their eligibility, and specifically whether section 4(2)(d) of the BCTS Regulation would still apply in the new program. BCTS confirmed this section will remain in the new program.	
Value-added sector, industry organizations and Category 2 registrants	February 1 – 7, 2023	BCTS	Email with letter or letter sent via Canada Post	A letter was sent via email or Canada Post acknowledging the minister's announcement on January 24 th about the value-added program. An invite was included for them to attend the next engagement session on March 2 nd .	
Value-added Sector 40+ people attended from the value-added sector	February 3, 2023		Virtual meeting	As requested by the value-added sector, BCTS held a session following the minister's announcement on January 24. General information about the new program was provided and questions were answered. Participants were informed of the upcoming engagement session in March.	
Silva Timber Products	February 3, 2023	Richard Kaufman	Phone call	Richard introduced himself to BCTS and expressed strong interest in the value-added program. He explained the value-added products Silva produces in Langley and is keen to register in the new program.	
Port McNeil Shake and Shingle	February 10, 2023	Linda Minihan	Phone call	BCTS provided information regarding the value-added program and clarified that tenure is not provided through the program. It was suggested Linda contact the district to obtain a salvage licence. BCTS forwarded the meeting invite to the engagement session on March 2 nd .	
SBC Firemaster	February 10, 2023	SBC Firemaster	Virtual meeting	BCTS executive and staff met with SBC Firemaster who provided a presentation and rationale as to why they should remain in the value-added program. Firemaster uses low value logs and has 45 people working in Princeton. BCTS provided information about the transition period to the value-added program and TSLs will still be available during this time; Category 1	

				program; and the pilot project under s.79.1 of the FA to reduce burning slash.	
Cedarland	February 13, 2023	Harald Mischke, Owner	Email	<p>Cedarland provided comments following the meeting on February 3rd. Comments included:</p> <ul style="list-style-type: none"> • Category 2 is nothing like the SBEP and it should be. • Exclude facilities that are not actively producing higher value forest products. • Set the stumpage for value-added TSLs at a lower rate to create benefits for the successful bidder. This allows for profits to be reinvested in equipment and technology to move their industry forward. 	BCTS responded on February 14. We thanked him for his comments, indicated we are taking steps to remove facilities that not functioning and processing and that we are working with C&E to do this. BCTS is working closely with the value-added sector to build a program that best meets their needs without being overly bureaucratic.
Continental Pole	February 21, 2023	Drew Obersen	Phone call	<p>Continental Pole called to see if they will be eligible in the VA program as they produce power poles and poles for log homes. Several steps of manufacturing is done to produce the products. They also do custom peeling. He is not able to attend the March 2nd engagement session. They are dependent on the Cat 2 program to access timber.</p>	
BC Log & Timber Building Industry Association (BCLTBIA)	February 23, 2023	BCLTBIA	Letter	Their letter summarized recommendations they would like to see in the VA program.	
Daizen Joinery and Zirnhelt Timber Frames (members of BCLTBIA)	February 27 to March 2, 2023	Daizen Joinery and Zirnhelt Timber Frames	Email	They provided comments and recommendations regarding the VA program and expressed their needs in TSL size, profile and term.	
Value-added Sector	March 2, 2023	BCTS	Virtual engagement session	<p>An engagement session was held with the value-added sector. An update and overview of the program was provided.</p> <p>The recording of the session and the presentation was sent to all attendees.</p>	
Canadian Bavarian	March 7, 2023	Georg	Phone call and email	Concerned whether a documented trade requirement is needed, asked how the value of a stand is determined, and expressed an increase in the scope of audits is needed.	Canadian Bavarian concerns about documented trade arrangements has been forward to BCTS ED for more discussion. Canadian Bavarian agrees with the approach we are taking on this matter. The new scope of the VA audits will also consider timber processing facility, input, output, products and the value of those products.

Klassen Wood Company	March 9, 2023	John-Mark Ferguson	Email	Requested to meet with BCTS to discuss his concerns that his company will not be eligible for the value-added program. They use wood residuals to produce animal bedding and engineered wood fibre playground surfacing. BCTS will follow up to set up a meeting.	
Porcupine Wood Products Ltd	March 13, 2023	Craig Upper	Phone call and email	Discussed: eligibility requirements for the new program; monitoring and whether it will be based on volume or value; performance measure obligation in the interior and how it is determined, and an example was provided.	
Canadian Timberframes Ltd.	March 13, 2023	Stephanie Bowes, Vice President	Email	Stephanie asked a number of questions regarding the presentation on March 2 nd . BCTS provided a response to her questions on April 5.	
Warburton Forest Products	March 13, 2023	Mark Warburton	Phone call	Concerns with allowing people to bid far away from their facility as he would like to keep the wood local. TSL volumes are too large and are located far from his facility and he cannot bid. This discourages small facilities.	
Hyon Bedding (2020) Ltd. and Carrier Lumber	March 16, 2023	Harold Giesbrecht (Hyon), Dan Scott (Carrier) Bill Kordyban (Carrier)	Phone call	Discussed: eligibility for new program and they are concerned that residual fibre users are not eligible. Carrier Lumber and Hyon Bedding have an arrangement where timber is sold to Carrier in exchange for a reduced price of shavings.	BCTS forwarded their comments and contact information to Rachael Pollard, Executive Director of Forest Sector Transformation, for discussion and sourcing other opportunities for Hyon Bedding.
Klassen Wood Company	March 23, 2020	John-Mark Ferguson	Phone call and email	More information about the new program was provided. He supports the concept of doing more with every piece of lumber and the intent of the new program. He asked whether his company will be eligible for the new value-added program. Klassen Wood Company produces wood shavings for bedding and will not be eligible.	BCTS forwarded their comments and contact information to Rachael Pollard, Executive Director of Forest Sector Transformation, for discussion and sourcing other opportunities for Hyon Bedding.
San Group	March 23, 2023	Kevin Somerville	Phone call	Inquired if the 10,000 m3 limit will remain because the San Group is looking at buying Intefor's tenure. A value-added facility should be able to sell their timber and buy other wood products on the open market for their facility without restrictions.	
Aspen Planers	April 3, 2023	Trevor Ball	Email	Gerry MacDougall, Regional Executive Director of Thompson Okanagan Region asked that BCTS follow up with Aspen Planers as they inquired about the VA program. BCTS followed up and no response.	

Franklin Forest Products	April 3, 2023	Brad Bennett	Phone call	Asked for clarification on the performance obligation on the coast and how it is determined. It was explained that average log values for each grade and specie are used and this made sense to him. He thinks trading is more restrictive and regionalizes the wood which works well in the interior, but not as well on the coast. In the interior, manufacturing costs are included in the lumber prices, and lumber prices are used to determine the performance obligation in the interior. On the coast, log values are used and manufacturing costs are not included. He likes the performance obligation however the processing obligation requires you to process the volume at your mill. He likes that the new program is more restrictive.	
Cedar Valley Holdings Ltd.	April 4, 2023	Jason Alexander	Phone call	Jason is currently a Category 2 registrant and has not bid on TSL because they are either too large or do not have the profile he needs and he has spoke to the local BA regarding his mill needs. He did not attend the previous engagement sessions and wanted more information. BCTS sent the recording of the March engagement session and the presentation and forwarded the invites to the next engagement sessions on April 19 and 21.	
Woodco	April 4, 2023	John Drew, President	Phone call	John asked for clarification around monitoring/auditing as he is concerned that Category 2 wood is being sold to major licensees with no processing being done. He is seeing this happen locally and is concerned the value-added program will continue to allow for this to happen. It was explained that monitoring/auditing will be increased to mitigate this. He confirmed he will be attending the next engagement session regarding monitoring.	
Brian Hawrysh BC Wood Specialties	April 6, 2023	BCTS	Phone	BCTS asked Brian for his thoughts regarding allowing trade agreements vs. sale/purchase of timber to meet the processing/performance obligation. He has been hearing a variety of opinions from others in industry where some prefer trades and others prefer sale/purchase. Preferences are unique to the individual and the system needs to be flexible to allow for both trades and sale/purchase to accommodate registrants' needs.	

Brian Menzies, Independent Wood Processors Association Keith Hall, Coastland Wood Industries	April 12, 2023	BCTS	Phone	BCTS asked Brian and Keith for their thoughts regarding allowing trade agreements vs. sale/purchase of timber to meet the processing/performance obligation. They would like to see both options be available because their members use both options to obtain the timber/lumber they need for their facilities. Also suggested we provide a trade agreement template (Keith to provide an example) for registrants to use. They asked if the volume they receive in trade can be obtained 1 year after the TSL is done because this is often how long it takes. Also suggested that BCTS shares the results of monitoring 1-2 years after the implementation of the program so they may see where improvements may be needed etc.	
Value-added sector	April 19 and 21, 2023	BCTS	Virtual Engagement sessions	A presentation around monitoring and auditing was given and asked for input. Three sessions were offered to the sector. The third session on April 21 was offered to the BC Log & Timber Building Industry Association as requested by them. The presentation and the recordings of the session were sent to all participants on April 26.	
Andy Andersen, Tahtsa Timber	April 26, 2023	Andy Andersen	Phone	Andy asked what deposit level (1,2 or 3) would registrants be classified as in the new value-added program? Currently he is level 1 and wants to remain at level 1 however, in the VA program, he would be considered a new registrant, putting him at level 3. BCTS needs to discuss this internally.	
Lorne Green, LG Ponderosa Mill Services	April 27, 2023	Lorne Green	Phone	Lorne inquired about the VA program and registration. BCTS provided the 3 presentations given at the engagement sessions and informed he can reach out to the local BCTS office to register in Category 2.	
Peter Sperlich, BC Log & Timber Building Industry Association	May 5, 2023	Peter Sperlich	Email	BCTS responded to Peter's questions around the performance obligation, and whether jobs/m3 were going to be considered as part of determining who wins the bid.	
Sam Zirnhelt, BC Log & Timber Building Industry Association	May 5, 2023	Sam Zirnhelt	Email	BCTS responded to Sam's questions around the performance obligation, how the value will be determined, whether another category specific to high value-added producers could be created.	

Craig Upper, Porcupine Wood	May 5, 2023	Craig Upper	Email	BCTS responded to Craig's comments regarding the performance and processing obligations and the different implications.	
BC Log & Timber Building Industry Association	May 18, 2023	BCLTBIA	Letter	BCTS responded to BCLTBIA's letter of February 23, 2023.	
Tony Bertoia, Nicola Post and Rail Ltd.	May 10, 2023	Tony Bertoia	Email/Phone	Nicola Post and Rail is struggling to get fibre for their facility, and they employ 35 people. They can use the tops that are often found in slash piles. BCTS provided information on the VA program and explained the differences between Category 2 and the VA program. BCTS also provided information on the residual fibre orders.	
Brad Bennett and Mike McKay, Franklin Forest Products	May 16, 2023	Franklin Forest Products	Letter	Franklin FP recommended BCTS require trade agreements to be provided by registrants to prevent surrogate bidding.	
Harald Mischke, Cedarland Forest Products	May 29, 2023	Cedarland Forest Products	Phone	Cedarland FP asked for an update on the VA program and expressed their need for TSLs with a high component of hemlock and balsam. They invested in equipment to process hemlock and balsam to produce similar products that they previously made from cedar and fir. BCTS indicated they will let TSG and TCH aware of Cedarland's request.	
100 Mile House Mayor and Council	June 8, 2023	100 Mile House	Meeting	The BCTS 101 presentation was given, and an overview of the VA program was also presented. Positive feedback was received by mayor and council.	
BC Log & Timber Building Industry Association (BCLTBIA)	June 9, 2023	BCLTBIA	Meeting	BCTS presented on the VA Program at the BCLTBIA AGM. The BCTS 101 presentation was given, and an overview of the VA program was presented. Strong interest and several questions were asked by the BCLTBIA members. The TCC and TKA attended and talked about their BAs and TSLs they offer.	
Kelly Marciniw, Pan Abode	June 14, 2023	Pan Abode	Email	Pan Abode thanked BCTS for attending the BCLTBIA conference and reiterated their interest in the VA Program and the value-added accelerators work. They also offered a tour of their facility in Surrey. BCTS responded on June 20 and said we will be in touch regarding the VA Program and the accelerators work.	

Value-add Wood Coalition (VAWC)	June 21, 2023	VAWC	Letter	The VAWC submitted a proposal to BCTS involving a pilot of a virtual fence concept, i.e., where an eligible buyers list who have tenure < 200K m3 would be created and VA registrants can only sell or trade VA timber to those on the list. An additional pulp category would also be created to where the residuals from the VA TSLs could then be offered to. They recommended this concept be piloted asap.	
Timber Sales Advisory Committee (TSAC)	July 14, 2023	BCTS	Letter via email	BCTS emailed a letter notifying TSAC members of the proposed change to the BCTS Regulation regarding cancelling a person's registration if they no longer meet the requirements of the category in which they are registered in. A timeline of August 11 was given for TSAC to provide input.	
VAWC – Paul Rassmussen, Warren Carter and Brian Menzies	July 17, 2023	VAWC	Meeting	A few members of the VAWC requested a pre-meeting with BCTS and Rachael Pollard. They identified an agenda for the 19 th meeting: 1) status update on the VA Program; 2) wording in the TSL clause, i.e., "or otherwise purchased"; 3) expansion of the program; 4) Cat 1 recommendations; 5) update from their meeting with the Premier on the 18 th .	
VAWC	July 19, 2023	VAWC	Meeting	VAWC and BCTS met to discuss their concept and provide an update on the program. BCTS responded to their proposal and asked that they develop an alternate solution that falls within specific guidelines. Guidelines include: 1) the solution to be provincial in scope and flexible; 2) BCTS cannot dictate who TSL holders sell/trade their wood to; and 3) be addressed through policy or a 3 rd party agreement. The VAWC agreed to think of alternatives.	
North Enderby, Warren Carter	July 20, 2023	BCTS	Phone	BCTS followed up with Warren Carter to discuss his concerns regarding the TSL processing obligation and the wording "or otherwise purchased". He expressed concern this allows surrogate bidding to occur. He is forced to sell Cat 2 timber to a major for less than what he paid for it and then use the cash to buy wood/lumber that needs for his facility elsewhere. The major also informs others to not purchase Warren's Cat 2 timber so	

				he is forced to sell to the major. He further explained the “fence” concept.	
Kermode Forest Products – Ed Arnold	July 20, 2023	Kermode Forest Products	Phone	<p>Kermode requested information regarding the VA Program. He explained their processing and the amount of time it takes to process, and questioned why custom cutting couldn’t contribute to meeting the TSL obligation. He explained that small facilities cannot do all the processing and therefore have to provide a contract service, i.e., custom cutting.</p> <p>Also explained that smaller TSLs may not help him because he’ll need more volume to trade for the profile he needs. It is unlikely the small volume will have the exact profile he needs.</p>	
VAWC – Brian Menzies	July 21, 2023 and ?	BCTS	Phone/virtual meeting	<p>BCTS called Brian to discuss some ideas and to solicit feedback from the VAWC members regarding: 1) trade agreement; 2) eliminating the TSL obligation.</p> <p>The second call was regarding #2 however, unknown date as to when the call happened.</p>	
John Brink	August 1, 2023	John Brink	Meeting	<p>John expressed the following concerns:</p> <ul style="list-style-type: none"> • Concerned he is having to reduce shifts due to a lack of fibre. • Concerned with the majors investing outside of BC and not selling their timber/lumber to the VA sector in BC. • There needs to be access to fibre to attract investment in VA manufacturing. • The VA sector is slowing down and there are fewer companies. He says there are very few north of Hope. (fact: BCTS has 23 Cat 2 registrants in the North Area) • He was going to invest in a CLT/mass timber mill however without access to fibre he decided not to. • He is aware government is talking to the VAWC and others but there is no meaningful engagement with facilities in the north. • VA sector is not seeing any change happening. • He wants to see tenure reform and get the majors to invest in BC. 	

				<ul style="list-style-type: none"> Also mentioned the BC Lumber Trade Council and that it includes the majors and is considered to be an arm of COFI. The Council was the driving force behind finding markets in China and they send only low grade lumber to China that then gets remanufactured in China (instead of BC). COFI is dictating what happens with the value-add sector. <p>BCTS sent the latest presentation on the program and forwarded his name to Trish Balcaen as part of the Value-add Accelerators.</p>	
TSAC	August 24, 2023	BCTS	Meeting	<p>At a TSAC meeting, BCTS notified members of the proposed change to the BCTS Regulation, i.e., to cancel a person's registration if they no longer meet registration requirements. Reference was made to the letter sent on July 14 to TSAC.</p> <p>No comments or concerns expressed.</p>	
San Group	August 29, 2023	San Group	Meeting	<p>San Group wanted clarification regarding eligibility and registration in the VA Program as they have 4 separate manufacturing facilities with the same director no tenure. BCTS confirmed all 4 facilities are eligible. They described each of their facilities and their capacity on the coast. They need fibre supply to support their facilities.</p>	
VAWC	August 30, 2023	VAWC	Meeting	<p>BCTS provided an analysis of the VAWC's Cat 1 proposal where Cat 1 TSL holders must provide 20% of volume to VA manufacturers. BCTS informed them the performance obligation will be implemented. Their concerns were around the "or otherwise purchased" in the clause and indicated this allows surrogate bidding and expressed they want it removed, however it may impact those on the coast.</p>	
Woodco John Drew	September 5, 2023	Woodco	Call	<p>Woodco produces specialty timbers and is located in TKA. John feels that major licensees do not believe there are going to be significant changes to the VA program to prevent surrogate bidding. Woodco will have a hard time continuing to operate if changes are not made. He agrees with having the trade agreement and only allowing trades and not sales/purchase.</p>	

				Sales/purchases allow for majors to get the wood because they do not want to give timber/lumber back since they want to keep it. Trades will naturally create geographic limits since it will be too expensive to move the wood. Cash can be traded everywhere.	
San Group	September 6, 2023	San Group	Meeting	<p>The following was discussed at the meeting:</p> <ul style="list-style-type: none">• San Group's ideas to prevent/minimize surrogate bidding.• BCTS to share the proposed changes to help minimize surrogate bidding.<ul style="list-style-type: none">○ New performance obligation○ Requirement to provide a trade agreement. <p>They would like to see BCTS track and audit from where the log is scaled, then to primary sawmilling and determine how much lumber is produced, and then where it is manufactured. This will minimize surrogate bidding.</p> <p>The "otherwise purchased" wording in the TSL does not impact them because they have primary sawmilling capacity. They do not think requiring trade agreements will help because what is determined as a fair trade. Also they do not believe in trades because if you cannot use the TSL profile then don't bid on the TSL, and if you require trades then bid in Cat 1.</p>	
Triad Forest Products	October 3, 2023	Triad	Phone	<p>Triad is a lumber remanufacturer and specializes in the production of Shop with Fd, Cw and Hw to produce products based on customer demands. They ship products within Canada and abroad to US, UK Asia etc.</p> <p>They asked if they are eligible for the VA Program. They do not own/lease a processing facility as they have other remanufacturers process the products but Triad owns the input materials, i.e., Shop lumber. They feel they should be eligible for the program because they add a lot of value to Shop grades.</p>	

BC Timber Sales Value-added Manufacturing Program

BC Log & Timber Building Industry Association AGM
June 8-11, 2023



BCTS
BC Timber Sales

Presentation Outline

- Modernizing Forest Policy in BC
- Category 2 Program
- Value-added Manufacturing Program
- Eligibility and Registration Requirements
- Monitoring and Auditing
- Monitoring – Timber Sale Licence (TSL) Obligation
- Monitoring – Annual Reporting Requirements
- Summary of Engagement and Comments
- Boutique TSLs
- Transition from Category 2 to Value-added
- Next Steps
- Ministry of Forests Update



Modernizing Forest Policy in British Columbia

- As part of *Modernizing Forest Policy in BC* (Forest Intentions Paper), government committed to strengthening the value-added sector through the BC Timber Sales (BCTS) Category 2 program.
- BCTS is developing the Value-added Manufacturing Program that will replace the existing Category 2 program.
- On January 24, 2023, the Minister made an announcement regarding the Value-added Manufacturing Program.
 - Category 2 is being modernized to be more inclusive to small and medium sized forestry manufacturers.

Category 2 Program

- Category 2 provides manufacturers and independent lumber producers opportunities to obtain a supply of timber on the open market.
- Registration in Category 2 is open to persons or corporations that own or lease a timber processing facility and do not hold a major licence(s) with an aggregate allowable annual cut greater than 10,000 m³.
 - Bidding is restricted to Category 2 registrants.
- Ten percent of BCTS' apportionment is dedicated to Category 2.
- Category 2 will be replaced with the Value-added Manufacturing Program.

Value-added Manufacturing Program

- The objective is to offer harvest opportunities of Crown timber through competitive auction for non-tenured or minimally tenured timber processing facilities in BC, promoting the manufacturing of value-added products.
- BCTS auctions timber harvest opportunities to its registrants.
 - We provide access to standing timber, and we do not market or distribute logs and other fibre to manufacturers.
- Ten percent of BCTS' apportionment will be dedicated to the Value-added Manufacturing Program.
- Changes to the BCTS Regulation are needed to support the new program.

Eligibility

- Eligible products were identified using Manufactured Forests Products Regulation.
 - This is not an exhaustive list.
- Characteristics of eligible value-added products:
 - Durable
 - Functional
 - Requires processing
- Excluded products: pulp, paper, newspaper, wood chips, pellets, ground wood, bioenergy, biochemicals, hog fuel, shavings, sawdust, bedding, and firewood.

Eligibility

- Aggregate allowable annual cut held in major forest licence(s) must not exceed 10,000 cubic metres.
 - Consistent with Category 2.



Registration Requirements

- Purpose of mill accreditation – to participate in the Value-added Manufacturing Program.
- Requirements to obtain mill accreditation:
 - Own or lease an independent and free-standing timber processing facility in British Columbia containing equipment capable of producing the eligible value-added products.
 - Provide evidence to verify an active facility. This will include:
 - The facility has at least one or more production workers other than the director or officer of the corporation.
 - The facility operates a minimum of 1600 hours per year. This must be met for the preceding calendar of registration and must continually be met to maintain mill accreditation.
 - A site visit conducted by BCTS.

Monitoring and Auditing

- Monitoring and auditing will help BCTS determine whether the program is working.
 - Are we serving the sector that we should be serving?
 - Do we have the right registrants in the program?
 - Do we need to adjust the rules?
- To answer these questions, the program needs to be operating for 2 to 4 years, to allow time to complete a TSL.

Monitoring and Auditing

- Monitoring will consist of:
 - TSL obligation – performance obligation or processing obligation
 - Annual reporting requirements – to maintain mill accreditation
- Auditing will consist of:
 - TSL obligation – auditing will be done randomly and on an as needed basis, e.g., if a TSL holder fails to meet the TSL obligation then the TSL holder will be audited.
 - Will be completed by an external auditor.
 - Annual reporting requirements – auditing will be done randomly and on an as needed basis, e.g., fail to meet the annual reporting requirements or if information looks questionable.
 - Will be completed by an external auditor.

Monitoring – Timber Sale Licence Obligation

- Category 2 TSLs have a timber processing obligation.
 - 75 percent of the TSL volume must be processed within the term of the TSL.
 - Measured in cubic metres.
 - Volume may be traded or sold to purchase the profile needed for a facility to meet the processing obligation.

OR

- Value-added TSLs may have a performance obligation.
 - Specified value must be produced within the term of the TSL.
 - Measured in dollars.
 - Volume may be traded or sold to purchase the profile needed for a facility to meet the performance obligation.

Monitoring – Timber Sale Licence Obligation

- To demonstrate the TSL obligation has been met they may be required, upon completion of the TSL, to provide:
 - Information on timber volume processed, value produced, or facility production levels.
 - This will be dependent on which obligation (e.g., processing or performance) is implemented.
 - This information will be subjected to random auditing. Or if the TSL holder fails to meet the obligation, then they will be audited.

Monitoring – Performance Obligation – Interior

Selling Price Summary

	<u>BA</u>	<u>CE</u>	<u>HE</u>	<u>FI</u>	<u>LA</u>	<u>LO</u>	<u>SP</u>	<u>WH</u>	<u>YE</u>
Cruise LRF (fbm/m3)	187					87	192		
Appraisal LRF (fbm/m3)	305					275	318		
Average Market Value (\$/mbm)	560					560	560		
Species Volume (m3)	85					8455	2545		
Species Selling Price (\$/m3)	170.8					154	178.08		
Stand Selling Price (\$/m3):								159.66	

Monitoring – Performance Obligation – Interior

Stand selling Price (\$CDN/m3) from stumpage rate details report	159.66
Volume of TSL (m3) from the cruise	11,176
Total average stand value of <u>licence</u> (\$CDN) = stand selling price x volume	\$ 1,784,360.16
Percent of value to be produced expressed as a decimal	0.75
Value to be produced to meet the performance obligation (\$)	\$ 1,338,270.12

Monitoring – Annual Reporting Requirements

- Annual reporting requirements must be met to maintain mill accreditation.
- These requirements will support BCTS to:
 - Monitor a registrant's capacity and wood utilization.
 - Ensure a registrant's timber processing facility has been operating for the required time (i.e., 1600 hours/year)
 - Ensure registrants are producing the eligible value-added products.
- If annual reporting requirements are not met, then mill accreditation is not retained and it will affect registration in the Value-added Manufacturing Program.

Monitoring – Annual Reporting Requirements

- Annual reporting requirements include:
 - Information regarding timber species (e.g., input) and volume of timber processed (e.g., output).
 - Number of operating hours in the year.
 - Financial information regarding pricing, purchases, sale of timber or exchange of timber i.e., trade agreement.
- Random auditing and on an as needed basis will be done.
- Information is confidential and protected under the *Freedom of Information and Protection of Privacy Act*.

Summary of Engagement

- Value-added Sector:
 - Engagement sessions on August 17 and 18, 2022, March 2, 2023, and April 18 and 21, 2023.
 - Debrief session following the minister's announcement on February 3, 2023.
 - Engagement session on the final program once regulations are enacted.

- Indigenous People:
 - Engagement sessions were held on November 9, 2022, and March 3, 2023.
 - Letters were sent regarding the proposed regulatory amendments.

Summary of Comments – Stakeholders

- Value-added sector's comments:
 - Create multiple programs, i.e., for residuals, higher value-added products etc.
 - Some facilities require only 2,000 m³/year. Can multiple facilities share registration and bid on a TSL?
 - Value to be produced to meet the performance obligation is reasonable and can be easily met by those who produce high value products. They prefer the performance obligation.
 - Others who produce low value products cannot meet the performance obligation and prefer the processing obligation.
 - Have both options in the TSL and let the successful bidder choose which obligation they want.
 - Positive to see the Value-added Manufacturing Program is more restrictive.
 - The Value-added Manufacturing Program does not address surrogate bidding.
 - More volume (i.e., 3 to 8 million m³) needs to be dedicated to the program.

Summary of Comments – Indigenous People

- Indigenous People's comments:
 - The Value-added Manufacturing Program does not support reconciliation.
 - Limit of 10,000 m³ to register will automatically eliminate most First Nations.
 - Maintain the 10,000 m³ limit to register in the Value-added Program however this requirement would not apply to First Nations owned timber processing facilities.
 - First Nations are interested in moving into the value-added industry.
 - Moving from timber harvesting to creating value-added wood products is the next step.
 - Create an incentive for industry to partner with First Nations in the value-added sector.
 - How does the Value-added Manufacturing Program support First Nation communities?
 - Question around what products are made by smaller value-added businesses.

Boutique TSLs

- Reach out to the local BCTS office to express your needs as a Category 2/value-added registrant.
 - E.g., timber profile, TSL volume, term, TSL obligation (performance vs. processing).
- As best as possible, BCTS will develop “boutique” TSLs based on the local value-added sector’s needs.
- It can take anywhere from 1 to 2 years to develop a TSL.

Transition from Category 2 to Value-added

- Changes to the BCTS Regulation are proposed to be completed in Fall 2023.
- Once the new regulations are enacted then a 1-year transition period commences.
 - Provides time for Category 2 registrants to register in the Value-added Manufacturing Program and for BCTS to conduct site visits as part of the mill accreditation.
 - TSLs will continue to be offered during the transition period.
 - All Category 2 registrants must apply to the Value-added Manufacturing Program.
- Following the transition period, Category 2 is removed.

Next Steps

- Working on the changes to the BCTS Regulation that will support the Value-added Manufacturing Program.
- Continue consultation with Indigenous People on the regulatory changes.
- Engagement session with stakeholders on final program once regulations are enacted.



Ministry of Forests Update

- Ministry of Forests mandate to transition the forestry sector from high volume to high value production.
 - Aligns with the Forest Intentions Paper commitment to strengthen the value-added sector.
 - Led by Rachael Pollard, ED of Forest Sector Transformation.
- BCTS is one component of government's solution to grow the value-added sector.

Ministry of Forests Update

- Council of Forest Industries (COFI) and the Value-added Wood Coalition (VAWC) agreed to initiate regional value-added accelerator tables to bring together major licensees, value-added wood manufacturers and government.
- Provincial Steering Committee formed and will provide leadership to the regional tables.
 - Includes COFI, VAWC, First Nations Forestry Council, Ministry of Forests including BCTS.
- Regional tables will be formed for the north, south and coast.
 - Includes major licensees, value-added wood manufacturers, First Nations and ministry staff.
 - Collectively they will develop solutions to increase the value generated from BC's forests and improve the fibre flow between them.

Ministry of Forests Update

Key Messages:

- Securing and growing BC's value-added wood sector and transitioning the forest industry to high-value manufacturing is a key government commitment. The new Value-Added Accelerators (VAA) will increase the flow of fibre to higher value manufacturers in BC, to create more jobs and value for BC from the trees we harvest.
- The Value-Added Accelerators are being led in partnership by the BC Value Added Wood Coalition, Council of Forest Industries (COFI), the First Nations Forestry Council (FNFC) and the Ministry of Forests.
- The Accelerators will bring together licensees, value-added wood manufacturers, and First Nations at three regional 'tables' in the North, South, and Coast, guided by a provincial steering committee. Collectively, these tables will develop joint solutions to secure and grow the value-added sector.
- As a first priority, the Accelerators will host a series of regional workshops to engage all sector participants and focus on improving the flow of fibre between these groups.
- BC Timber Sales Value-Added Manufacturing Program:
 - BC Timber Sales (BCTS) – part of the Ministry of Forests and a partner in the Accelerators – supports both primary and secondary wood manufacturers through the auction of standing timber.
 - BCTS's new Value-Added Manufacturing Program will provide a dedicated supply of fibre for that portion of the value-added sector that produces specific manufactured products, which is one part of a broader value-added strategy.
 - The Ministry is actively exploring increasing the volume dedicated to the Value-Added Manufacturing Program.

Questions?